EXHIBIT 10 - INTERROGATORY RESPONSES

Exhibit 10, Tab 1, Schedule 2

Appendices to the Responses to Interrogatories from Board Staff

EXHIBIT 10 - TAB 1 - SCHEDULE 2
APPENDICES

6(i)	Characteristics of Transmission Companies in Benchmarking Panel
35(ii)	Building Appraisal
38(i)	Licence Agreement for SCADA System Between GLPT and GLPL
40(v)	OM&A Agreement Between GLPTLP and GLPL
44(ii)	Continuity Tables
54(i)	2005 Audited Financial Statements for GLPL Transmission Division
	2006 Audited Financial Statements for GLPL Transmission Division
55(i)(a)	2006, 2007 and 2008 GLPL federal tax returns 2006, 2007 and 2008 GLPL Ontario tax returns 2007 and 2008 GLPL federal notices of assessment
55(i)(d)	2007 and 2008 GLPT Inc. federal tax returns 2007 and 2008 GLPT Inc. Ontario tax returns 2007 and 2008 BIH (Canada) Inc. federal tax returns 2007 and 2008 BIH (Canada) Inc. Ontario tax returns 2007 BIH (Canada) Inc. federal notice of assessment 2007 BIH (Canada) Inc. Ontario notice of assessment
60(v)	Asset Purchase Agreement between GLPL and GLPTLP (December 11, 2007)
63(i)	Wardrop Report
66(i)	TS Ground Grid Report by PTD
70(i)	ABB Report re Ground Grid ESA Requirements re Ground Grids
71(i)(b)	Vegetation Clearance Condition Report
93(i)	Deed of Trust
95(i)	Revenue Requirement Work Form
	Revenue Requirement Work Form (Updated per Cost of Capital)
97(i)	Live Excel Model of Charge Determinants

UTILITY IDENTIFIER	CHARACTERISTICS	GEOGRAPHIC LOCATIONS	VOLTAGES/KM	TERRAIN	NUMBER OF CUSTOMERS	INDUSTRIAL CUSTOMERS	% INDUSTRIAL
1	Combined D&T	MidWest US		flat, some trees	1,499,826	10,978	0.732%
2	Combined D&T	MidAtlantic US		flat, dense trees	1,225,305	389	0.032%
3	Combined D&T	Southeast US	69kV : 684km, 100kV class : 3398km, 300kV Class and above : 1956km,	flat, dense trees	2,011,174	6,951	0.346%
4	Combined D&T	MidWest US		flat, some trees	3,786,653	2,074	0.055%
5	Combined D&T	Southeast US	69kV : 4435km, 100kV class : 3242km, 300kV Class and above : 838km, 400kV Class and above : 92	flat, dense trees	934,215	1,981	0.212%
6	Combined D&T	Southeast US	<69kV : 166km, 69kV : 2541km, 100kV class : 15395km, 200kV Class : 3640km, 300kV Class and above : 156km, 400kV Class and above : 3282	flat, dense trees	2,656,120	44,373	1.671%
7	Trans Only	MidWest US		flat, some trees	2,200,000		
8	Trans Only	MidWest US		flat, some trees	1,800,000		
9	Combined D&T	MidWest US	<69kV : 138km, 69kV : 3102km, 100kV class : 2278km, 300kV Class and above : 1611km,	flat, some trees	716,359	1,448	0.202%
10	Combined D&T	Northeast US		flat, dense trees	1,614,884	1,695	0.105%
11	Combined D&T	MidWest US	<69kV : 2257km, 69kV : 2656km, 100kV class : 5701km, 200kV Class : 1562km, 300kV Class and above : 79km, 400kV Class and above : 796	flat, few trees	385,467	71	0.018%
12	Combined D&T	Southwest US	69kV : 4740km, 100kV class : 11128km, 300kV Class and above : 8116km,	flat, few trees	3,077,913	182,018	5.914%
13	Combined D&T	MidAtlantic US	69kV : 177km, 100kV class : 211km, 200kV Class : 853km, 400kV Class and above : 302	flat, dense trees	1,555,343	3,081	0.198%
14	Combined D&T	MidAtlantic US		flat, dense trees	3,800,000		

March 3, 2009

Great Lakes Power
2 Sackville
Sault Ste. Marie, ON

ATTN: Mr. Duane Fecteau

RE: Consulting Report for 2 Sackville Road, Sault Ste. Marie, ON
Commercial, Industrial & Vacant Industrial Land Lease Rate Analysis

In fulfillment of our engagement, we are pleased to transmit an analysis, presented in a Narrative Format, developing the Market Lease Rates of the commercial/industrial properties and a portion of the vacant industrial land located at the above referenced property. The scope of the analysis was to prepare a report based on the information provided by the client. The reports reliability is limited by the scope of the analysis and the depth of the discussion warranted under the terms of reference discussed.

The report will be used to assist Great Lakes Power in determining the Market Lease Rates of the subject property for internal purposes. It may not be distributed to or relied upon by other persons or entities without permission of Great Lakes Power. However, Great Lakes Power may provide only complete, final copies of the letter in its entirety (but not component parts) to third parties.

The following analysis sets forth the most pertinent data gathered, the techniques employed and the reasoning leading to the opinion of value. The analysis, opinions and conclusions were developed based on, and this report has been prepared in conformance with, our interpretation of the guidelines and recommendations set forth in the *Canadian Uniform Standards of Professional Appraisal Practice* (CUSPAP), the requirements of the *Code of Professional Ethics* and *Standards of Professional Appraisal Practice* of the Appraisal Institute of Canada.

Based on the analysis contained in the following report, the Market Lease Rates for the properties and land occupied by Great Lakes Power as at February 27, 2009 is as follows:

Property Type	Lease Rate	
Type 1: Commercial/Office	1st & 2nd Floor	$5.50 PSF to $7.50 PSF NET
	Lower Level	$1.50 PSF to $3.50 PSF NET
Type 2: Industrial	Building 1	$7.00 PSF NET
	Building 2	$5.00 PSF NET
Type 3: Vacant Land	$2,516.67 /month	$30,200 / YEAR NET

The information included is based on data obtained interviews with third parties. As such, the data could not always be verified. In addition, we make assumptions as to future behavior of consumers, and the general economy, that are dynamic and subject to change. We take no responsibility for any events, conditions, or circumstances affecting the market that exists subsequent to the effective date of this appraisal. This letter is invalid as an opinion of value if detached from the report, which contains the text, exhibits, and addenda.

In view of the fact that the analysis discusses both gross and triple net leases; the following definitions are included;

Gross Lease: *A property lease in which the landlord agrees to pay all expenses which are normally associated with ownership, such as utilities, repairs, insurance, and (sometimes) taxes.*

Triple Net Lease: *A lease in which the lessee pays rent to the lessor, as well as all taxes, insurance, and maintenance expenses that arise from the use of the property.*

It has been a pleasure to assist you in this assignment. If you have any questions concerning the analysis or if Area Real Estate Appraisals Inc. can be of further service, please contact us.

Respectfully submitted,

Samuel G. Butkovich AACI
President
AREA Real Estate Appraisals Inc.
sam@evaluationet.com
Certificate #2805

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Scope of Work

According to the Canadian Uniform Standards of Professional Appraisal Practice, it is the appraiser's responsibility to determine the appropriate scope of work. CUSPAP defines the scope of work as:

The amount and type of information researched and the analysis applied in an assignment. Scope of work includes, but is not limited to, the following:

1 the degree to which the property is inspected or identified;
2 the extent of research into physical or economic factors that could affect the property;
3 the extent of data research; and
4 the type and extent of analysis applied to arrive at opinions or conclusions.

The following information defines the Scope of Work taken by the appraiser(s):

Report Type	Consulting Report in Narrative Format
CUSPAP Reporting Type Description	This analysis will constitute the basic outline and content of a Narrative Report. This format provides the client with the best method for understanding the appraiser's reasoning and conclusions, and assists the appraiser in analyzing the problem logically.
Purpose of the Report	To assist GLP in determining the market lease rates of the commercial and industrial buildings located on the subject property. To assist GLP in determining the market lease rate of a portion of the subject industrial lands.
Property Types	Type 1: Commercial/Office Space Type 2: Industrial Space Type 3: Vacant Industrial Land
Scope of Work	Interviews were conducted with; 1) Building Owners 2) Commercial Developers 3) Property Managers 4) Rental Agents 5) Commercial Brokers

Market Conditions

Macro Economic Data (TD Economics)

Near-Term Trackings on Data

For Canada, the near-term data are tracking a worse than- expected outcome. The job market is deteriorating more broadly and rapidly, and the same can be said for the housing market. By extension, this has bled into consumer spending. Accounting for these developments resulted in a 0.5 percentage point downward revision to our 2009 real GDP growth estimate and a smaller 0.2 percentage point drag in 2010.

For the U.S., the near-terms trackings on GDP have gone in the opposite direction. Real GDP growth in the fourth quarter came in at -3.8%, a full two percentage points better than we had expected. Most of the miss between our estimate and theirs was centered in an inventory swing, which has not caused us to materially change our outlook for 2009 and 2010; however the net result is that the fourth quarter produced a stronger hand-off into 2009 than we had originally estimated.

Fiscal Stimulus Impact

We then took the baseline projections from these data revisions and adjusted the forecasts on both sides of the border to incorporate the impact of fiscal stimulus. In Canada, the fiscal stimulus package put forth in the 2009 Budget adds back 0.5 percentage points to real GDP growth in that year, completely offsetting the weakening to our base line projection. In 2010, the stimulus adds 0.6 percentage points to real GDP growth. All told, real GDP growth was bumped back up to -1.4% for 2009 and +2.8% for 2010. Notable features of this updated forecast are a pronounced further weakening of housing starts to a trough of 140,000 (compared to 160,000 in the December forecast) and an overall employment loss of 324,000 (compared to the shallower decline of 250,000).

For the U.S., the government is proposing bigger fiscal stimulus figures than we had originally assumed, and this leads to a marginal increase in our base line GDP forecast for 2009, with a bigger lagged impact on 2010. The House is proposing about $820 billion in tax and spending initiatives, while the Senate appears to be closer to $890 billion. We split the difference and incorporated $850 billion in our model, a net $250 billion addition to our December view.

However, the addition in spending doesn't mean it will be more effective, especially in the near term. The stimulus package has turned into a fiscal party, with all interest groups making a mad scramble for the punch bowl. Plus, with an estimated 70% of the stimulus directed to spending measures (rather than tax cuts), there could be significant lags in circulating the funds into the economy. We think 2010, and even 2011, will be the years when the impact of most of the infrastructure funds will be felt.

In total, the fiscal stimulus package will add 0.7 percentage points to U.S. GDP growth in 2009 and 1.9 percentage points in 2010. That places the projections for real GDP growth in those years at -1.6% and +3.2%, respectively.

City Data

Table 1

Table of Sault Ste. Marie's Major Employers 2007 Source: Ontario Community Profiles		
PRIVATE SECTOR		
NAME	PRODUCT OR SERVICE	Employees
Algoma Steel Inc.	Steel Manufacturing	3,000
NuComm International	Call Center	800
Ontario Lottery & Gaming Corporation	Lottery & Gaming Products	525
NCO Teleservices Inc.	Call Center	800
Sutherland Group Canada Ltd	Call Center	1,100
St. Mary's Paper Ltd.	Pulp Mill Producing Paper	375
A & P	Food (Groceries)	375
EDS / GM Roadside	Call Center	270
Sears Canada	Department Store	250
Rome's Independant Grocers	Food (Groceries)	200
PUBLIC SECTOR		
NAME	PRODUCT OR SERVICE	Employees
Sault Area Hospitals	General Hospitals	1,600
Algoma District School Board	Elementary and Secondary Education	1,600
City of Sault Ste. Marie	Local Government Services	727
Huron-Superior Catholic District School Board	Elementary and Secondary Education	900
Sault College of Applied Arts & Technology	Alcohol & Community Colleges and C.E.G.E.P.'s	320
Community Living Algoma	Social Service Planning	378
Casino Sault Ste. Marie	Alcohol & Gaming Commission of Ontario	410
Group Health Centre	Public Health Clinics/Community	290
Algoma Health Unit	Public Health	170
Children's Aid Society of Algoma	Child and Youth Services	150

City employment is almost equally distributed between the private and public sector. The economy is somewhat diversified from an industrial base to a technology base. Most technology jobs however are in call centers and not high technology, white collar jobs.

There will be an influx of specialized trades people migrating to Sault Ste. Marie over the next 36 months while the new hospital is being built. This segment of the workforce is expected to cause a shortage of housing over the short term as the vacancy rate in Sault Ste. Marie is about 1%. Some of the workers may be forced to buy homes as the only viable alternative to renting.

Residential Sales

Table 2

STATISTICS REPORT – SAULT STE. MARIE REAL ESTATE BOARD

For the month of: December, 2008

	$ Value Units Sold for Current Month	# Units Sold for Current Month	# New Listings for Current Month	# Active Listings End of Current Month
(A) RESIDENTIAL				
Sgl Family House	2,981,800	22	34	165
Sgl Family Other	0	0	0	1
Residential Other	2,234,500	22	32	319
TOTAL	**5,216,300**	**44**	**66**	**485**
(B) NON-RESIDENTIAL				
Farms	0	0	0	6
Vacant Land	1,653,000	3	6	177
Other (I.C. & I)	521,000	5	6	85
TOTAL	**2,174,000**	**8**	**12**	**268**
GRAND TOTALS (A&B)	**7,390,300**	**52**	**78**	**753**

NUMBER OF RESIDENTIAL UNITS SOLD ACCORDING TO PRICE CATEGORY

Under 29,999	2	$60,000-69,999	4	$100,000-119,999	4	$180,000-199,999	4	$400,000 & over	0
$30,000-39,999	0	$70,000-79,999	0	$120,000-139,999	4	$200,000-249,999	3		
$40,000-49,999	4	$80,000-89,999	6	$140,000-159,999	4	$250,000-299,999	1		
$50,000-59,999	1	$90,000-99,999	3	$160,000-179,999	4	$300,000-399,999	0		

YEAR -TO -DATE

	$ Value of Units Sold		# Of Units Sold		# of New Listings	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**
RESIDENTIAL	174,482,074	180,345,392	1,410	1,604	2,361	2,198
NON-RESIDENTIAL	27,572,875	21,899,000	229	276	656	761
TOTALS	**202,054,949**	**202,244,392**	**1,639**	**1,880**	**3,017**	**2,959**

Sales of all units are down less than 1% over 2007.

The local market is best classified as a neutral sellers market.

Building Permits

Table 3

June

Year	Single Family	2 & 3 Apts.	Residential	Commercial	Industrial	Institutional	TOTAL
1976	12,997,603	3,443,000	1,977,000	1,460,234	138,400	2,833,711	22,849,948
1977	8,965,124	3,338,708	3,656,400	1,832,691	1,637,453	487,920	19,918,296
1978	11,068,800	1,080,184	278,000	2,908,030	2,164,500	1,557,542	19,057,056
1979	11,221,677	1,462,800	1,876,000	2,169,550	1,104,000	3,133,769	20,967,796
1980	8,624,336	728,133	6,259,773	3,450,335	3,239,920	1,451,847	23,754,344
1981	9,882,847	786,689	4,981,858	7,596,217	26,212,200	334,776	49,794,587
1982	5,430,902	136,292	2,108,038	888,243	20,589,095	3,636,190	32,788,760
1983	7,682,357	138,990	644,500	2,531,024	300,270	1,608,075	12,905,216
1984	8,062,682	137,059	163,960	6,110,841	370,300	23,593,317	38,438,159
1985	9,883,315	22,035	145,278	2,487,421	1,045,540	1,336,194	14,919,783
1986	9,765,020	185,747	68,200	3,598,852	975,000	1,000,831	15,593,650
1987	10,492,815	180,469	1,602,111	4,020,152	188,000	6,598,135	23,081,682
1988	27,458,643	1,981,777	4,036,675	7,548,603	2,599,853	7,091,187	50,716,738
1989	30,188,590	2,003,013	9,421,065	5,542,685	6,407,857	84,564,957	138,128,167
1990	25,764,783	391,178	4,972,477	6,244,855	1,112,200	10,869,857	49,355,350
1991	7,720,714	276,366	4,730,400	3,900,304	2,826,732	6,349,659	25,804,175
1992	8,039,439	574,267	2,882,701	1,211,100	32,022	5,707,033	18,446,562
1993	11,718,416	187,416	8,806,759	1,722,107	1,178,300	5,294,559	28,907,557
1994	11,281,105	425,919	2,583,334	5,295,568	843,400	1,943,691	22,373,017
1995	12,387,124	2,350,456	6,412,057	2,915,156	2,379,225	5,465,512	31,909,530
1996	10,607,316	3,482,195	2,254,350	1,783,902	21,253,500	1,518,866	40,900,129
1997	10,755,481	1,370,253	587,400	1,767,170	350,600	1,111,536	15,922,440
1998	9,448,047	99,285	1,173,781	6,386,484	3,524,063	1,496,811	22,128,471
1999	7,502,215	236,644	369,777	7,686,282	2,282,909	31,118,744	49,196,571
2000	7,728,647	432,814	1,012,425	10,086,711	2,674,000	2,578,027	24,512,624
2001	7,684,999	738,797	1,034,000	2,896,631	3,865,385	4,947,750	21,167,562
2002	6,302,226	503,659	882,000	2,740,911	672,700	11,278,864	22,380,360
2003	10,565,763	50,200	113,175	7,419,259	636,798	5,514,326	24,299,521
2004	12,222,540	781,285	114,516	1,937,174	598,357	7,643,129	23,297,001
2005	10,163,521	1,290,822	584,860	1,446,245	573,000	28,884,192	42,942,640
2006	9,782,610	52,583	651,583	5,164,950	1,004,110	4,955,587	21,611,240
2007	15,469,500	20,300	907,620	14,610,610	296,500	17,451,730	48,756,260

Commercial Building activity is the highest it's been in the past 20 years. This is attributable to a strong local economy and the insurgence of several new retail developments in the northerly part of the city. This includes Home Depot, Wal-Mart, and Future Shop to name a few. Institutional activity is also fairly active and will increase next year when the new hospital is built. The city built a new, 4,500 seat arena (the Essar Centre) that opened in 2006.

Subject Property Identification

2 Sackville Road
Sault Ste. Marie, ON

- **Market Type** Urban Population >100,000
- **Property Type** Industrial/Commercial

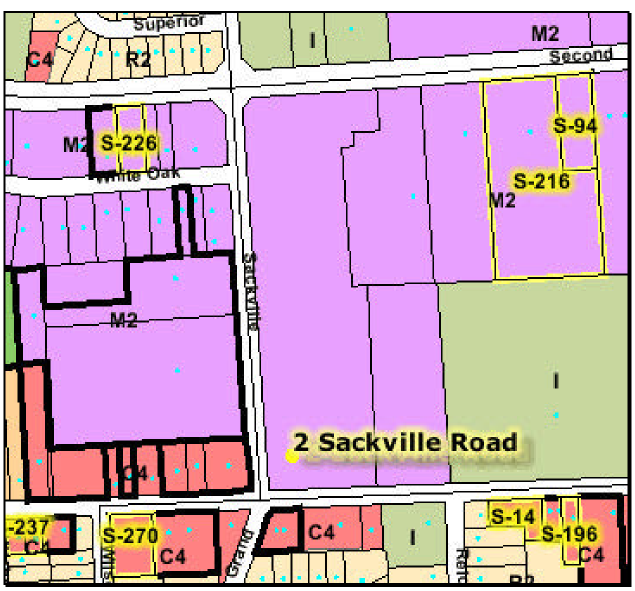
Location Information

- **Legal Description** PLAN 763 LOT 1 TO 32 LANE CLOSED DELEWARE BALTIMORE BALMORAL AVE. CLOSED PLAN H732 LOT 14 PT PCL 12220 AWS RP 1R9112 PT 1
- **Roll Number** 57-61-030-056-149-00-0000

Zoning, Assessment & Taxes

- **Zoning** M-2 Medium Industrial Zone
- **Uses** See Addendum
- **Assessment** $3,046,000 / 2008
- **Taxes** $128,199 / 2008

Map 1



Site Information (Entire Site)

- **Gross Land Area (SF)** 586,491.84 SF
- **Gross Land Area (AC)** 13.46
- **Est. Usable Land Area (%)** 100%
- **Shape** Irregular Rectangle
- **Topography** Level
- **Frontage (Ft.)** 438.62'
- **Depth (Ft.)** Irregular
- **Environmental Issue** Unknown

At Site Utilities

- **Water Description** Municipal
- **Sewer Description** Municipal
- **Electricity Description** Municipal electricity.
- **Gas** Yes installed
- **Telephone** Yes
- **Cable** Yes

Parking

- **Parking Type** 100% paved
- **Number of Parking Spaces** Adequate

Property Type 1: Office Building

GENERAL

- **Type of Building** — Commercial Office
- **Age** — 1968 & 1995
- **Number of Stories** — 1 storey (part) plus basement / 2 storey (part) plus basement
- **Building Size** — 24,572 SF (Basement = 18,216 SF)
- **Wall Support** — Concrete Block
- **Condition** — Average

EXTERIOR

- **Roof Support** — Structural Steel Beams
- **Roof Cover** — Metal Deck, Ploy Membrane, T & G
- **Exterior Walls** — Metal Aluminum Panels
- **Foundation** — Poured Concrete
- **Other** — Parking Lot & Building Lighting
- **Condition** — Good

INTERIOR

- **Floors** — Ceramic Tile, Broadloom
- **Walls** — Drywall, Concrete Block
- **Ceilings** — Suspended Tile
- **Lighting** — Fluorescent
- **Electrical** — Main 60,000 Volts – 3 Phase 600 amps
- **Heating** — Electric HVAC – Electric Hot Water
- **Plumbing** — Standard Copper
- **Other** — Locker & shower rooms, male & female washrooms on both levels, boardroom, lunch room, elevator, partitioned offices two stairwells.
  Building link – 36 feet – 2 levels.
  Loading dock and overhead doors.
  Basement height is 11 feet.

Photographs of Property Type 1: Office Building

Front View – 2 Storey Portion

Rear View – One Storey Portion

Property Type 2: Industrial Building “1”

GENERAL

Type of Building	Metering Shop
Age	1995
Number of Stories	1 + mezzanine
Building Size	8,020 SF (Mezzanine = 720 SF)
Wall Support	Concrete Block
Condition	Average

EXTERIOR

Roof Support	Structural Steel Beams
Roof Cover	Metal Deck, Ploy Membrane, T & G
Exterior Walls	Vertical Metal Siding
Foundation	Poured Concrete
Other	4 Overhead Doors
Condition	Good

INTERIOR

Floors	Concrete
Walls	Exterior Metal Siding
Ceilings	Exposed – Partially insulated
Lighting	Fluorescent, mercury vapour lights
Electrical	3 Phase 600 amps
Heating	Electric Radiant, Shop overhead blowers
Plumbing	Standard Copper
Other	Work shop area for trades. Building consists of garage, electrical shop and repair shop. Mezzanine is used as storage. Building height is 25 feet.

Photographs of Property Type 2: Industrial Building “1”

View from Northern Avenue

Rear View

Property Type 2: Industrial Building "2"

GENERAL

▪ **Type of Building**	Storage / Repair Shop
▪ **Age**	1969
▪ **Number of Stories**	1
▪ **Building Size**	3,200 SF (approx)
▪ **Wall Support**	Structural Steel Columns & Beams
▪ **Condition**	Average

EXTERIOR

▪ **Roof Support**	Structural Steel beams
▪ **Roof Cover**	Metal Deck
▪ **Exterior Walls**	Vertical Metal Siding
▪ **Foundation**	Poured Concrete
▪ **Other**	2 Overhead Doors
▪ **Condition**	Good

INTERIOR

▪ **Floors**	Concrete
▪ **Walls**	Exterior Metal Siding
▪ **Ceilings**	Exposed / Partially Insulated
▪ **Lighting**	Fluorescent, Mercury Vapour Pots
▪ **Electrical**	3 Phase 600 Amps
▪ **Heating**	Electric Radiant, Shop Overhead Doors
▪ **Plumbing**	Standard Copper
▪ **Other**	Work shop area for trades people. Building consists of garage & repair shop. Building Height is 25 feet.
▪ **Condition**	Good

Photographs of Property Type 2: Industrial Building “2”

Side View of Storage Building

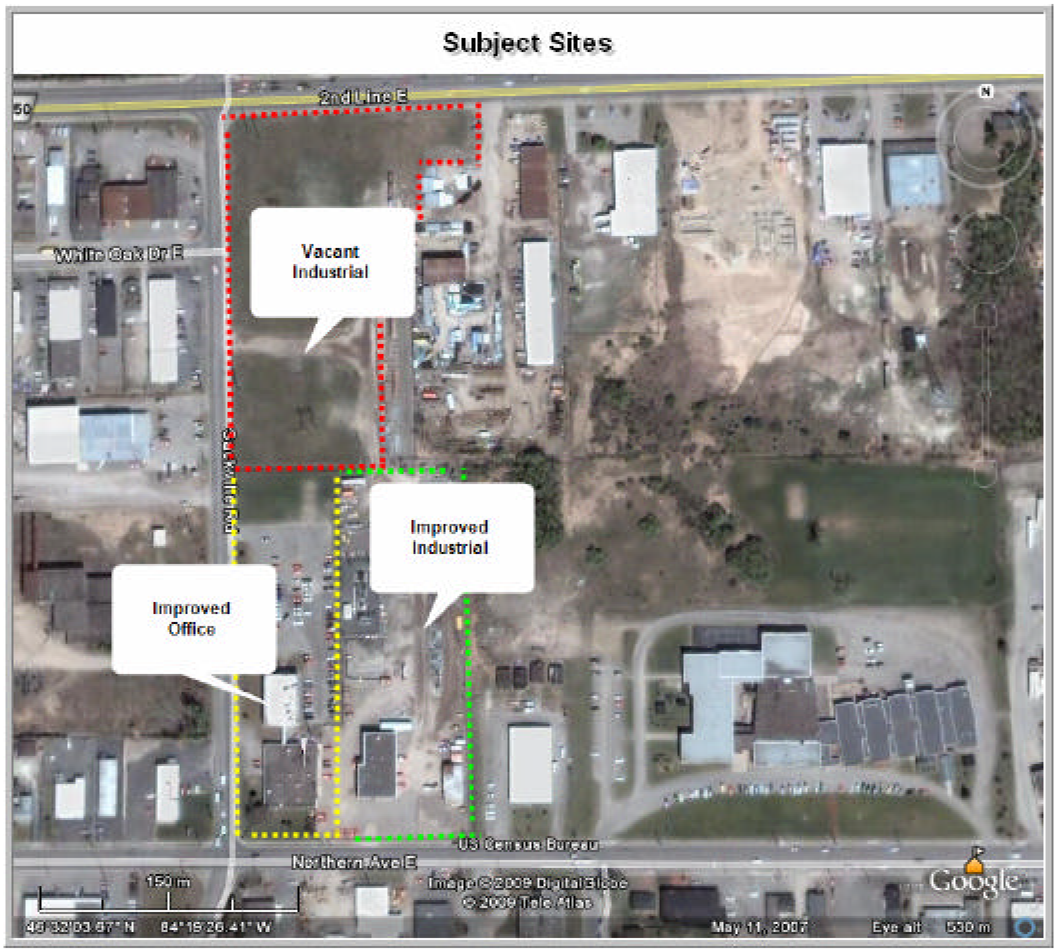
Rear View of Storage Building

Property Type 3: Vacant Land

- **Gross Land Area (SF)** 263,102
- **Gross Land Area (AC)** 6.04
- **Est. Usable Land Area (%)** 100%
- **Shape** Irregular
- **Topography** Level
- **Frontage (Ft.)** Frontage on Second Line and Sackville Road.
- **Depth (Ft.)** Irregular
- **Environmental Issue** Assumed to be free of all contaminants (see limiting conditions).
- **Zoning** Industrial
- **Comments** The Great Lakes property is actually 13.46 acres. This report is based on the assumption that the vacant land is a separate parcel of property. The size was calculated using maps made available from the city of Sault Ste. Marie Planning division.

Photograph of Property Type 3: Vacant Land

Aerial View of the Subject Property

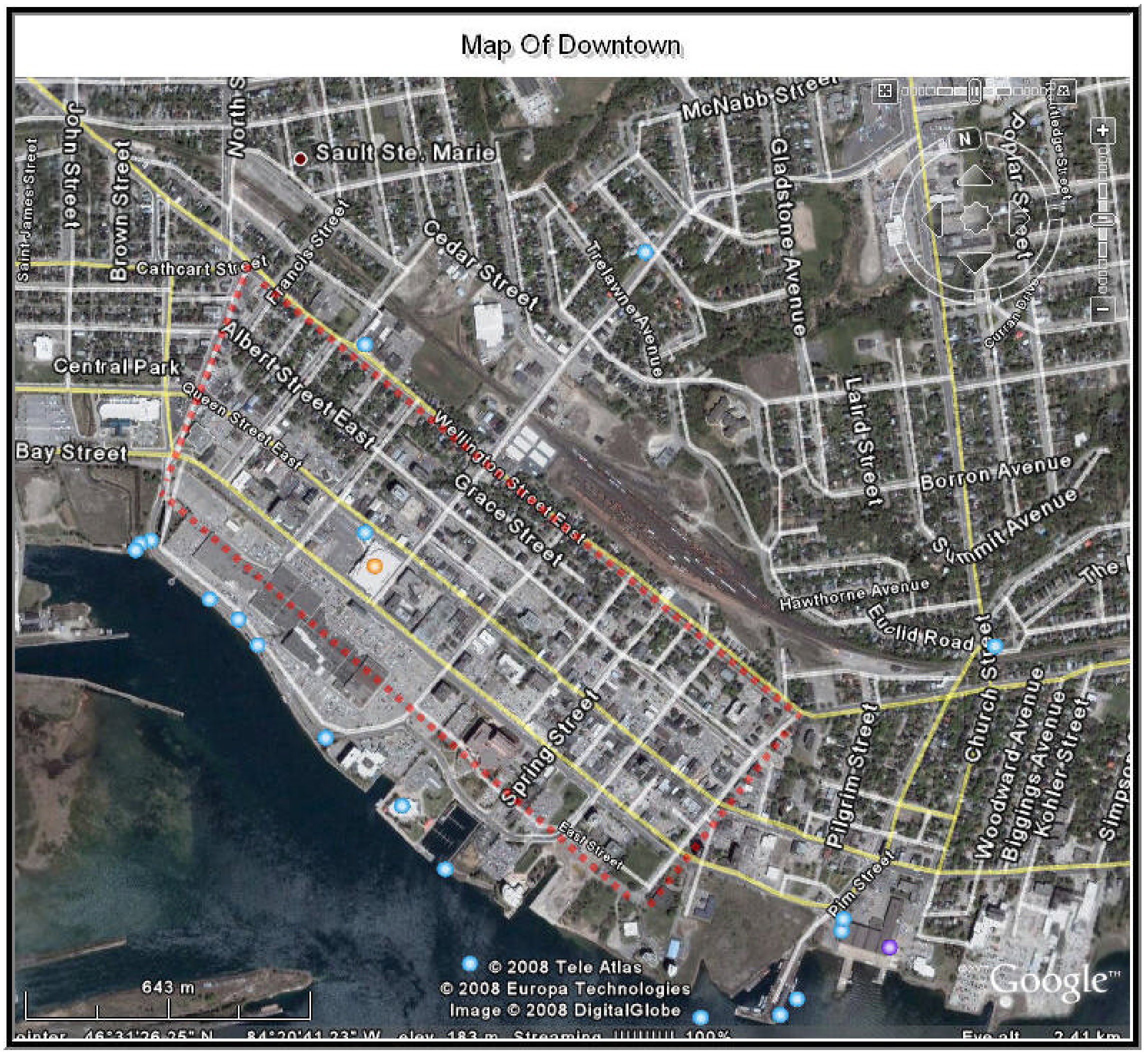


Market Lease Analysis: Property Type 1 – Office Buildings

Commercial Leased Space

With a population of fewer than 80,000, there is a limited supply of office space in Sault Ste. Marie. These buildings are typically located in the downtown area, in the Central Business District (CBD). In Sault Ste. Marie, a Class A property would be a multi-storey building with an attractive entrance lobby, elevators and barrier free access. There are no buildings in this market area over nine (9) stories and most private sector properties are five stories or less.

Map 2



Along with Class A space, there is a proliferation of office space on the second and third floor of the older commercial buildings on Queen Street and some if the arterial roads in the downtown area. This type of office space is typified with poor parking, inadequate lighting and ventilation and usually lacks handicap accessibility. The highest vacancy rates are noted in this classification. Although no actual statistics are kept locally, vacancy rates would be conservatively estimated at 25% to 35%. This type of office space would appeal to small, service oriented businesses not requiring an elaborate façade.

A survey of the various office buildings in the private sector was undertaken. Each building surveyed was inspected by a member of the firm and the property managers or rental agent queried for information. Full information was not available on every building as some of the parties interviewed were reluctant to divulge information.

Office Comparable 1

Location Information

STATION TOWER
421 Bay Street
Sault Ste. Marie, Ontario

Market Type: Commercial
Roll Number: 5761020044019000000
Property Type: 402 - Large Office Building

Lease Information

Effective Rental Rate:	$18.25 - $19.25	Rate Monthly or Annual?	Annual
Lease Type:	Gross with escalation	Term of Lease:	5 Years
Lease Renewal Options?:	N/A	Operating Costs:	$10.06

Property Information

Gross Building Area (SF):	64,903	Gross Leasable Area (SF):	61,811
Gross Land Area (Acres):	2.2	Efficiency Ratio:	95%
Building Class:	A	Number of Stories	6
Property Condition:	Good	Year Built:	1974

Comments

Lease Remarks:	The highest rate was in the Station Tower building. When the base rate is adjusted for maintenance and electrical, the current asking rate is $19.25 per square foot gross on the 6th floor and $18.25 per square foot on the 5th floor. The building is 95% occupied with only three units available ranging in size from 420 square feet to 1,360 square feet.
Property Remarks:	View of water front from three sides of the building. TD Bank on the main floor and Subway. Core tenants include law firms, accounting firms and several other professionals.

Office Comparable 2

Location Information

ELGIN STREET TOWERS	Market Type:	Commercial
390 Bay Street	Roll Number:	5761020042239000000
Sault Ste. Marie, Ontario, P6A 1X2	Property Type:	402 – Large Office Building

Lease Information

Effective Rental Rate:	$17.70	Rate Monthly or Annual?	Annual
Lease Type:	Gross	Term of Lease:	Various
Lease Renewal Options?:	N/A	Operating Costs:	$10.71

Property Information

Gross Building Area (SF):	49,325	Gross Leasable Area (SF):	46,521
Gross Land Area (Acres):	1.09	Efficiency Ratio:	94%
Building Class:	A	Number of Stories	5
Property Condition:	Good	Year Built:	1974

Comments

Lease Remarks:	The property managers indicated that there is less than 2,000 SF available in this property. Base rates are subject to annual escalation clauses for increases in operating costs.
Property Remarks:	This property in on the north side of Bay Street, across from Station Mall. Partial view of the river from the upper floors. Tenants include law firms, engineering firms and other professional offices. Parking deficiencies onsite.

Office Comparable 3

Location Information

SOO CENTRE
123 March Street
Sault Ste. Marie, Ontario

Market Type: Commercial
Roll Number: 5761020042091000000
Property Type: 402 – Large Office Building

Lease Information

Effective Rental Rate:	$18.00 to $20.00	Rate Monthly or Annual?	Annual
Lease Type:	Gross	Term of Lease:	5 Years
Lease Renewal Options?:	N/A	Operating Costs:	$8.50

Property Information

Gross Building Area (SF):	33,941	Gross Leasable Area (SF):	31,847
Gross Land Area (Acres):	0.24 acres	Efficiency Ratio:	94%
Building Class:	A	Number of Stories	5
Property Condition:	Good	Year Built:	1965

Comments

Lease Remarks:	Only 2,000 SF of space remains vacant at this time.
Property Remarks:	This building is one block north of Queen Street next to the District Court House and Land Registry Office. There would be limited view of the waterfront on the south side (upper floors). Tenants include opticians and other professionals. Parking is less than adequate.

Office Comparable 4

Location Information

McCARDA BUILDING
369 Queen Street East
Sault Ste. Marie, Ontario, P6A 1Z4

Market Type: Commercial
Roll Number: 5771020042143000000
Property Type: 402 – Large Office Building

Lease Information

Effective Rental Rate:	$12.50 to $14.50	Rate Monthly or Annual?	Annual
Lease Type:	Gross	Term of Lease:	5 Years
Lease Renewal Options?:	N/A	Operating Costs:	$7.00

Property Information

Gross Building Area (SF):	29,319	Gross Leasable Area (SF):	27,330
Gross Land Area (Acres):	0.74	Efficiency Ratio:	93%
Building Class:	B	Number of Stories	3
Property Condition:	Fair	Year Built:	1950

Comments

Lease Remarks:	The property agent advised that the asking rate is now increased from $16.00 to $16.50 PSF to mainly cover increases in taxes. There is about 2,800 SF of space available (3 units).
Property Remarks:	Converted building from Sault Star (Printing and Offices). Basic interior finishing and façade. Parking in rear is adequate but access is difficult from the parking area. Mixture of government agencies as tenants as well as constituency office for the NDP party.

Office Comparable 5

Location Information

THE QUEENSCENTRE
477 Queen Street East
Sault Ste. Marie, Ontario

Market Type: Commercial
Roll Number: 5761020042148000000
Property Type: 402 – Large Office Building

Lease Information

Effective Rental Rate:	$14.00 to $16.00	Rate Monthly or Annual?	Annual
Lease Type:	Gross	Term of Lease:	5 Years
Lease Renewal Options?:	N/A	Operating Costs:	$8.00

Property Information

Gross Building Area (SF):	55,134	Gross Leasable Area (SF):	52,509
Gross Land Area (Acres):	1.35	Efficiency Ratio:	95%
Building Class:	B	Number of Stories	4
Property Condition:	Average	Year Built:	1931

Comments

Lease Remarks:	There is about 4,700 SF of space on the third floor available for $15.25 PSF. There is also 5,200 SF on the main floor that is on a month to month lease and can be leased for $16,00 PSF.
Property Remarks:	This building was converted to its present use from a department store. Consequently, it is slightly less than the standard expected in a Class A building. The south side of the building has an obstructed view of the St. Mary's River. There is above average parking available. Tenants include dentists, government offices (across from courthouse) and various professionals.

Office Comparable 6

Location Information

BAILEY HOOSGOVENS	Market Type:	Commercial
405 Queen Street East	Roll Number:	5761020042145000000
Sault Ste. Marie, Ontario	Property Type:	402 – Large Office Building

Lease Information

Effective Rental Rate:	$16.00	Rate Monthly or Annual?	Annual
Lease Type:	Gross	Term of Lease:	5 Years
Lease Renewal Options?:	N/A	Operating Costs:	$6.66

Property Information

Gross Building Area (SF):	20,220	Gross Leasable Area (SF):	20,020
Gross Land Area (Acres):	0.38	Efficiency Ratio:	99%
Building Class:	A	Number of Stories	3
Property Condition:	Average	Year Built:	1980

Comments

Lease Remarks:	This building was recently sold to the Children's Aid Society. The leases currently in effect will be terminated on expiry. The leases were negotiated a number of years ago and ranged from $14.00 to $16.00 PSF.
Property Remarks:	This building is on the south side of Queen Street at the corner of Elgin Street. There is an obstructed view of the waterfront from the upper floors on the south side of the building. Tenants include lawyers, engineering, real estate office and other professionals.

Office Comparable 7

Location Information

WALRUS BUILDINGS
452 & 464 Albert Street E.
Sault Ste. Marie, Ontario

Market Type: Commercial
Roll Number: 5761020038105000000
5761020038104000000
Property Type: 402 - Large Office Building

Lease Information

Effective Rental Rate:	$17.00	Rate Monthly or Annual?	Annual
Lease Type:	Gross	Term of Lease:	5 Years
Lease Renewal Options:	N/A	Operating Costs:	$9.75

Property Information

Gross Building Area (SF):	24,050	Gross Leasable Area (SF):	21,704
Gross Land Area (Acres):	2.2	Efficiency Ratio:	90%
Building Class:	B+	Number of Stories	3 & 2
Property Condition:	Average	Year Built:	1970 & 1999

Comments

Lease Remarks:	There are two vacancies in each building representing about 1/3 of the total floor area.
Property Remarks:	These buildings are on the north side of Albert Street near the District Court House and Registry Office. The location is negatively affected by the properties on Grace Street which is primarily made up of rooming houses and run down single family homes. Tenants include real estate and government offices.

Office Comparable 8

Location Information

766 Bay Street
(formerly 775 Queen Street E.)
Sault Ste. Marie, Ontario,

Market Type: Commercial
Roll Number: 5761020042154000000
Property Type: 402 - Large Office Building

Lease Information

Effective Rental Rate:	$12.50	Rate Monthly or Annual?	Annual
Lease Type:	Net	Term of Lease:	5 Years
Lease Renewal Options:	N/A	Operating Costs:	N/A

Property Information

Gross Building Area (SF):	6400 (80' x 80')	Gross Leasable Area (SF):	6,080 (est)
Gross Land Area (Acres):	1.02	Efficiency Ratio:	95%
Building Class:	B	Number of Stories	1
Property Condition:	Good	Year Built:	2007

Comments

Lease Remarks:	Approximately 3,200 SF of space was recently leased for $12.50 PSF net. This included finished walls and T-bar ceiling but no interior build out.
Property Remarks:	This building contained 2 Units, both on one floor. The building is on the north side of Bay Street with a view of the river. This building was converted from an automobile dealership.

Office Comparable Lease Map

Map 3

Office Comparable Leased Listings

Most property managers and leasing agents contacted confirmed that the market for most office space is currently tight, particularly for space over 3,000 SF in Class A buildings. We were also able to confirm through office files that recent leases were negotiated at:

Table 4

Address	Lessee	Size (SF)	Price
369 Queen Street	Big Sisters	404	$12.63 (Net)
369 Queen Street	Laker Leasing	1,017	$11.04 (Net)
369 Queen Street	Tullock Engineering	1,432	$10.61 (Net)
Great Northern Rd.	Allstate	3,000	$20.00 (Gross)
302 Queen Street E.	Cescon (Dentist)	860	$12.00 (Gross)
390 McNabb Street	Northern Credit Union	4,615	$8.00 (net) CAM $6.61
390 McNabb Street	Cancer Society	2,000	$5.50 (net) CAM $6.61
424 Pim Street	N/A	1,050	$8.00 (net)

Several developers interviewed indicated that they would build to suit.

a) A local developer indicated that they would build a 4,500 stand alone building on Queen Street; completely finished with drywall (interior of outside walls) and T-Bar ceiling. The price ranged from $13.00 to $15.00 (triple net).

b) Commercial Realty (Gregory Whalen) has 29,000 SF of space on 43 Black Road that they will convert to modern office building (former Sutherland Call Center) for around $12.00 net for a base building.

Office Gross Lease Rates

As the information would suggest, negotiated gross lease rates for Class A buildings would be in the $15.00 to $18.00 PSF range. Because of the shortage of space and lack of projects scheduled, it is anticipated that the range for renewals or new leases will be in the $17.00 to $20.00 PSF range.

This rate would likely decline to $12.00 to $15.00 PSF for buildings classified as Class B or lesser quality. Second and third floor space in the downtown area continues to rent from $8.00 to $10.00 but would only offer limited amenities and would likely be deficient of parking.

Office Average Operating Costs

The survey indicates that operating costs are now ranging from $7.00 to $10.71 PSF. The survey also indicates that most office building leases are on gross leases with escalation clauses built in for increases in operating costs.

Office Net Lease Rates

Based on the properties surveyed and the information provided, the net lease rate for good quality office buildings is in the range of $7.00 to $9.50 PSF. Class B and lesser properties are in the range of $5.00 to $7.00 depending on their location. As previously stated, most office buildings are on gross leases with escalation for increases in operating costs. New construction is possible at $13.00 to $15.00 PSF.

Table 5

Comparable #	Operating Costs	
1	$	10.06
2	$	10.71
3	$	8.50
4	$	7.00
5	$	8.00
6	$	6.66
7	$	9.75
Average……………..	$	8.67
Median………………..	$	8.50

Office Vacancy Rates & Typical Tenant Inducements

There have been two recent sales of office buildings from the private sector to the public sector which effectively moved about 65,000 SF of office space from the rental market. The property managers, developers and building owners interviewed indicated that there are very few vacancies, probably less than 5% of the total inventory of Class A buildings. As long as this condition exists, inducements would likely be limited to 30 days free rent during the build out period for existing buildings.

Summary & Conclusions

The subject building is a relatively modern office building with elevators, emergency power and is structurally sound with excellent parking facilities. In relation to the comparable buildings used in the analysis it would be rated average. The building is located outside of the business district and the areas normally associated with this type of use. In that respect, the location would be rated inferior to most of the properties analyzed.

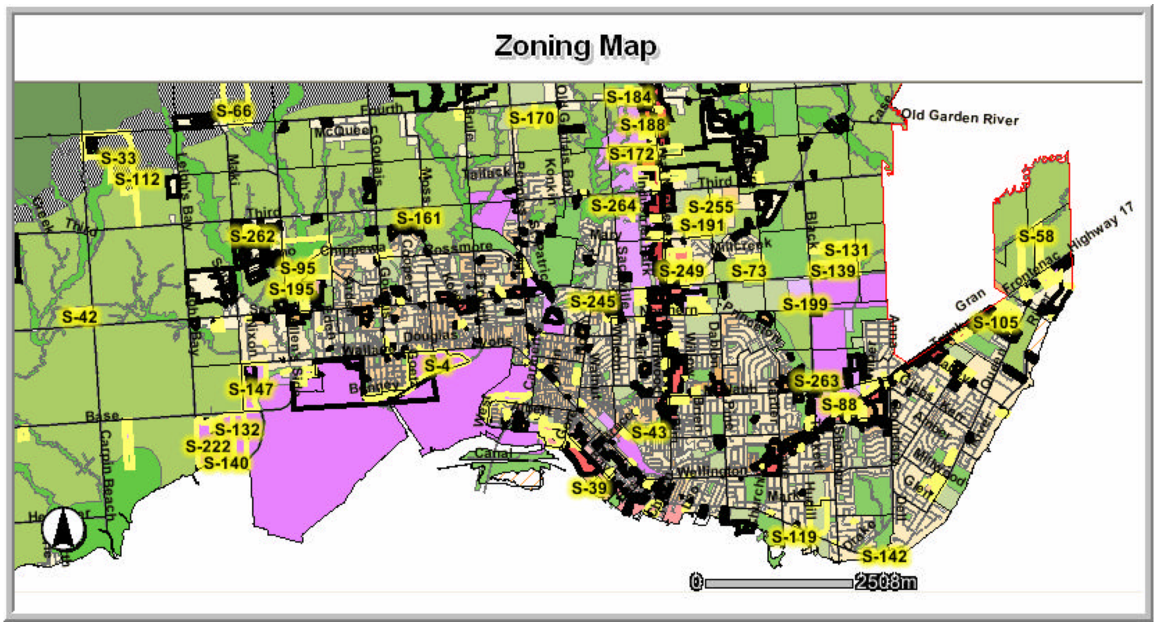
Given the age and location of the building and based on the information obtained through analysis of comparable transactions; the market rent for the subject building is estimated to be between **$14.00 PSF and $16.00 PSF gross**. Using average operating costs of $8.50 PSF, the net rental rate is **$5.50 to $7.50 PSF**. This value is well supported in the market as evidenced in the forgoing analysis. This rate would apply to all of the area "above grade". Lower level, "below grade" finished office space would be rated inferior and would be more difficult to rent. The market rate for finished office space in the subject property below grade is **$10.00 PSF to $12.00 PSF gross or $1.50 to $3.50 net.**

Market Lease Analysis: Property Type 2 – Industrial Buildings

Industrial Leased Space

There are several industrial zones in the city. The areas coloured in magenta on the map following represent industrial zones. The comparable lease information used in the analysis was obtained from properties in various locations around the city.

Map 4



A survey of the various industrial buildings in the private sector was undertaken. Each building surveyed was inspected by a member of the firm and the property managers or rental agent queried for information. Full information was not available on every building as some of the parties interviewed were reluctant to divulge information.

Industrial Comparable 1

Location Information

Bridgestone Tires
783 Great Northern Rd.
Sault Ste. Marie, Ontario

Market Type: Industrial
Roll Number: 5761030062044000000
Property Type: 540 – Industrial Building

Lease Information

Effective Rental Rate:	$7.50 PSF	Rate Monthly or Annual?	Annual
Lease Type:	Triple Net	Term of Lease:	5 Years
Lease Renewal Options?:	N/A	Operating Costs:	N/A

Property Information

Gross Building Area (SF):	6,000	Gross Leasable Area (SF):	6,000
Gross Land Area (Acres):	1.0	Efficiency Ratio:	100%
Building Class:	C	Number of Stories	1
Property Condition:	Avg.	Year Built:	1987

Comments

Lease Remarks:	This building appears to have been built for its present use. It has 2 bay doors and is primarily shop area except for a small reception area and office.
Property Remarks:	Situated on a busy corridor on the west side of Great Northern Rd, south of third Line. Across from the Site of the new hospital (currently under construction. This is a single tenant building leased to Bridgestone Tires.

Industrial Comparable 2

Location Information

N/A 178 Drive In Road Sault Ste. Marie, Ontario, P6B 6A9	Market Type: Industrial Roll Number: 5761030062041040000 Property Type: 580 – Industrial Mall

Lease Information

Asking Rate:	$7.00	Rate Monthly or Annual?	Annual
Lease Type:	Gross	Term of Lease:	To be neg.
Lease Renewal Options?:	N/A	Operating Costs:	N/A

Property Information

Gross Building Area (SF):	9,110	Gross Leasable Area (SF):	2,000
Gross Land Area (Acres):	1.07	Efficiency Ratio:	N/A
Building Class:	C	Number of Stories	1
Property Condition:	Good	Year Built:	1998

Comments

Lease Remarks:	There are several tenants in this building. Each unit is separately metered for heat and utilities and the tenants are responsible for all of the operating costs.
Property Remarks:	This building is a small industrial mall situated on the north side of the city in an industrial park setting. This property in on the south side of Drive In Rd. near Great Northern.

Industrial Comparable 3

Location Information

PUROLATOR
40 Industrial Court "A"
Sault Ste. Marie, Ontario

Market Type:	Industrial
Roll Number:	5761030062042030000
Property Type:	540 – Industrial Bldg.

Lease Information

Effective Rental Rate:	$6.95	Rate Monthly or Annual?	Annual
Lease Type:	Gross	Term of Lease:	10 Years
Lease Renewal Options?:	N/A	Operating Costs:	N/A

Property Information

Gross Building Area (SF):	5,940	Gross Leasable Area (SF):	5,940
Gross Land Area (Acres):	2.0 acres	Efficiency Ratio:	100%
Building Class:	C	Number of Stories	1
Property Condition:	Fair	Year Built:	1988 - 2008

Comments

Lease Remarks:	The lease was recently renegotiated and an addition put on the building. Purolator has been the sole tenant in the building for over 10 years and the lease was extended for a further 10 years.
Property Remarks:	This building is a distribution warehouse for the Purolator Company. There are some finished offices and several loading docks along both sides of the building. The space is generally open with very little interior finish.

Industrial Comparable 4

Location Information

POWERHOUSE RACING SPORTS
309-337 Fifth Line East
Sault Ste. Marie, Ontario

Market Type: Industrial
Roll Number: 5761030088088000000
Property Type: 540 - Other Industrial

Lease Information

Asking Rental Rate:	$7.50	Rate Monthly or Annual?	Annual
Lease Type:	Net	Term of Lease:	TBA
Lease Renewal Options?:	N/A	Operating Costs:	N/A

Property Information

Gross Building Area (SF):	10,780	Gross Leasable Area (SF):	10,780
Gross Land Area (Acres):	20	Efficiency Ratio:	100%
Building Class:	C	Number of Stories	1
Property Condition:	Good	Year Built:	1987

Comments

Lease Remarks:	Currently available for rent. Originally, the asking rate was $10.00 PSF but has since been reduced to $7.50 PSF.
Property Remarks:	Newer commercial buildings on 400 x 2600 lot, municipal services, ample storage and parking for transport trucks with plug-in. 1st class office space, 5500 sq ft of shop area, drive thru doors. Twin furnaces, radiant heat, twin air conditioners.

Industrial Comparable 5

Location Information

MID CANADA CONSTRUCTION
815 Great Northern Rd.
Sault Ste. Marie, Ontario

Market Type:	Industrial
Roll Number:	5761030062046000000
Property Type:	540 - Other Industrial

Lease Information

Effective Rental Rate:	$8.35 and $8.62	Rate Monthly or Annual?	Annual
Lease Type:	Net	Term of Lease:	5 Years
Lease Renewal Options?:	N/A	Operating Costs:	N/A

Property Information

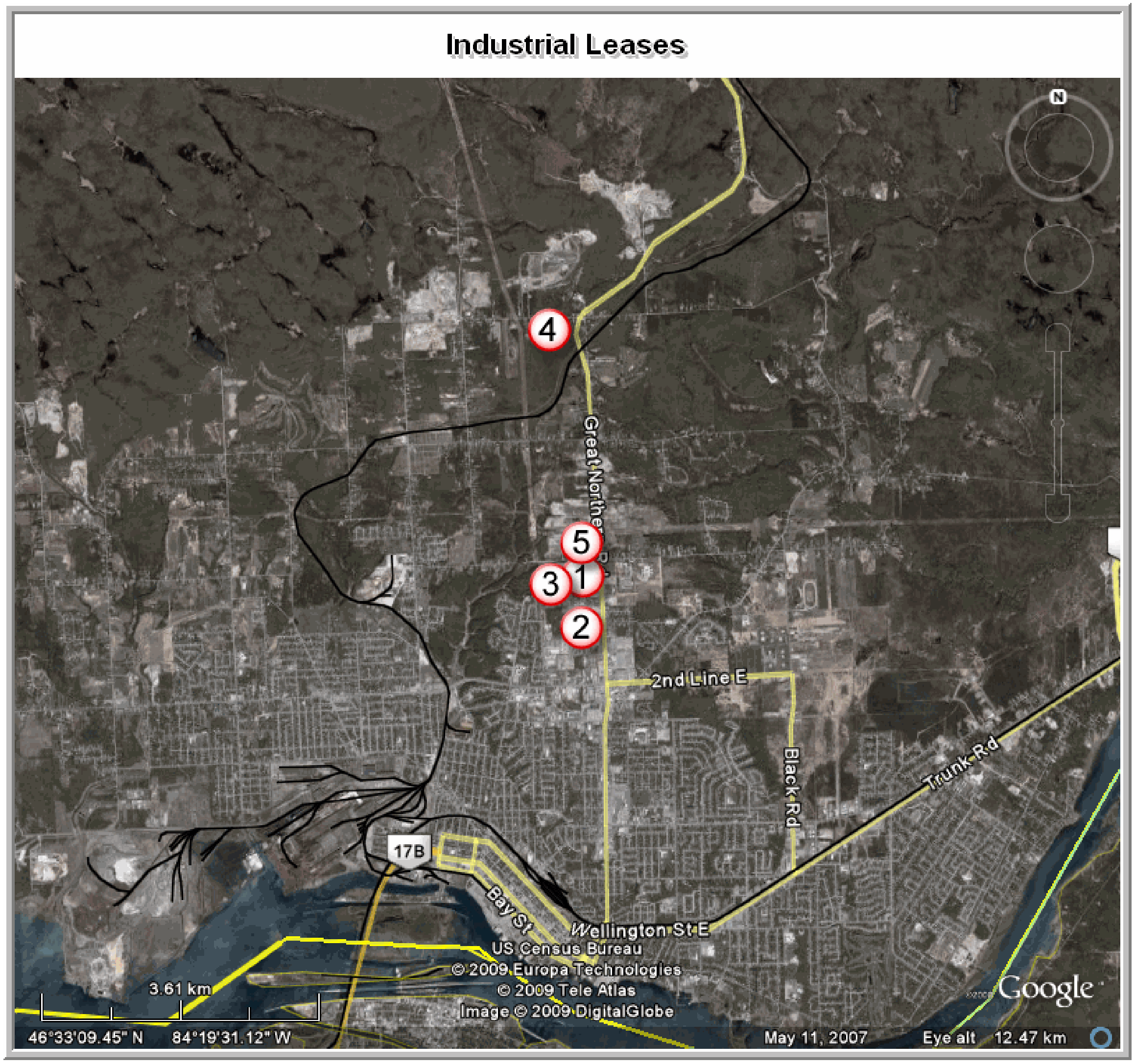
Gross Building Area (SF):	18,104	Gross Leasable Area (SF):	8,988 & 8,716
Gross Land Area (Acres):	4.06	Efficiency Ratio:	98%
Building Class:	C	Number of Stories	1
Property Condition:	Good	Year Built:	1970

Comments

Lease Remarks:	Both leased areas were designed to suit the present tenants. Office space is well appointed with private offices, boardrooms etc. The lot is 4.06 acres allowing easy access for commercial vehicles.
Property Remarks:	This building is situated on Great Northern Road between Drive In Road and Third Line East on the west side. It was completely renovated after it was purchased in 2007. The front of the building is highly finished office space and mezzanine. The rear part is shop area with 23 foot ceiling height.

Industrial Comparable Lease Map

Map 5



Industrial Comparable Leased Listings

It was discovered that most industrial leases are written on a triple net basis whereby the tenant pays all of the operating costs associated with the property.

Industrial Net Lease Rates

Based on the properties surveyed and the information provided, the net lease rate for industrial buildings is in the range of $6.95 to $8.62 PSF. Currently there is industrial space available for $7.00 PSF, however, only smaller units less than 10,000 SF. Although there were no lesser quality buildings used in the rental study, they range from $4.00 PSF to $6.00 PSF depending on location.

Summary & Conclusions

There are three separate industrial buildings on the site. However, only two of the buildings would be considered to be rentable. The small, metal clad shop on the east side of the metering shop would simply be ancillary to the metering shop. The most elaborate structure is the 8,020 SF building situated on the east side of the main office building on Sackville Road. This building has frontage and visibility from Northern Avenue and will be referred to as Industrial Building 1.

In our opinion, this building would command the highest rental rate of the two buildings. For the purpose of this report; the market rent for this building would be **$7.00 PSF net**.

The second building (Industrial Building 2) is situated at the rear of the property. Built in 1969, it is a 3,200 SF metal clad building used primarily for storage.

This building has only a minimal degree of interior finish but would be suitable for dry storage or manufacturing because of its ceiling height. There is only one small office that is heated and the remaining building is open space. Based on the comparable leases, the market rent of this building is estimated at **$5.00 PSF net**.

Market Analysis: Property Type 3 – Vacant Industrial Land

Valuation Procedures and Methodologies

Current appraisal standards recognize three basic approaches to real estate value. These are identified as the Cost, Income, and Sales Comparison Approaches.

1) The Cost Approach to value is developed by two fundamental opinions: the value of the land and the value of the improvements to the land. Initially, the current fair market value of the land is estimated as if unimproved and capable of being put to its highest and best use. The reproduction or replacement cost new of the improvements, less any depreciation, is then added, along with any contributory value of the site improvements. The validity of the resulting value estimate is impacted to varying degrees by the accuracy of the cost estimates and the depreciation estimate.

   - A Cost Approach to Value has been considered but is not regarded to be a necessary part in developing a credible result to this appraisal assignment and will not be completed as a part of this appraisal assignment by mutual agreement between the client and appraiser based on the intended use and scope of this appraisal

2) The Income Approach measures value by capitalization of the net income from the real estate. The potential gross income is first estimated based on data derived directly from the market. Deductions are then made for vacancy and collection loss (when applicable), and normal operating expenses. The resulting net income figure is then converted to a value estimate by any one of several capitalization methods.

   - An Income Approach to Value is not regarded to be a necessary part in developing a credible result to this assignment and will not be completed as a part of this appraisal assignment by mutual agreement between the client and appraiser based on the intended use and scope of this appraisal.

3) The Sales Comparison Approach to value compares the subject to similar properties that have sold or are under contract in the same or similar market. This approach is based on the principle of substitution, which states that no commodity has a value greater than a similar commodity offering similar uses, similar utility, and similar function that can be purchased within a reasonable time frame. In other words, the market value of a property is set by the price of acquiring a substitute property, which could provide the owner with similar utility. The principle of substitution also is crucial in reconciling all three approaches to value, as it provides linkage in the underlying determination the subject's market value.

The Sales Comparison Approach (Land Value)

Units of Comparison

Using a common unit of comparison is an effective device to adjust for differences in physical characteristics while controlling for scale or some other factor. This control allows the appraisers to determine the impact of differences in attributes between the subject and comparable sale properties.

As for the subject, the appraisers discussed recent market transactions with area brokers, as well as evaluating the physical attributes of the subject's use type. In both instances, the predominant unit of comparison was **sale price per acre**.

Elements of Comparison

There are eight major comparison categories that must be considered in the direct sales comparison approach. These include the following:

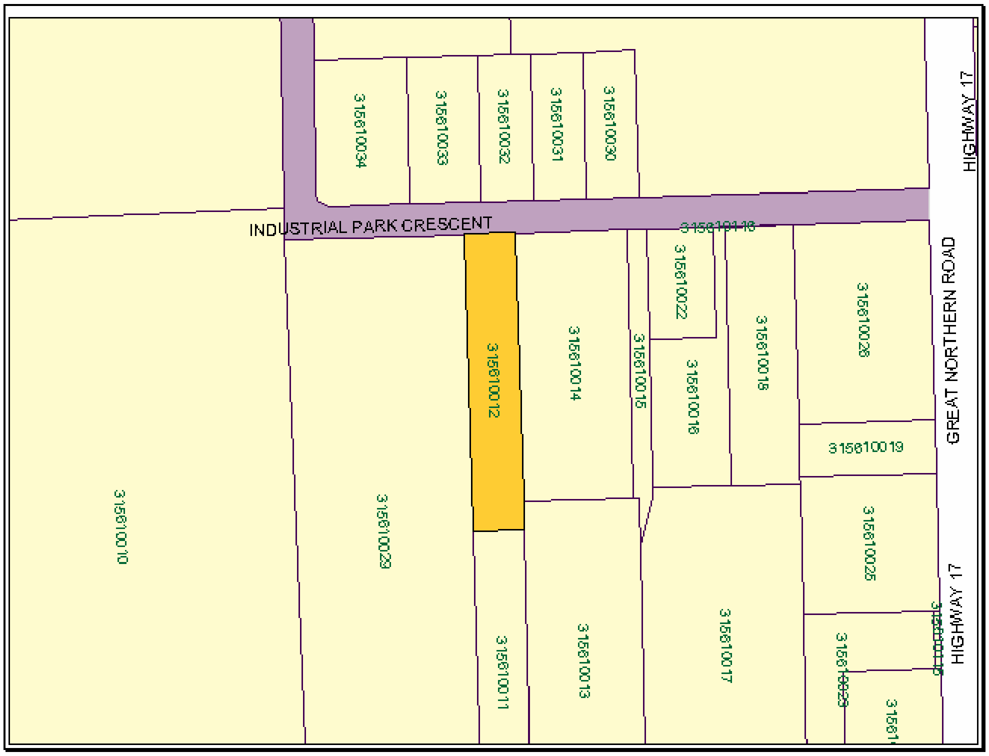
1. Property rights conveyed
2. Financing
3. Conditions of Sale
4. Expenditures made after sale
5. Market Trends
6. Location of Sale Property
7. Physical Attributes
8. Economic Attributes

Sale Collection Results

Of the sales reviewed, based on the above criteria, the following sales represent the best available from the market to determine the subject's market potential under this valuation approach. While some are more ideal than others, the appraisers believe that they represent a sufficient sample of the data reviewed to illustrate a sound market-based conclusion for the subject. The transmission lines affect a portion of vacant land consisting of about 6.04 acres in a manner that would virtually render the property unsuitable for symbiotic development.

The selected comparable sales are presented on the following pages.

Vacant Industrial Land Comparable Index #A: 67 Industrial Park C



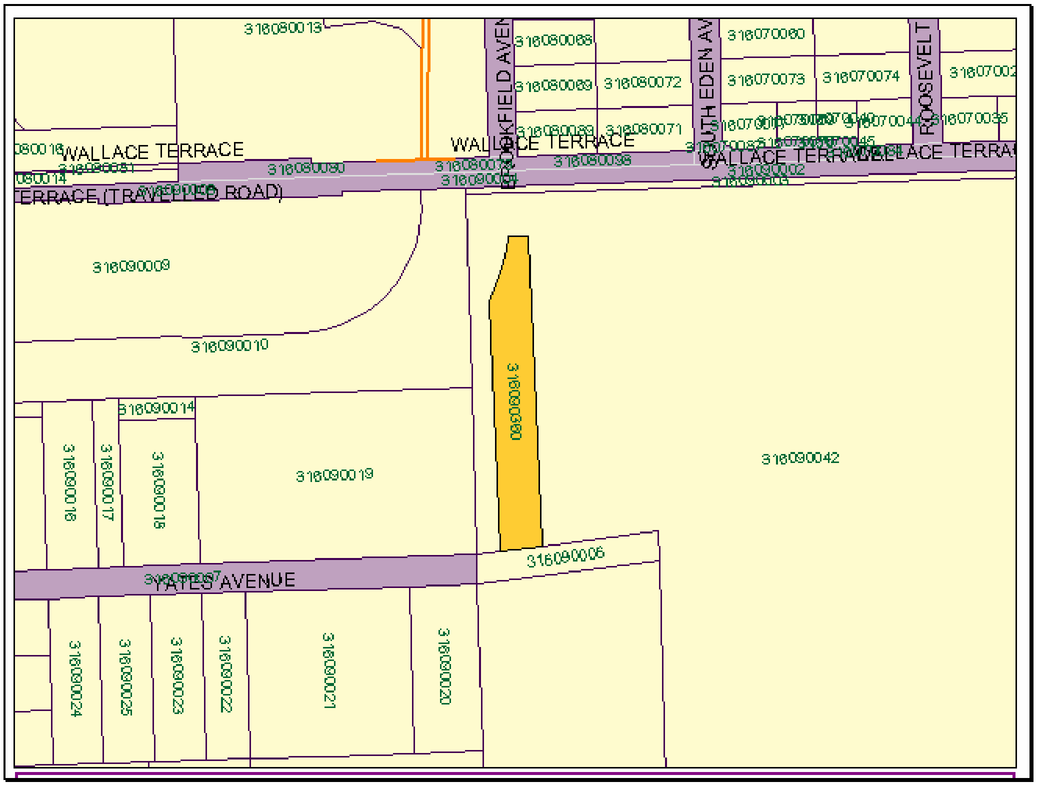
Sale Information

- **Consideration** $75,000
- **Sale Date** January 31, 2007
- **Sale Price/Acre** $53,957
- **Vendor** Play and Replay Inc.
- **Purchaser** Mike Moore and Sons Ltd.

Property Information

- **Property Size (Ac)** 1.39
- **PIN Number** 315610012
- **Zoning** M2
- **Location** West of great Northern Road & North of Second Line
- **Comments** Typical serviced lot in an industrial park setting. Situated in and area almost completely developed with light and heavy industrial uses.

Vacant Industrial Land Comparable Index #B: 120 Yates



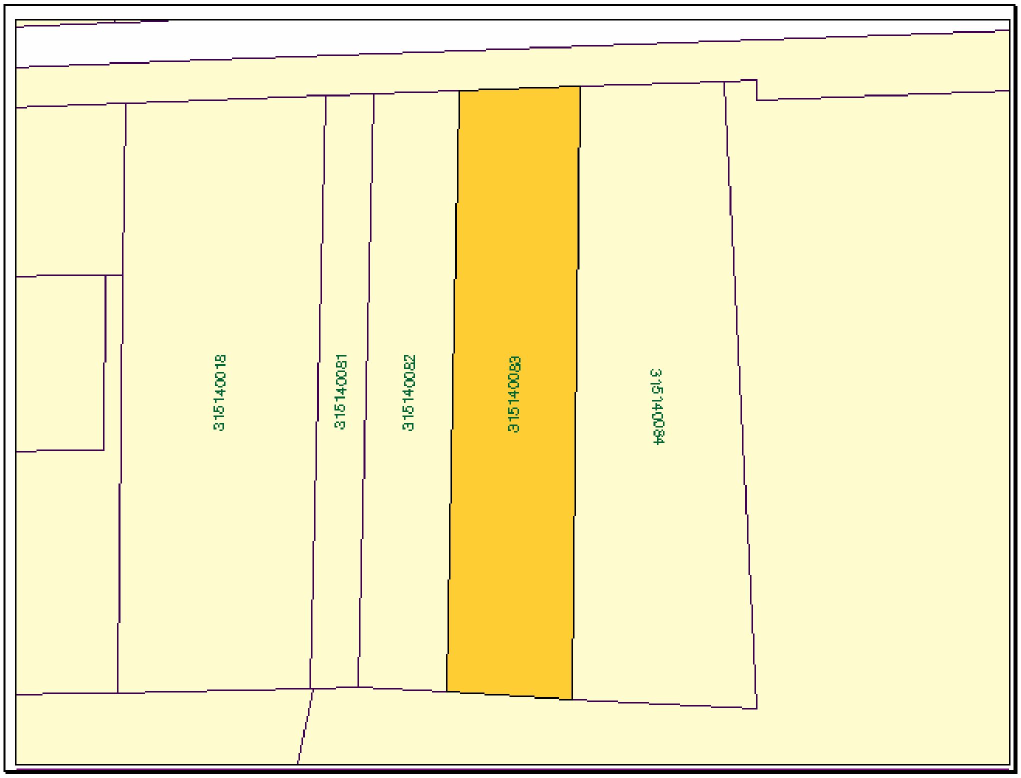
Sale Information

- **Consideration** $50,000
- **Sale Date** December 17, 2007
- **Sale Price/Acre** $24,752
- **Vendor** THE CORPORATION OF THE CITY OF SAULT STE. MARIE
- **Purchaser** PARNIAK, NICHOLAS STEVEN

Property Information

- **Property Size (Ac)** 2.02
- **PIN Number** 316090360
- **Zoning** M2
- **Location** East of Allans Road and South of Wallace Terrace
- **Comments** Industrial Park near the west side of Essar Steel. Limited development in the area but good location for steel related industries.

Vacant Industrial Land Comparable Index #C: 873 Second Line East



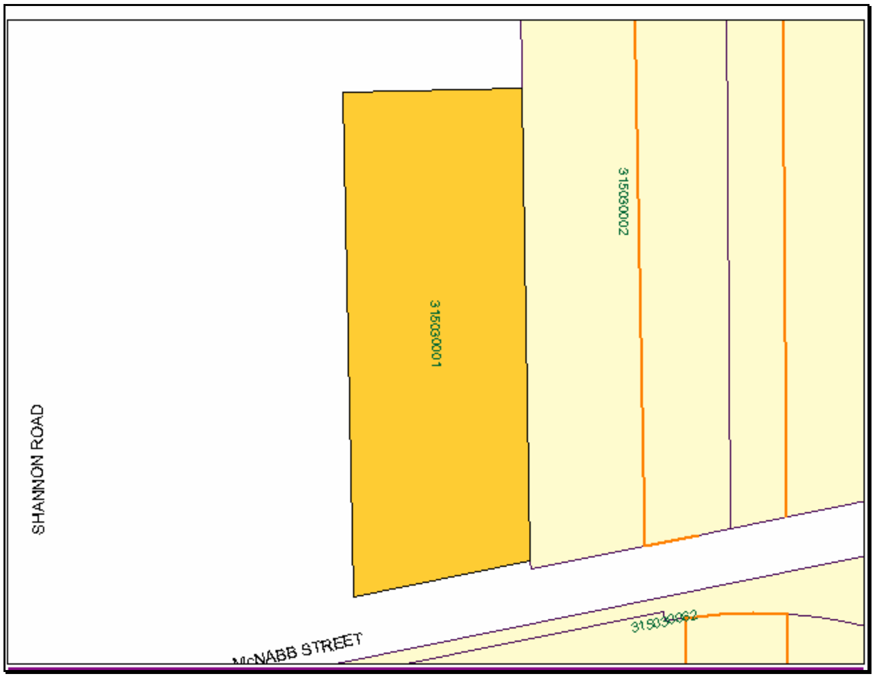
Sale Information

- **Consideration** $140,000
- **Sale Date** July 17, 2007
- **Sale Price/Acre** $52,239
- **Vendor** ALGONQUIN RADIO - T.V. CO. LIMITED; MCAULEY, JAMES
- **Purchaser** 1743407 ONTARIO LTD.

Property Information

- **Property Size (Ac)** 2.68
- **PIN Number** 315140083
- **Zoning** M1
- **Location** East of Old Garden River Road on the South side of Second Line
- **Comments** Level site in a busy, high traffic location. Site was leveled and cleared to make way for storage buildings within a secure compound.

Vacant Industrial Land Comparable Index #D: Lower McNabb Street



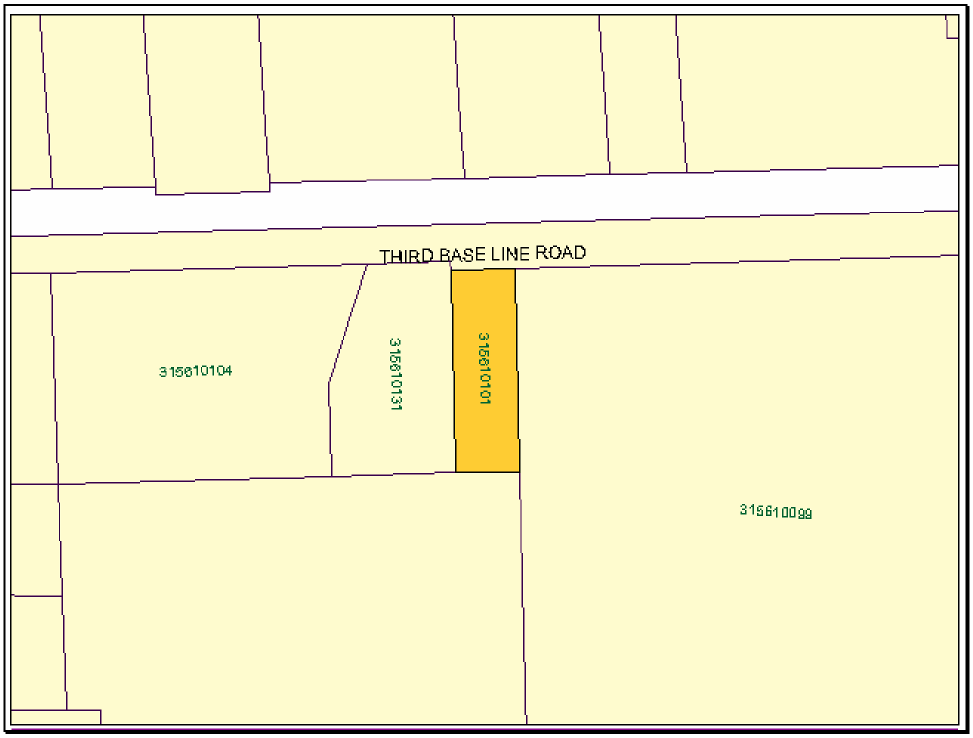
Sale Information

- **Consideration** $175,000
- **Sale Date** March 31, 2004
- **Sale Price/Acre** $58,528
- **Vendor** Meekin Forest Products
- **Purchaser** 1309872 ONTARIO INC.

Property Information

- **Property Size (Ac)** 2.99
- **PIN Number** 315030001
- **Zoning** M3
- **Location** East of the Blue Heron Industrial Park
- **Comments** Good Industrial building site in a fairly high traffic location. Mixture of industrial and commercial enterprises in the area. Also near the fuel storage tanks.

Vacant Industrial Land Comparable Index #E: 605 Third Line West



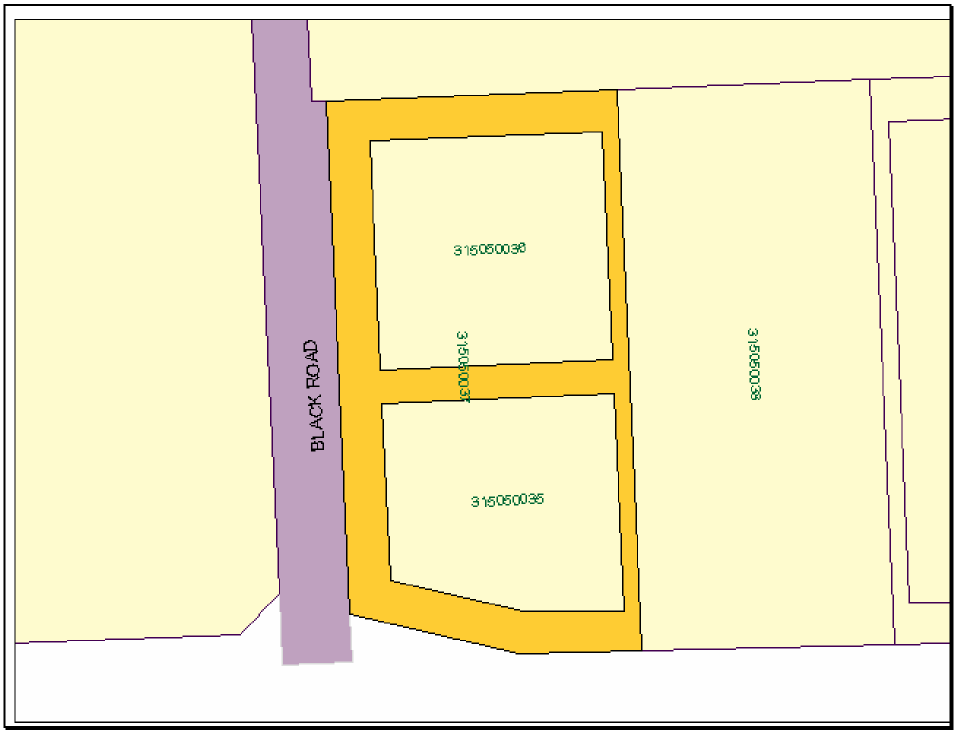
Sale Information

- **Consideration** 107,000
- **Sale Date** March 14, 2007
- **Sale Price/Acre** $25,236
- **Vendor** THE CORPORATION OF THE CITY OF SAULT STE. MARIE
- **Purchaser** 1187839 ONTARIO LIMITED

Property Information

- **Property Size (Ac)** 4.24
- **PIN Number** 315610101
- **Zoning** M2
- **Location** South of Third Line E & West of Great Northern Road
- **Comments** Level parcel of land that required extensive fill. Heavy concentration of development surrounding the site.

Vacant Industrial Land Comparable Index #F: 638 Black Road



Sale Information

- **Consideration** $200,000
- **Sale Date** September 20, 2006
- **Sale Price/Acre** $41,580
- **Vendor** 1372040 ONTARIO INC.
- **Purchaser** BETHEL BIBLE CHAPEL

Property Information

- **Property Size (Ac)** 4.81
- **PIN Number** 315050037
- **Zoning** M2
- **Location** On the east side of Black road just north of Second Line
- **Comments** Level parcel of land that was severed into two smaller lots with access on to Black Road.

Vacant Industrial Land Comparable Sales Map

Map 6

Sales Analysis: Property Type 3 – Vacant Industrial Land

The comparable sales selected were smaller tracts of industrial land that sold within the city of Sault Ste. Marie. Adjustments are summarized as follows:

- The transactions dated back to March of 2004. Consequently, an adjustment was required for the time elapsed between the effective date of the report and the sale date.
- The properties ranged in size from 1.39 acres to 4.81 acres. For comparative purposes, they were compared on a price per acre basis (the zonal unit rate).
- All of the sales had similar physical characteristics. No adjustment required.

Table 6

Land Value - Market Approach to Value

	Subject	Index A	Index B	Index C	Index D	Index E	Index F
Address	Sackville Rd.	67 Industrial Park C	120 Yates Ave.	873 Second Line East	McNabb Street	605 Third Line W.	638 Black Road
City	Sault Ste. Marie	Sault Ste. Marie	Sault Ste. Marie	Sault Ste. Marie	Sault Ste. Marie	Sault Ste. Marie	Sault Ste. Marie
Recording Date	-----	31/01/2007	17/12/2007	17/07/2007	31/03/2004	14/03/2007	20/09/2006
Sale Price	-----	$ 75,000	$ 50,000	$ 140,000	$ 175,000	$ 107,000	$ 200,000
Land Area (SF)	263,102	60,548	87,991	116,741	130,244	184,694	209,524
Land Area (Acres)	6.040	1.39	2.02	2.68	2.99	4.24	4.81
Price/Ac		**$ 53,957**	**$ 24,752**	**$ 52,239**	**$ 58,528**	**$ 25,236**	**$ 41,580**
Time/Market Conditions							
Appraisal Date	19/11/2008						
Months Elapsed	---------	21.93	11.27	16.37	56.47	20.53	26.37
Annual % Adj.	5.00%						
Percent Adjustment		9.0%	5.0%	7.0%	24.0%	9.0%	11.0%
Dollar Adjustment		$ 4,856	$ 1,238	$ 3,657	$ 14,047	$ 2,271	$ 4,574
Adjusted Price		$ 58,813	$ 25,990	$ 55,896	$ 72,575	$ 27,507	$ 46,154
Location		Similar	Inferior	Similar	Similar	Inferior	Inferior
Percent Adjustment		0.0%	75.0%	0.0%	0.0%	25.0%	10.0%
Dollar Adjustment		$ -	$ 19,493	$ -	$ -	$ 6,877	$ 4,615
Adjusted Price		$ 58,813	$ 45,483	$ 55,896	$ 72,575	$ 34,384	$ 50,769
Size Adjustment		Yes	Yes	Yes	Yes	Yes	No
Percent Adjustment		-10.0%	-10.0%	-7.5%	-7.5%	-5.0%	-5.0%
Dollar Adjustment		$ (5,881.29)	$ (4,548.27)	$ (4,192.16)	$ (5,443.14)	$ (1,719.19)	$ (2,538.46)
Adjusted Price		$ 52,932	$ 40,934	$ 51,703	$ 67,132	$ 32,665	$ 48,231
Net Percent Adjustment		**-1.0%**	**70.0%**	**-0.5%**	**16.5%**	**29.0%**	**16.0%**
Net Adjustment		**$ (1,025)**	**$ 16,182**	**$ (535)**	**$ 8,604**	**$ 7,429**	**$ 6,651**
Adjusted Price		**$ 52,932**	**$ 40,934**	**$ 51,703**	**$ 67,132**	**$ 32,665**	**$ 48,231**

Price/Rentable Area Comparison

No. Comparables ……………………		6
Maximum………………………………..	$	67,132
Mean (avg.)……………………………..	$	48,933
Minimum………………………………..	$	32,665

Indicated Subject Value

Land Area (SF)		6.040
Indicated Subject Value Per SF…	$	50,000
Indicated Subject Value……….	$	302,000
Indicated Value Rounded To……..	$	**302,000**

The table above summarizes the adjustment process. Before adjustments, the value range was between $24,752 and $58,528 per acre. This changed to $32,665 to $67,132 after adjustments. It is obvious from the spread that there is a significant range amongst the sales. Sale #1 is the most similar in location to the subject, having sold for $52,932 per acre after adjustments. This is slightly higher than the average value of $48,933 per acre. Therefore, it was concluded that $50,000 per acre is the estimated zonal value of the industrial land.

Once again; the formula for calculating the value of the subject land is relatively simple whereby the size of the property is multiplied by the zonal value;

6.04 acres (Size) X $50,000 per acre (zonal value) = $302,000

It has been concluded from the foregoing sales analysis, that the Current Unimproved Market Value of the industrial vacant land is estimated at **$302,000.**

Map 7

Industrial Vacant Land Lease Rate

Determination of Market Rent

The formula for establishing market rent for vacant land is simply an interpolation of the formula used to determine value when the Income (I) and the Capitalization Rate (R) is known.

V = I ÷ R

In this situation, the value (V) of the land is known (estimated) through the analysis of comparable property sales. The capitalization rate (R) is also market derived from the analysis of sales. The formula for determination of market rent is:

I = V X R

Income is the net annual income that is required to meet the investment objectives.

Capitalization Rates

Table 7

SUMMARY OF OVERALL CAPITALIZATION RATES OBTAINED FROM COMPARABLE MARKET DATA

Sale	Date of Sale	Net Annual Income (I) at Date of Sale	Total Real Estate Cash Equivalent Sale Price (V)	Overall Captalization Rate (R)
851 Great Northern Rd.	01-Jan-05	$ 180,000	$ 1,300,000	13.8%
45-47 Great Northern Rd.	01-Nov-05	$ 32,000	$ 275,000	11.6%
2200 Queen Street	01-Apr-05	$ 50,400	$ 525,000	9.6%
364-372 Second Line West	01-Sep-04	$ 237,774	$ 2,425,000	9.8%
289 Goulais Ave.	30-Oct-06	$ 24,115	$ 300,000	8.0%
384 Shannon Rd.	24-Nov-06	$ 25,553	$ 289,000	8.8%
128 Second Line W.	04-Apr-07	$ 27,835	$ 260,000	10.7%
690 Pine Street	13-Dec-06	$ 21,620	$ 230,000	9.4%
700 Pine Street	24-Sep-07	$ 21,655	$ 232,000	9.3%
21 Ferguson Ave.	29-Jun-07	$ 37,397	$ 440,000	8.5%
33-49 Blue Jay Ct.	12-Jul-07	$ 40,332	$ 410,000	9.8%
185 East Street	09-Mar-07	56,975	$ 415,000	13.7%
597 Lake Street	26-Mar-07	$ 36,000	$ 385,000	9.4%
647 McDonald Avenue	09-Mar-05	$ 64,000	$ 525,000	12.2%
136 Church Street	25-Jun-07	$ 38,807	$ 350,000	11.1%
381 McNabb Street	01-Nov-04	$ 52,920	$ 600,000	8.8%
Average				10.3%
Range				8.0% to 13.8%

Legend

Industrial	11.6% to 13.8%
Commercial	8.8% to 13.7%
Apartments	8.0% to 11.1%

Summary & Conclusions

As the table suggests, Capitalization Rates for industrial property typically are higher than commercial or residential property. On the other hand, land capitalization rates will by lower than improved property capitalization rates as there is no need to allow for depreciating buildings. Given the industrial rates are ranging from 11.6% to 13.8%, it is probable that an investor would be satisfied with a 10% return on a vacant industrial land lease.

Assuming the land value is $302,000 as concluded in the market analysis and the capitalization rate is 10%, the market rent is calculated using the formula described previously;

I = V X R

= $302,000 X 10%

= $30,200 per year or $2,516.67 per month

This does not include realty taxes which would be the responsibility of the lessee.

Reconciliation and Value Conclusions

The pertinent approaches to value have been summarized in this appraisal analysis. A summary of the value conclusions of each of these individual approaches indicates the following:

Property Type 1: Office Building

▪ Above Grade (Floors 1 & 2):	**$5.50 PSF to $ 7.50 PSF NET**
▪ Below Grade (Basement):	**$ 1.50 PSF to $ 3.50 PSF NET**

Property Type 2: Industrial Buildings

▪ Industrial Building 1:	**$ 7.00 PSF NET**
▪ Industrial Building 2:	**$ 5.00 PSF NET**

Property Type 3: Vacant Industrial Land

▪ 6.04 Vacant Industrial Land	**$30,200 / YEAR NET** **$2,516.67 / MONTH NET**

Limiting Conditions and Assumptions

1. The estimated market value of the real estate which is the subject of this appraisal pertains to the value of the fee simple interest in the real property. The property rights appraised herein exclude mineral rights, if any.

2. The concept of market value presumes reasonable exposure. The exposure period is the estimated length of time the asset being valued would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of valuation. The overall concept of reasonable exposure encompasses not only adequate, sufficient and reasonable time but also adequate, sufficient and reasonable effort. The reasonable exposure period is a function not only of time and effort, but will depend on the type of asset being valued, the state of the market at the date of valuation and the level at which the asset is priced. (The estimated length of the exposure period needed to achieve the estimated market value is set forth in the Letter of Transmittal, prefacing this report).

3. The estimate of value contained in this report is founded upon a thorough and diligent examination and analysis of information gathered and obtained from numerous sources. Certain information has been accepted at face value; especially if there was no reason to doubt its accuracy. Other empirical data required interpretative analysis pursuant to the objective of this appraisal. Certain inquiries were outside the scope of this mandate. For these reasons, the analyses, opinions and conclusions contained in this report are subject to the following Contingent and Limiting conditions.

4. The property has been valued on the basis that title to the real estate herein appraised is good and marketable.

5. The author of this report cannot accept responsibility for legal matters, questions of survey, opinions of title, hidden or unapparent conditions of the property, toxic wastes or contaminated materials, soil or sub-soil conditions, environmental, engineering or other technical matters which might render this property more or less valuable than as stated herein. If it came to our attention as the result of our investigation and analysis that certain problems may exist, a cautionary note has been entered in the body of the report.

6. The legal description of the property and the area of the site were obtained from the Municipal Office. Further, the plans and sketches contained in this report are included solely to aid the recipient in visualizing the location of the property, the configuration and boundaries of the site and the relative position of the improvements on the said lands.

7. The property has been valued on the basis that the real estate is free and clear of all value influencing encumbrances, encroachments, restrictions or covenants except as may be noted in this report and that there are no pledges, charges, liens or special assessments outstanding against the property other than as stated and described herein.

8. The property has been valued on the basis that there are no outstanding liabilities except as expressly noted herein, pursuant to any agreement with a municipal or other government authority, pursuant to any contract or agreement pertaining to the ownership

and operation of the real estate or pursuant to any lease or agreement to lease, which may affect the stated value or saleability of the subject property or any portion thereof.

9. The interpretation of the leases and other contractual agreements, pertaining to the operation and ownership of the property, as expressed herein, is solely the opinion of the author and should not be construed as a legal interpretation. Further, the summaries of these contractual agreements are presented for the sole purpose of giving the reader an overview of the salient facts thereof.

10. The property has been valued on the basis that the real estate complies in all material respects with any restrictive covenants affecting the site and has been built and is occupied and being operated, in all material respects, in full compliance with all requirements of law, including all zoning, land use classification, building, planning, fire and health by-laws, rules, regulations, orders and codes of all federal, provincial, regional and municipal governmental authorities having jurisdiction with respect thereto. (It is recognized there may be work orders or other notices of violation of law outstanding with respect to the real estate and that there may be certain requirements of law preventing occupancy of the real estate as described in this report. However, such circumstances have not been accounted for in the appraisal process).

11. Investigations have been undertaken in respect of matters which regulate the use of land. However, no inquiries have been placed with the fire department, the building inspector, the health department or any other government regulatory agency, unless such investigations are expressly represented to have been made in this report. The subject property must comply with such regulations and, if it does not comply, its non-compliance may affect the market value of this property. To be certain of such compliance, further investigations may be necessary.

12. It is imperative that the reader or any other interested party be aware that the Appraiser did not inspect the premises for fire detection or smoke detection systems, or for the presence of carbon monoxide detectors, nor did the Appraiser inspect the condition of such equipment, if present. The Appraiser takes no responsibility whatsoever for the lack of, or condition of, detection devices that may be located on the premises, nor does the Appraiser warrant compliance in any manner of such equipment, if present.

13. The property has been valued on the basis that there is no action, suit, proceeding or investigation pending or threatened against the real estate or affecting the titular owners of the property, at law or in equity or before or by any federal, provincial or municipal department, commission, board, bureau, agency or instrumentality which may adversely influence the value of the real estate herein appraised.

14. The property has been valued on the basis that all leases, agreements to lease, or other contractual agreements relating to the terms and conditions of the tenants' occupation of space within the subject property are fully enforceable, notwithstanding that such documentation may not be fully executed by the parties thereto as at the date of this appraisal.

15. The property has been valued on the basis that all rents referred to in this report are being paid in full and when due and payable under the terms and conditions of the attendant leases, agreements to lease or other contractual agreements. Further, it is assumed that all rents referred to in this report represent the rental arrangements stipulated in the leases, agreements to lease or other contractual agreements pertaining to the tenants' occupancy, to the extent that such rents have not been prepaid, abated, or inflated to reflect extraordinary circumstances, and are full enforceable notwithstanding that such documentation may not be fully executed by the parties thereto as at the date of this appraisal, unless such conditions have been identified and noted in this report.

16. The data and statistical information contained herein were gathered from reliable sources and are believed to be correct. However, these data are not guaranteed for accuracy, even though every attempt has been made to verify the authenticity of this information as much as possible.

17. The estimated market value of the property does not necessarily represent the value of the underlying shares, if the asset is so held, as the value of the share could be affected by other considerations. Further, the estimated market value does not include consideration of any extraordinary financing, rental or income guarantees, special tax considerations or any other atypical benefits which may influence the ordinary market value of the property, unless the effects of such special conditions, and the extent of any special value that may arise therefrom, have been described and measured in this report.

18. Should title to the real estate presently be held (or changed to a holding) by a partnership, in a joint venture, through a CO-tenancy arrangement or by any other form of divisional ownership, the value of any fractional interest associated therewith may be more or less than the percentage of ownership appearing in the contractual agreement pertaining to the structure of such divisional ownership. For the purposes of our valuation, we have not made any adjustment for the value of a fractional interest.

19. In the event of syndication, the aggregate value of the limited partnership interests may be greater than the value of the freehold or fee simple interest in the real estate, by reason of the possible contributory value of non-realty interests or benefits such as provision for tax shelter, potential for capital appreciation, special investment privileges, particular occupancy and income guarantees, special financing or extraordinary agreements for management services.

20. Unless otherwise noted, the estimated market value of the property referred to herein is predicated upon the condition that it would be sold on a cash basis to the vendor subject to any contractual agreements and encumbrances as noted in this report as-is and where-is, without any contingent agreements or caveats. Other financial arrangements, good or cumbersome, may affect the price at which this property might sell in the open market.

21. Should the author of this report be required to give testimony or appear in court or at any administrative proceeding relating to this appraisal, prior arrangements shall be made therefore, including provisions for additional compensation to permit adequate time for preparation and for any appearances which may be required. However, neither this nor any other of these assumptions and limiting conditions is an attempt to limit the use that

might be made of this report should it properly become evidence in a judicial proceeding. In such a case, it is acknowledged that it is the judicial body which will decide the use of this report which best serves the administration of justice.

22. Appraisals are based on the data available at the time the assignment is completed. Amendments/modifications to appraisals based on new information made available after the appraisal was completed will be made, as soon as reasonably possible, for an additional fee.

23. Because market conditions, including economic, social and political factors, change rapidly and, on occasion, without notice or warning, the estimate of market value expressed herein, as of the effective date of this appraisal, cannot necessarily be relied upon as of any other date without subsequent advice of the author of this report.

24. The value expressed herein is in Canadian dollars.

25. This report is only valid if it bears the original signature(s) of the author(s).

26. These Contingent and Limiting Conditions shall be read with all changes in number and gender as may be appropriate or required by the context or by the particulars of this mandate.

Certification

I certify that, to the best of my knowledge and belief:

1 The statements of fact contained in this report are true and correct.

2 The reported analyses, opinions and conclusions are my personal, unbiased professional analyses, opinions and conclusions.

3 I have no personal interest or bias with respect to the parties involved.

4 My analyses, opinions, and conclusions were developed and this report has been prepared in conformity with the Canadian Uniform Standards of Professional Appraisal Practice (CUSPAP).

5 Mario DeVuono, a candidate with our firm made an interior and exterior inspection of the subject property that is the subject of this report.

6 I have made a personal exterior inspection of the property that is the subject of this report.

7 My compensation is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.

8 The Appraiser has established sufficient competence to prepare this report through education and experience, in addition to the internal resources of the appraisal firm.

9 My value conclusion and other opinions expressed herein are not based on a requested minimum value, a specific value or approval of a loan.

10 The Appraisal Institute of Canada has a Mandatory Recertification Program for designated members. As of the date of this report, Samuel G. Butkovich AACI, has fulfilled the requirements of the program.

11 The value estimate contained in this report applies as of February 27, 2009. This date may be referred to as the effective date of valuation.

Samuel G. Butkovich AACI **March 3, 2009**
President
AREA Real Estate Appraisals Inc.
Certificate #2805

Addendum

Zoning Regulations

14.2 MEDIUM INDUSTRIAL ZONE (M2)

Introduction
This zone allows more intensive uses then the Light Industrial Zone, however it requires that noise, dust, odors, and vibrations impacting sensitive uses in the area be kept to a minimum.

14.2.1 PERMITTED USES

- All uses permitted in M1 zone
- *Accessory uses*
- *Accessory use storage trailers*
- *Accessory use wind power turbines*
- *Auto body repair establishments*
- *Building, hardware, and garden supply stores*
- *Bulk storage and distribution of fossil fuels*
- *Caretakers dwelling unit*
- *Heavy equipment sales maintenance and repair*
- *Industrial plaza*
- *Medium manufacturing*
- *Motor vehicle sales and parts dealers*
- *Rental and leasing services*
- *Repair and maintenance services*
- *Road transportation and warehousing*
- *Similar uses*
- *Warehousing, wholesaling and distribution centres* - with *100% visually screened exterior storage*
  Exclusion: *Reload centres for logs and pulpwood*

14.2.2 MEDIUM INDUSTRIAL ZONE (M2) BUILDING REGULATIONS

All Minimums Unless Otherwise Noted

	Metres
Frontage	30m
Front yard	15m
Interior side yard Abutting a residential zone	5m on one side, 10m on the other side 10m
Rear yard Abutting a residential zone	8m 10m
Exterior side yard	15m
Maximum building height	15m
Landscaped open space	A minimum of 75% of *required front* and *exterior side yards* must be landscaped.

14.2.3 ADDITIONAL MEDIUM INDUSTRIAL ZONE (M2) REGULATIONS

14.2.3.1 NO OPENINGS LARGER THAN 1.5 BY 2.2M FACING ABUTTING RESIDENTIAL LANDS

Where a Medium Industrial zoned *lot* abuts or is opposite residentially zoned lands, any part of a building façade that faces these residentially zone lots shall not have any openings larger than **1.5m by 2.2m**. For any buildings, or portions thereof, that house office uses, the area occupied by the office use is exempt from this provision.

14.2.3.2 WHERE A *REAR* OR *INTERIOR SIDE YARD* ABUTS A RAILWAY

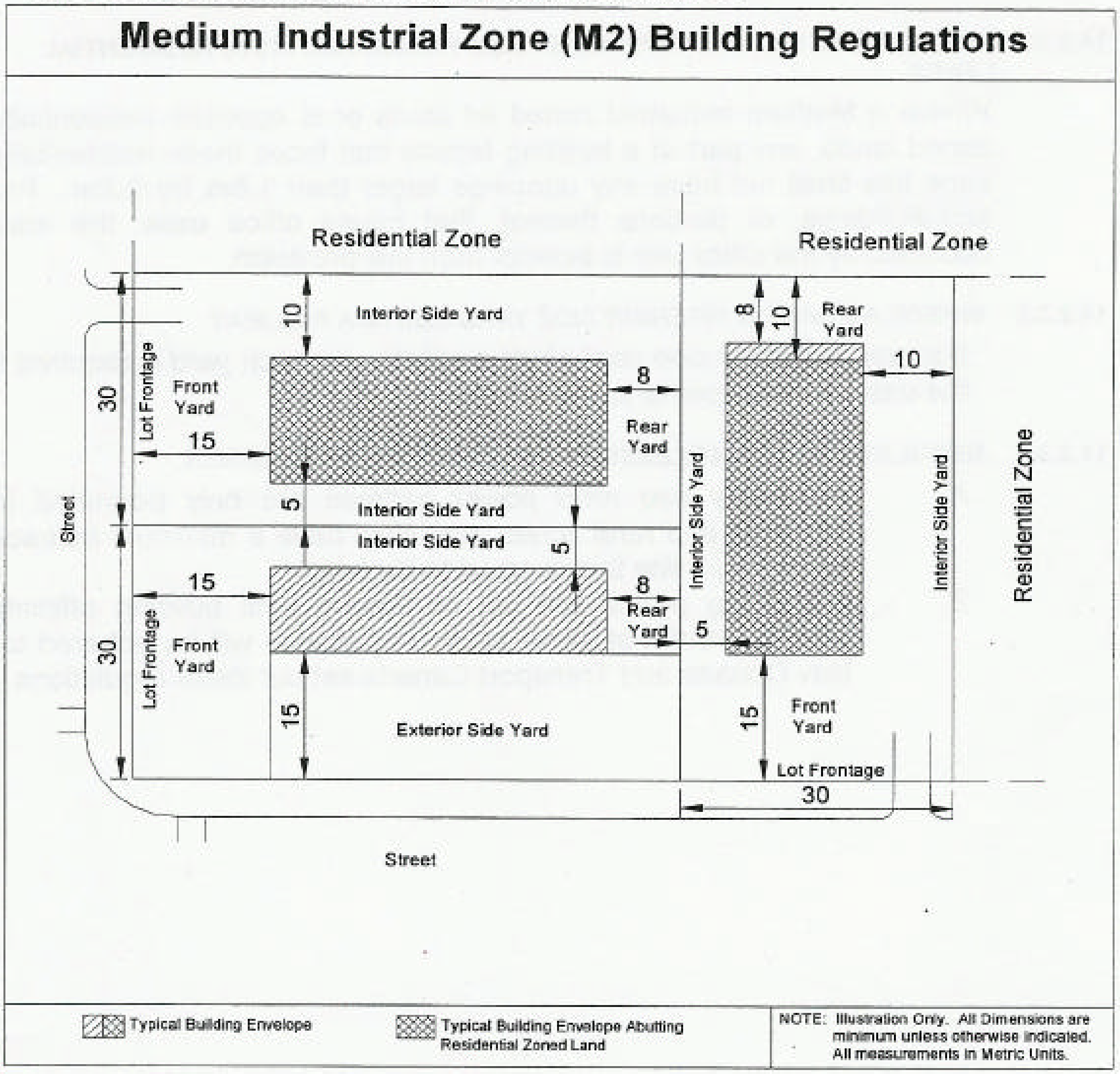
If a *rear* or *interior side yard abuts* a railway, no such *yard* is required if the use requires access to the railway.

14.2.3.3 REGULATIONS FOR *ACCESSORY USE WIND POWER TURBINES*

A. *Accessory use wind power turbines* are only permitted in industrial and rural zones, and shall have a minimum setback from any *lot line* that is equal to it's *height*.

B. A building permit will not be issued until building officials receive proof that all air safety regulations will be adhered to. Nav Canada and Transport Canada set out these regulations

Table 28 Medium Industrial Zone (M2) Building Regulations



THIS AGREEMENT respecting SCADA Assets effective the 30th day of June, 2009.

BETWEEN:

Great Lakes Power Limited

in this agreement called "**GLPL**"

AND:

Great Lakes Power Transmission LP, by its General Partner Great Lakes Power Transmission Inc.

in this agreement called "**GLPT**"

RECITALS

WHEREAS:

A. GLPL owns certain SCADA Assets and the parties wish to enter into contractual arrangements whereby GLPL shall license the use of those assets to GLPT for a term and optional renewal terms.

NOW THEREFORE THIS AGREEMENT WITNESSES that the Parties agree as follows:

Article 1. INTERPRETATION AND SCHEDULES

1.1 Definitions. In this Agreement:

"**Affiliate Relationship Code**" means the code prescribed by the Ontario Energy Board.

"Agreement" means this license agreement in respect of the SCADA Assets;

"Confidential Information" means any information a Party has obtained relating to a specific smart sub-metering provider, wholesaler, consumer, transmitter, retailer or generator;

"Joint Use Planning Committee" means a joint planning committee formed by GLPL and GLPT that will meet no less than semi- annually to review all operational aspects of this Agreement;
"Party or Parties" means either GLPL or GLPT or GLPL and GLPT when expressed as a plural term.

"SCADA Assets" means the hardware and software assets for remote monitoring described in Schedule "A";

"Technical Support" means the technical support provided by GLPT to GLPL for the SCADA Assets pursuant to section 3.1.

1.2 Schedules. The schedule to this Agreement is as follows:

Schedule "A": List of SCADA Assets.

Article 2. LICENCE

2.1 License. GLPL hereby grants a non-exclusive license to GLPT to use the SCADA Assets for a period of three (3) years (the "Initial Term") from the 30th day of June, 2009 (the "Commencement Date"). The Initial Term shall be automatically renewed thereafter from time to time for terms of one (1) year on each anniversary of the Commencement Date, unless GLPT at its option gives written notice of termination to GLPL at least sixty (60) days before the commencement of the renewal term.

2.2 License Fee. GLPT shall pay an annual license fee equal to fifty percent (50%) percent of the annual depreciation taken by GLPL on the SCADA Assets as determined in accordance with GLPL's standard accounting practice, payable quarterly in arrears. Such annual depreciation is in the amount of Two Hundred Eighty Thousand Six Hundred Forty One Dollars and Sixty Cents ($280,641.60). GLPL shall invoice GLPT for the license fee, together with all applicable taxes, each calendar quarter and payment shall be net thirty (30) days, except for the quarters ending September 30, 2009 and December 31st, 2009, which shall be included in one invoice.

2.3 Repair and Maintenance. GLPT shall maintain and repair the SCADA Assets at its cost, including the costs related to support provided by ABB. Any improvements, upgrades, repairs or replacements of a capital nature shall be for the account of GLPT.

2.4 Insurance. GLPL shall insure the SCADA Assets against such risks as would a prudent owner and shall invoice GLPT therefor. Payment shall be net thirty (30) days.

2.5 Regulatory Requirements. The Parties shall collaborate to obtain all necessary licenses, permits and approvals, if any, from all governmental authorities having jurisdiction to permit use by GLPT of the SCADA Assets.

Article 3. TECHNICAL SUPPORT

3.1 Technical Support. During the first year of the Initial Term GLPT shall provide GLPL with all required technical support for the SCADA Assets. GLPL shall provide adequate notice (no less than 5 days) for any support requirements from GLPT, unless of an emergent nature affecting operations at a facility.

3.2 Payment. GLPT shall invoice GLPL monthly, in arrears, for the costs of providing such technical support to GLPL. The costs to be based on the hourly labour costs of employees or consultants of GLPT providing the Technical Support.

Article 4. MISCELLANEOUS

4.1 Number and Gender. The grammatical changes required to make the provisions of this Agreement apply in the plural sense to more than one (1) entity and to corporations, associations, partnerships, or individuals, males or females, in all cases will be assumed as though in each case fully expressed.

4.2 Obligations as Covenants. Each obligation expressed in this Agreement, even though not expressed as a covenant, is considered to be a covenant for all purposes.

4.3 Entire Agreement. This Agreement contains all the representations, warranties, covenants, agreements, conditions and understandings between the Parties concerning its subject matter.

4.4 Extended Operation. This Agreement binds and benefits the Parties, their heirs, personal representatives, successors and assigns.

4.5 Partial Invalidity. If any provision of this Agreement or the application of it to any person or circumstances is held to any extent invalid or unenforceable, the remainder of this Agreement or the application of the provision to persons or circumstances other than those as to which it is held invalid or unenforceable is not affected.

4.6 Table of Contents, Headings and Captions. The table of contents, article numbers, article headings, section numbers and section headings are not to be considered when interpreting this Agreement.

4.7 Notice. Any notice, letter, offer, or other document required or permitted to be given under this Agreement shall be in writing and shall be given by personal delivery, facsimile or sent by prepaid registered mail addressed:

in the case of GLPT to: Great Lakes Power Transmission Inc.
2 Sackville Road
Sault Ste. Marie, ON P6B 6J6

Attention: General Manager
Fax: (705) 941-5600

and

in the case of GLPL to: Great Lakes Power Limited
480 blvd de la Cité
Gatineau, QC J8T 8R3

Attention: CFO, Canadian Operations
Fax: (819) 561-7188

or to such other address as any party may from time to time by notice given in accordance with this section direct, and any such notice, letter, offer, or other document sent by registered mail shall be conclusively considered to be given two (2) business days (excluding Saturday) following the date of mailing.

4.8 Time of Essence. Time is of the essence of this Agreement.

4.9 Laws of Ontario. This Agreement shall be construed in accordance with the laws of Ontario.

4.10 Amendment. No amendment or modification of this Agreement is effective unless it is in writing and executed by the parties.

4.11 Waiver. No waiver by any Party of any breach of any of the provisions of this Agreement by any other Party is effective or binding unless it is expressed in writing and executed by that party. Unless otherwise provided in that waiver, that waiver does not limit or affect the rights of that Party with respect to any other breach.

4.12 Further Assurances. The Parties shall do and execute all such further acts, deeds, instruments, or things as may be necessary or desirable for the purpose of carrying out the intent of this Agreement.

4.13 Business Days. If the time for the completion of any event or the expiry of any notice as stipulated by this Agreement happens on a day which is not a business day, it will be taken to happen on the next following business day.

4.14 Arbitration. Any dispute or disagreement of any kind or nature between the Parties arising out of or in connection with this Agreement (a **"Dispute"**) shall be resolved in accordance with this Section 4.14. The Parties will use best efforts to resolve any Dispute between themselves and will refer any unresolved Disputes to the Joint Use Planning Committee for resolution. Any Dispute that the Joint Use Planning Committee is unable to resolve within 60 days of the Dispute being referred to the Joint Use Planning Committee will be submitted to binding arbitration pursuant to the arbitration rules set forth in the *Arbitration Act, 1991* (Ontario). Either Party may make a demand for arbitration by sending a notice in writing to the other Party, setting forth the nature of the Dispute, the amount involved and the name of the arbitrator it proposes to be appointed. The Parties shall agree on the designation of the arbitrator and the arbitration hearings shall be held in Ontario. The decision of the arbitrator shall be final without appeal and binding on the Parties. The costs and expenses of any arbitration and the arbitrator shall be paid equally by the Parties unless the arbitrator otherwise provides in its award.

4.15 Confidential Information. The Parties hereby acknowledge that no Confidential Information will be shared between them in connection with this Agreement or the use of the SCADA Assets by GLPT.

4.16 Regulatory Change. In the event the Affiliate Relationship Code is amended or interpreted by the Ontario Energy Board such that any provision of this Agreement is rendered illegal or unenforceable or a Party is materially and adversely affected in respect of fulfilling its obligations under this Agreement, GLPT and GLPL agree to negotiate in good faith such changes to this Agreement to implement such amendments to the Affiliate Relationship Code.

4.17 Assignment. This Agreement may not be assigned by a Party without the written consent of the other Party, such consent not to be unreasonably withheld.

4.18 Access. GLPL shall be allowed to access the SCADA Assets located at or in GLPT facilities, provided GLPL is of the opinion, acting reasonably, that it needs to access the SCADA Assets. In that event, GLPL shall contact GLPT's system control centre via telephone after the need has arisen and shall specify the reason for accessing the facility, specifically a description of the event and the location at which the service is required.

4.19 Counterparts. This Agreement may be executed in counterparts, by facsimile or PDF, which together shall be deemed to be one and the same Agreement.

IN WITNESS WHEREOF this Agreement is duly executed by the Parties

GREAT LAKES POWER LIMITED

Per: André Legault

André Legault
Title
Chief Operating Officer and Senior Vice President
Canadian Operations

Walter Di Cesare
Assistant Secretary and Director Legal Services
Canadian Operations

GREAT LAKES POWER TRANSMISSION LP by its general partner Great Lakes Power Transmission Inc.

Per: L. Andrew McPhail

Vice President & GM
Title

Director of Admin

SCHEDULE "A"

SCADA ASSETS

SCADA OVERVIEW – Asset Description

SCADA

GLPL's Supervisory, Control and Data Acquisition (SCADA) system (ABB – Ranger) consisting of servers, LAN, software, display screens, wallboard and related hardware. Such system is located at GLPT's Sackville Road premises, the Andrews communication building at Montreal River and the Wawa Hydro maintenance building.

GLPL will use such system to monitor and control GLPT's nine transmission stations.

The system is backed-up by RDAS (remote) SCADA computers at Montreal River and Wawa locations respectively, which can be operated by technician staff in those areas under the guidance of the System Control Operators in the event of a Fibre Optic Communication system failure.

OPERATIONS, MAINTENANCE AND ADMINISTRATION AGREEMENT

Made as of March 5, 2008

Between

GREAT LAKES POWER TRANSMISSION LP
as the "**Owner**"

and

GREAT LAKES POWER LIMITED
as the "**Manager**"

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OPERATIONS, MAINTENANCE & ADMINISTRATION AGREEMENT

THIS AGREEMENT is made as of March 5, 2008.

BETWEEN:

GREAT LAKES POWER TRANSMISSION LP, a limited partnership formed under the laws of the Province of Ontario (hereinafter referred to as the "**Owner**"),

AND

GREAT LAKES POWER LIMITED, a corporation incorporated under the laws of the Province of Ontario (hereinafter referred to as the "**Manager**"),

RECITALS:

A. The Owner is the licensed transmitter, licensed to own the Facilities (as such term is hereinafter defined).

B. The Manager is a licensed transmitter licensed to operate the Facilities.

C. The Manager and the Owner have agreed to enter into this Agreement pursuant to which the Manager will provide or cause to be provided, from and after the Effective Date, Services (as such term is hereinafter defined) for the Owner with respect to the Transmission Business and Facilities (as such terms are hereinafter defined), all upon the terms and conditions set forth herein.

NOW THEREFORE in consideration of the premises and agreements contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE 1 – DEFINITIONS

1.1 Definitions

In this Agreement, unless something in the subject matter or context is inconsistent therewith, all capitalized terms shall have the meanings set forth below:

1.1.1 "Additional Payments" means charges and expenses incurred by the Manager on behalf of the Owner in the provision of the Total Services that are not Compensation, payable to Persons other than the Manager;

1.1.2 "Additional Services" has the meaning ascribed thereto in Section 4.5;

1.1.3 "Administrative Services" has the meaning ascribed thereto in Section 4.3;

1.1.4 "Affiliate" for purposes of this Agreement, two Persons are "Affiliates" if one of them Controls the other or they are both Controlled by the same Person, in either case whether directly or indirectly through a chain of Controlled intermediaries;

1.1.5 "Agreement" means this Operations, Maintenance & Administration Agreement as it may be amended, modified or supplemented from time to time;

1.1.6 "Applicable Law" means any applicable law including any statute, regulation, by-law, treaty, guideline, directive, rule, standard, requirement, policy, order, judgement, injunction, award, decree, code or resolution of a Governmental Authority, whether or not having the force of law, binding on the parties, and includes the IESO Market Rules and all Environmental Laws and Regulations in effect from time to time;

1.1.7 "Arbitration" has the meaning ascribed thereto in Section 15.2.1;

1.1.8 "Arbitrator" has the meaning ascribed thereto in Section 15.2.3;

1.1.9 "Business Assets" means the Facilities, any rights of the Owner or the Manager pursuant to the Permits and the Contracts, and all other assets related to the Transmission Business, as well as all additional assets or property, real or personal, tangible or intangible owned or beneficially owned, directly or indirectly, by the Owner which may be used in the Transmission Business during the Term hereof (including all leases, licenses, subleases, sublicenses, rights of way or occupation, easements, permits or similar rights to use or occupy real property);

1.1.10 "Business Day" means a day other than Saturday, Sunday or a statutory holiday in the Province of Ontario;

1.1.11 "Capital Expenditures" means, with respect to any period, without duplication, all costs and expenses incurred by or on behalf of the Owner of a capital nature, which are incurred in respect of such period in accordance with generally accepted accounting principles;

1.1.12 "Claim" has the meaning ascribed thereto in Section 12.1;

1.1.13 "Compensation" has the meaning ascribed thereto in Section 7.1;

1.1.14 "Confidential Information" has the meaning ascribed thereto in Section 16.2;

1.1.15 "Contracts" means all agreements, undertakings and other documents to which the Owner is now, or may become, a party in relation to the Transmission Business, including the Service Contracts;

1.1.16 "Control" means, with respect to two Persons, that Person ("A") controls Person ("B") where A has the power to determine the management and policies of B by contract or status (for example the status of A being the general partner of B) or by virtue of beneficial ownership of a majority of the voting interests in B;

1.1.17 "Dispute" has the meaning ascribed thereto in Section 15.1;

1.1.18 "Documents" means, collectively, this Agreement, the Contracts and the Permits and any other agreements, certificates or instruments delivered pursuant to such documents;

1.1.19 "Effective Date" means the date on which the Business Assets are transferred from the Manager to the Owner pursuant to the Asset Purchase Agreement between the parties dated as of December 11, 2007;

1.1.20 "Environmental Laws and Regulations" means all applicable environmental or health and safety laws, statutes, regulations, by-laws, treaties, resolutions and ordinances of any Governmental Authority, including (i) all regulations, resolutions, ordinances, decrees, guidelines, standards, policies and other similar documents and instruments of all courts and governmental authorities, bureaus and agencies, domestic and foreign, whether issued by environmental regulatory agencies or otherwise, and (ii) all laws, by-laws, regulations, resolutions, ordinances, guidelines, standards, policies and decrees relating to natural and human environmental matters (including air, land, surface water, ground water and immovable and movable property), public or occupational health and safety, and the manufacture, importation, handling, transportation, storage, disposal and treatment of a Hazardous Substance;

1.1.21 "Event of Default" means, with respect to the Owner or General Partner as applicable, an Owner Event of Default and, with respect to the Manager, a Manager Event of Default;

1.1.22 "Facilities" means the tangible property consisting of the electricity transmission apparatus owned or beneficially owned directly or indirectly by the Owner and any related tangible real and personal property ancillary thereto, as the same may be amended and modified from time to time and including any substitutions therefore or additions thereto;

1.1.23 "Financing Documents" means all documents evidencing, securing or otherwise relating to any financing arranged by the Owner in respect of the Business;

1.1.24 "Force Majeure" means, for the purposes hereof, with respect to any party, an event, condition or circumstance (and the effect thereof) which is not within the reasonable control of the party claiming Force Majeure and which, by the exercise of due diligence, the party claiming Force Majeure is unable to prevent or overcome, including events in the nature of acts of God, fire, explosion, civil disturbance, war, riot, insurrection, military or guerrilla action, terrorist activity, economic sanction, blockade or embargo, sabotage, flooding, earthquake, drought, strikes or labour disputes, events of force majeure claimed by suppliers or subcontractors, inability to obtain or maintain a Permit, and action or restraint by any Governmental Authority (so long as the party claiming Force Majeure has not applied for or assisted in the application for, and has opposed where and to the extent possible, such action or restraint by such Governmental Authority);

1.1.25 "General Partner" means the general partner of the Owner, and its successors or permitted assigns pursuant to the terms hereof;

1.1.26 "Governmental Authority" means any court or governmental ministry, department, tribunal, commission, board, bureau, agency, or instrumentality of Canada, or of any province, state, territory, county, municipality, city, town or other political jurisdiction whether domestic or foreign and whether now or in the future constituted or existing having or purporting to have jurisdiction over the Transmission Business or over any party to this Agreement, including, for greater certainty, the OEB, the IESO and any Person acting under the authority of a Governmental Authority;

1.1.27 "Good Utility Practice" means any of the practices, methods and acts engaged in or approved by a significant portion of the electric utility industry in Canada during the relevant time period, or any of the practices, methods, and acts which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety and expedition. Good Utility Practice is not intended to be limited to the optimum practice, method or act to the exclusion of all others, but rather is intended to include prudent practices, methods, and acts generally accepted in North America;

1.1.28 "Hazardous Substance"; means (a) any petroleum or petroleum products, flammable materials, explosives, radioactive materials, friable asbestos, urea formaldehyde foam insulation and transformers or other equipment that contain dielectric fluid containing polychlorinated biphenyls (PCBs) in regulated concentrations, (b) any chemicals or other materials or substances which are now or hereafter become defined as or included in the definition of "hazardous substances," "hazardous wastes," "hazardous materials," "extremely hazardous wastes," "restricted hazardous wastes," "toxic substances," "toxic pollutants," "contaminants," "pollutants" or words of similar import under any Environmental Law and Regulation, (c) any other chemical or other material or substance, exposure to which is now or hereafter prohibited, limited or regulated as such under any Environmental Law and Regulation, and (d) all other substances or wastes of any nature with respect to which liability or standards of conduct are imposed under any Environmental Law and Regulation;

1.1.29 "IESO" means the Independent Electricity System Operator established under Part II of the *Electricity Act, 1998* (Ontario), and its successors;

1.1.30 "IESO Market Rules" means the rules governing the transmissions system controlled by the IESO and establishing and governing the IESO-Administered Markets, together with all market manuals, policies, interpretation bulletins and guidelines issued by the IESO, as the same may be amended, restated, supplemented or superceded from time to time;

1.1.31 "Indemnified Party" has the meaning ascribed thereto in Section 12.2.1;

1.1.32 "Indemnifying Party" has the meaning ascribed thereto in Section 12.2.1;

1.1.33 "Independent Engineer" means any Person appointed from time to time by the Owner to perform the audits described in Section 8.4;

1.1.34 "Insolvency Legislation" means the *Bankruptcy and Insolvency Act* (Canada), the *Winding Up and Restructuring Act* (Canada) and the *Companies' Creditors Arrangement Act* (Canada) and any other bankruptcy, insolvency, moratorium, reorganization or other similar laws affecting creditors rights and the bankruptcy, insolvency, moratorium, reorganization, creditor protection or similar laws of any other applicable jurisdiction, as they may be amended from time to time;

1.1.35 "Insolvent" means, in relation to any Person, (i) being insolvent or bankrupt or making a proposal or filing a notice of intent to do so, pursuant to or under any Insolvency Legislation (or any other Applicable Law) or (ii) having a trustee or receiver or manager appointed in respect of its assets or a petition into bankruptcy is filed against it and such appointment or petition continues unstayed and in effect for a period of sixty (60) days;

1.1.36 "Manager" means Great Lakes Power Limited and its successors or permitted assigns pursuant to the terms hereof;

1.1.37 "Manager Event of Default" means any of the events described in Section 10.3;

1.1.38 "Management Services" has the meaning ascribed thereto in Section 4.1;

1.1.39 "O&M Services" has the meaning ascribed thereto in Section 4.2;

1.1.40 "OEB" means the Ontario Energy Board, and its successors;

1.1.41 "Obligations" means all of the responsibilities, obligations and covenants of the Manager hereunder, including performance by the Manager of the Total Services;

1.1.42 "Operating Accounts" means the principal bank accounts of the Owner for operational purposes;

1.1.43 "Operating Budget" has the meaning ascribed thereto in Section 4.1.3;

1.1.44 "Operating Expenses" means, with respect to any period, all costs and expenses incurred by or on behalf of the Owner in connection with the Transmission Business, excluding Capital Expenditures;

1.1.45 "Owner Event of Default" means any of the events described in Section 10.1;

1.1.46 "Party" means any person who is a party to this Agreement or who becomes a party to this Agreement;

1.1.47 "Permits" means all consents, certificates, licenses, approvals, registrations, permits or other authorizations granted by any Governmental Authority or any other Person under any Applicable Law in respect of, or which are in any way material to, the Transmission Business or the operation of the Facilities;

1.1.48 "Person" means any natural person, corporation, division of a corporation, partnership, trust, joint venture (which includes a co-ownership), association, company, estate, unincorporated organization or Governmental Authority;

1.1.49 "Plan" means the Annual Capital Expenditure and Major Maintenance Plan, that is prepared by the Manager and approved by the General Partner, as in effect from time to time;

1.1.50 "Service Contracts" means all services and advisory contracts to which the Manager is now or hereafter a party, in whole or in part on behalf of the Owner, in respect of the Transmission Business or the Facilities;

1.1.51 "Services" has the meaning ascribed thereto in Article 4;

1.1.52 "Taxes" means all taxes, rates, duties, charges, impositions, levies and assessments whatsoever which are levied, imposed or assessed against the Facilities, the revenues therefrom or the Owner by any Governmental Authority, and including those levied, imposed or assessed thereon for education, schools, utilities and local improvements or in respect of any occupancy or use thereof, including goods and services tax. If the system of personal or real property taxation shall be altered or varied and any new tax shall be levied or imposed on all or any portion of the Facilities, the revenues therefrom or the Owner in substitution for or in addition to those presently levied or imposed, then any such new tax levy shall be deemed to be and shall be included in Taxes;

1.1.53 "Technical Dispute" has the meaning ascribed thereto in Section 15.1.1;

1.1.54 "Technical Expert" has the meaning ascribed thereto in Section 15.1.1;

1.1.55 "Term" shall mean the period from the Effective Date to the date upon which this Agreement is terminated pursuant to the terms of this Agreement;

1.1.56 "Third Party Costs" means charges and expenses including Capital Expenditures and Operating Expenses incurred in the name of the Owner, payable by the Manager to Persons other than the Owner;

1.1.57 "Total Services" means collectively the Services and the Additional Services;

1.1.58 "Transmission Business" means the business of owning, operating and maintaining electricity transmitting facilities and the transmission of electricity and all matters incidental and/or ancillary thereto; and

1.1.59 "Transmission Licence" means the transmission license number ET-2002-0247 permitting the Manager to operate the Facilities and Transmission Business on behalf of the Owner as the same may be supplemented, amended or replaced from time to time.

1.2 Headings

The division of this Agreement into articles and sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement. The terms "hereof", "hereunder" and similar expressions refer to this Agreement and not to any particular article, section or other portion hereof and include any agreement supplemental hereto. Unless something in the subject matter or context is inconsistent therewith, references herein to "Articles" and "Sections" followed by a number or a letter are to articles and sections of this Agreement.

1.3 Interpretation

Words importing the singular number only shall include the plural and vice versa. Words importing gender shall include all genders. Where the word "including" or "includes" is used in this Agreement it means "including without limitation" or "includes without limitation", respectively. Any reference to any document shall include a reference to any schedule, amendment or supplement thereto or any agreement in replacement thereof, all as permitted under the documents.

1.4 Accounting Principles

Wherever in this Agreement reference is made to generally accepted accounting principles, such reference shall be deemed to be to the generally accepted accounting principles from time to time in effect in Canada applicable as at the date on which such calculation is made or required to be made in accordance with generally accepted accounting principles. Where the character or amount of any asset or liability or item of revenue or expense is required to be determined, or any consolidation or other accounting computation is required to be made for the purpose of this Agreement or any document, such determination or calculation shall, to the extent applicable and except as otherwise specified herein or as otherwise agreed in writing by the parties, be made in accordance with generally accepted accounting principles applied on a consistent basis.

1.5 Funds

All dollar amounts referred to in this Agreement are in lawful money of Canada.

ARTICLE 2 – APPOINTMENT OF THE MANAGER

2.1 Appointment of the Manager

Subject to the provisions of this Agreement, the Owner hereby appoints the Manager, exclusively to provide the Total Services and to do such things and execute such agreements as are necessary or desirable in respect of the provision of such Total Services to the Owner in respect of the Transmission Business and the Business Assets.

2.2 Acceptance of Appointment

The Manager hereby accepts the exclusive appointment provided for in Section 2.1 and agrees to act in such capacity and to provide or cause to be provided such Total Services upon the terms and conditions set forth in this Agreement. The Manager will perform the Total Services with a management team, including but not limited to, a general manager along with appropriate support personnel, overseen by an officer of the Manager responsible for operations.

ARTICLE 3 – OBLIGATIONS AND COVENANTS OF THE OWNER

3.1 Rights, Obligations and Covenants of the Owner

The Owner covenants and agrees with the Manager during the Term and in accordance with the terms and conditions of this Agreement:

3.1.1 to make available and grant access to the Manager and its representatives to: (i) the Business Assets; (ii) the books and records of the Owner and the General Partner, to the extent distinct; and (iii) the consultant, counterparties and contractors of the Owner that relate to the Transmission Business or Facilities, in order for the Manager to perform the Total Services;

3.1.2 to pay, or provide all necessary funds to the Manager to enable it to pay, as the case may be, all Operating Expenses, any other expenses of the Owner which are required to ensure the compliance of the Facilities and the Transmission Business to any Applicable Law, Taxes and other government fees, utility charges, dues, rates and assessments of whatever nature or kind and to whomever assessed now or hereafter charged or payable with respect to the Facilities and the Transmission Business, in each of the foregoing cases including any interest and penalties thereon when and as the same become due and payable, except when and so long as the validity of any of the same is in good faith being contested by the Owner;

3.1.3 not to hire, employ, engage or cause any other Person including in the case of the Owner, the General Partner, to provide services comparable to the Services without first obtaining the prior written consent of the Manager, which consent may be given or withheld in the Manager's sole discretion, provided however, the Owner shall be permitted to hire, engage or cause any person to provide said services without the consent of the Manager in the event the Manager is unable or is unwilling to provide any Services;

3.1.4 when requested by the Manager, to make prompt decisions with respect to material operational matters that require its approval;

3.1.5 to comply with the Plan and any amendments or modifications thereto once approved by the General Partner as provided herein, and, in particular, to make available to the Manager, as may be required, all necessary funds required to pay for Capital Expenditures and major maintenance provided for in the Plan;

3.1.6 to provide, or cause to be provided, all information as may be reasonably requested by the Manager in relation to the Transmission Business necessary for the performance of the Total Services and to promptly notify the Manager of any material facts or information of which the Owner is aware in relation to and which may affect the Transmission Business, or the performance of the Obligations of the Manager pursuant to this Agreement, including any pending or threatened suits, actions, claims, proceedings or orders by or against the Owner, General Partner or the Business Assets before any Governmental Authority or arbitrator;

3.1.7 to promptly notify the Manager if any Governmental Authority contacts the Owner or the General Partner with respect to compliance with Applicable Law or Permits; and

3.1.8 to comply with all Applicable Law and not to provide instructions to the Manager (i) inconsistent with this Agreement, (ii) in breach of Applicable Law or that would reasonably be expected to result in a breach of Applicable Law if implemented, or (iii) that would otherwise result in the provision of the Total Services in a manner that is inconsistent with Good Utility Practice.

ARTICLE 4 – OBLIGATIONS AND COVENANTS OF THE MANAGER

The Manager covenants and agrees with the Owner during the Term and in accordance with the terms and conditions of this Agreement and the Transmission License to provide, or to cause to be provided by suitably qualified contractors, subcontractors or third parties, the Management Services, O&M Services and Administrative Services (collectively the "**Services**") as defined and described in this Article 4, to the Owner.

4.1 Management

The Manager covenants and agrees with the Owner that the Manager will perform the following services (collectively the "**Management Services**") pursuant to the terms of this Agreement:

4.1.1 Cause or supervise the carrying out of all day-to-day management, secretarial, accounting, administrative, liaison, representative, regulatory and reporting functions and obligations of the Transmission Business on behalf of, and/or in the name of the Owner;

4.1.2 Cause or supervise the establishment and maintenance of books and records for the Owner consistent with industry standards and in compliance with generally accepted accounting principles and the OEB's Uniform System of Accounts;

4.1.3 Prepare annually, in advance of the next fiscal year of the Owner, the Plan and all budgets and plans with respect to (i) the operation, maintenance and administration services to be performed with respect to the Business Assets and (ii) the performance of the Transmission Business (the "**Operating Budget**");

4.1.4 Annually, prepare and arrange for the approval of the Plan and Operating Budget by the General Partner in accordance with Section 4.3;

4.1.5 Engage, supervise and direct any contractors, subcontractors and other third parties necessary or desirable for the provision of the Total Services;

4.1.6 Supervise and manage all Contracts and Permits and ensure that all obligations of the Owner and the Manager under all Contracts and Permits are complied with in accordance with the terms and conditions of such Contracts and Permits;

4.1.7 Enforce all obligations of the counterparties to all Contracts (including all warranties benefiting the Owner, the Facilities or the Transmission Business), subject to the rights of the Owner set out herein with respect to the approval of litigation or the right of the Owner to approve of any termination of a Contract that is material to the Transmission Business;

4.1.8 Advise the Owner and establish and maintain appropriate policies and procedures, if necessary, to enable compliance by the Owner in all material respects with:

a) the requirements of Applicable Law and the Permits affecting the Facilities and the Transmission Business;

b) Good Utility Practice;

c) the Plan;

d) each of the Permits, and the obtaining and maintenance thereof; and

e) any contractual obligations by which the Owner is bound;

4.1.9 Attend to the opening, closing, operation and management of all bank accounts required by the Owner in connection with the Transmission Business, including the Operating Accounts, in each case in the name of the Owner, and make all deposits and withdrawals reasonably necessary for (i) the management of the Owner's day-to-day operations, (ii) the payment of the Owner's expenses in accordance with this Agreement, and (iii) the payment of all obligations owing under the Financing Documents to which the Owner is a party;

4.1.10 Monitor the performance by the Owner and its subsidiaries of their obligations under the Financing Documents and arrange for the preparation and delivery of all reporting, financial statements and notices required to be delivered by the Owner and its subsidiaries under the Financing Documents;

4.1.11 Manage litigation in which the Owner is sued and commence litigation after consulting with, and subject to the approval of, the General Partner;

4.1.12 Be the primary contact with all third parties, including Governmental Authorities, with respect to the Total Services provided hereunder and any other matters reasonably related thereto;

4.1.13 Manage or act as agent for the filing of all transmission related applications with the OEB, including all necessary evidence with respect to costs incurred or to be incurred by the Owner in respect of the service contemplated herein or set out in this Agreement;

4.1.14 Provide copies to the Owner of any material correspondence or material written communications with all third parties, including Governmental Authorities, related to the Total Services;

4.1.15 Provide, or cause to be provided, all information as may be reasonably requested by the Owner in relation to the Business Assets;

4.1.16 Keep the Facilities free and clear of all liens and encumbrances arising out of or in connection with the acts, omissions or indebtedness of the Manager or of its employees, agents or subcontractors;

4.1.17 Promptly notify the Owner of:

a) any material default or breach by the Manager hereunder;

b) any condition or event that is reasonably likely to result in a material overrun in budgeted costs of the Owner for any calendar year as budgeted in the Plan or the Operating Budget in such calendar year;

c) any significant malfunction of the Facilities reasonably expected to have a material adverse effect on the Transmission Business and the cause thereof;

d) any failure, known to the Manager, of any third party to comply with the Documents, which failure is reasonably expected to have a material adverse effect on the Business, or any event known to the Manager and reasonably expected to cause such a failure;

e) any occurrence, accident, safety violation, lawsuit, claim by any Person reasonably expected to result in an investigation or material penalty under Applicable Law or any material violation of any Applicable Law;

f) any event of Force Majeure and the particulars thereof that materially affect the operation of the Transmission Business; and

g) any other event reasonably expected to have a material adverse effect on the Business; and

4.1.18 Subject to Section 4.5, provide or cause to be provided all such other services as may from time to time be agreed with the Owner and, to the extent distinct, the General Partner, and perform all other duties reasonably related to the day-to-day operations of the Owner and, to the extent distinct, the General Partner and contemplated by the services hereunder.

4.2 Operations and Maintenance Services

The Manager covenants and agrees with the Owner that the Manager will perform the following services (collectively the **"O&M Services"**) pursuant to the terms of this Agreement:

4.2.1 Operate and maintain the Facilities, and arrange for all services required in order to operate and maintain the Facilities, in accordance with Good Utility Practice, the Documents, and the Plan, including provision of system control services in accordance with the Transmission Licence, all applicable protocols, and any other future OEB requirements that may be established with respect to the provision of system control services;

4.2.2 Cause the operations and maintenance of the Facilities to comply with, in all material respects, all Applicable Laws, and all Documents and policies in respect of the operation and maintenance of the Facilities;

4.2.3 Arrange, renew and manage all easements, leases, subleases, licenses, sublicenses, rights of way, occupation agreements, wire crossing permits, or other agreements to use or operate land that are used in connection with the Transmission Business, and pay all amounts owing thereunder;

4.2.4 Comply in all material respects with the Plan and prepare or cause to be prepared conceptual plans, studies and designs in respect of all Capital Expenditures or major maintenance or other modifications or enhancements to the Facilities or future transmission system developments;

4.2.5 Maintain, in full force and effect, or obtain, as may be required, all Permits in respect of the Transmission Business;

4.2.6 Implement, or cause to be implemented, Capital Expenditures in accordance with the Plan and the Operating Budget or as otherwise authorized or instructed by the Owner;

4.2.7 Prepare, or cause to be prepared, conceptual plans, studies and designs, (including outlines of costs and scope of work) in respect of all Capital Expenditures or other modifications or enhancements to the Facilities;

4.2.8 In emergency situations or during the occurrence of an event of Force Majeure, take all such actions as a reasonably prudent owner of a facility similar to the Facilities would take in similar circumstances to safeguard life or property or to prevent or minimize an interruption in the transmission of electricity;

4.2.9 Take reasonable precautions for the safety of persons and property, including posting appropriate hazard warnings on the Facilities, initiating safety precautions and programs and enforcing on-site control of safety for all persons who provide services at or visit the Facilities;

4.2.10 Prepare, modify and update, as required by Applicable Law or Good Utility Practice, a policies and procedures manual as instructed by or acceptable to the Owner describing the policies and procedures for operating, maintaining and managing the Facilities; and setting forth procedures for, safety and environmental procedures;

4.2.11 Use reasonable care necessary to keep the Facilities clean, orderly and free from debris, rubbish or waste to the extent consistent with the operation and maintenance of the Facilities;

4.2.12 Use reasonable care not to generate, store, transport, accumulate, dispose, discharge or release any Hazardous Substance on, in or from any property in connection with the Facilities, except in compliance in all material respects with all applicable Environmental Laws and Regulations;

4.2.13 Use reasonable efforts to secure and maintain from vendors, suppliers and subcontractors indemnities, warranties and guarantees as may be commercially available in accordance with Good Utility Practice regarding supplies, equipment and services purchased for the Facilities, which may, if the Owner is not a party thereto, be assigned to the Owner at the request of the Owner, and, as applicable, assist the Owner in preserving and enforcing such indemnities, warranties or guarantees;

4.2.14 Notify the Owner of any material defects or deficiencies in the Facilities discovered by the Manager and assist the Owner in making any claim under warranties relating to the Facilities;

4.2.15 Maintain a maintenance and materials management system for planning, work scheduling, spare parts inventory and purchasing;

4.2.16 Maintain an inventory control system to identify, catalogue and disburse spare parts for the maintenance of the Facilities and procure spare parts and refurbish, where practical or economical, spare parts to allow their reuse;

4.2.17 Perform for the Owner and, to the extent distinct, the General Partner, such other services as may from time to time be reasonably requested or are reasonably necessary or appropriate in connection with the operation and maintenance of the Facilities; and

4.2.18 Assist the Owner in the administration of all Documents to which the Owner is a party or by which it is bound relating to the operations and maintenance of the Facilities, including communications with third parties in connection therewith.

4.3 Annual Capital Expenditure and Maintenance Plan and Operating Budget

The Manager covenants and agrees with the Owner that the Manager will perform the following services (collectively the "**Administrative Services**") pursuant to the terms of this Agreement:

4.3.1 The Manager shall prepare a Plan and Operating Budget for each calendar year for the Owner with respect to the Facilities and such plan will be submitted to the General Partner for its approval at least sixty (60) days prior to the beginning of each calendar year. The Plan and Operating Budget shall set out the plan, schedule and budget for Capital Expenditures for the Facilities, an operating plan and scheduled maintenance for the Facilities and shall include an annual budget setting out Operating Expenses for such calendar year.

4.3.2 If the General Partner does not approve any Plan or Operating Budget before the commencement of the applicable calendar year or proposes any modification thereto which is not agreeable to the Manager due to the Manager's reasonable objections, including concerns regarding compliance with Good Utility Practice, Applicable Law and the Documents, the parties agree to negotiate, in good faith and acting reasonably, to resolve any disagreement concerning the Plan or Operating Budget; provided, however, that expenses relating to insurance premiums, Taxes or rental or lease payments for land relating to the operation of the Facilities shall not be subject to dispute by the Owner absent manifest error. Any dispute relating to the approval of a Plan or Operating Budget will be determined under the dispute resolution mechanism in Article 15.

4.3.3 If, before the commencement of any calendar year, the General Partner does not approve a Plan or Operating Budget for such calendar year, the Manager will be authorized to operate the Facilities in accordance with Applicable Law, Good Utility Practice, and the Documents, and to take such action and incur such expenditures on behalf of the Owner as required or appropriate and the Owner shall pay or provide all necessary funds to the Manager to reimburse the Manager for such expenditures.

4.4 Insurance

4.4.1 The Owner will maintain throughout the term of this Agreement commercial general liability insurance in respect of the Facilities and the services provided by the Manager hereunder with limits per occurrence in amounts typically incurred by a reasonably prudent owner and any additional insurance required under the Financing Documents, which will include the Manager as an additional insured in respect of all coverages under the policy, including but not limited to liability for negligence, and the policies will include a severability of interests clause and a cross liability clause, in addition to usual general liability extensions. The Owner will provide from time to time such evidence of that insurance as the Manager reasonably requires.

4.4.2 The Manager will at all times during the term of this Agreement maintain "errors and omissions" insurance coverage and other insurance coverage which is customarily carried by persons performing functions that are similar to those performed by the Manager under this Agreement and in an amount which is comparable to that which is customarily maintained by such other persons.

4.5 Additional Services

The Manager agrees to provide or cause to be provided all such other services to the Owner in respect of the Transmission Business or the Facilities not currently described in Article 4 and as may from time to time be agreed by the parties (the "**Additional Services**"). The parties agree to negotiate in good faith the scope of any and all Additional Services and the remuneration to be paid to the Manager in respect thereof; provided, however that such remuneration shall not exceed the fair market value on an arm's-length basis of the Additional Services to be provided. The Owner and the Manager acknowledge that the services set out in this Agreement herein are not exhaustive and for greater certainty, the services described herein do not include financial advisory services.

4.6 Standard of Care

In performing any of the Total Services hereunder the Manager shall discharge its duties with the same degree of diligence and care that a reasonably prudent manager of a business substantially similar to the Transmission Business, and having responsibilities of a similar nature to those hereunder, would exercise in comparable circumstances and in any event in accordance with Good Utility Practice.

ARTICLE 5 – POWER AND AUTHORITY

5.1 Powers and Authority of the Manager

The Manager shall have, during the Term and subject to the provisions of this Agreement, all the powers and authority required to provide the Total Services. The Manager shall have full right, power and authority to execute, deliver and enter into, or cause to be executed, delivered or entered into, amendments to all leases, licenses, and other Documents, to make or cause to be made applications and filings with the OEB and other Governmental Authorities and to take such other actions as the Manager considers appropriate in connection with the Transmission Business in the name of and on behalf of the Owner or the General Partner, as appropriate, and no Person shall be required to determine the authority of the Manager to give any undertaking or to enter into any commitment on behalf of the Owner or the General Partner; provided that the Manager shall not have the authority to commit to any transaction which would require the approval of the Owner pursuant to Section 5.2.

5.2 Restrictions on the Manager's Powers and Authority

In the exercise of its powers and authority and in the performance of the Total Services, the Manager shall not, nor shall it cause, without first obtaining the written approval of the Owner:

5.2.1 Disposition of Assets or Equipment. Except as otherwise provided in any approved Plan, and subject to OEB approval, sell or otherwise dispose of any assets or equipment which are part of the Business Assets or used in operating or maintaining the Facilities;

5.2.2 Plan. Amend, modify, or deviate from the provisions of the Plan, other than amendments, modifications or variances which are not material, individually or in the aggregate;

5.2.3 Expenses. Charge to the Owner or receive payment from the Owner with respect to any amounts that is not Compensation, or reimbursement for Third Party Costs or Additional Payments, or as otherwise authorized pursuant to the terms of this Agreement;

5.2.4 Limit on Expenditures. Undertake a material expenditure: (i) outside the Manager's scope of the Total Services; (ii) which is not in accordance with the provisions of the Plan, or (iii) which would result in a material variance to the Plan or Operating Budget for any calendar year; except that in case of emergency, the Manager may make such immediate expenditures as it determines in good faith and in accordance with Good Utility Practice;

5.2.5 Material Contracts. Amend or terminate any Contract or enter into any new Contract on behalf of the Owner if such amendment or termination or new Contract would have a material negative impact on the Transmission Business or would violate the Financing Documents;

5.2.6 Pledges. Except in the ordinary course of business and in accordance with the Financing Documents, pledge the credit of the Owner or the General Partner or encumber the Business Assets in any way in respect of any agreements entered into between the Owner or the General Partner and any third party, or provide financial assistance to any third party;

5.2.7 Violations. Knowingly violate any Applicable Law with respect to the Facilities or the Transmission Business provided hereunder, or knowingly violate any material Permits;

5.2.8 Representations and Warranties. Except in the ordinary course of business, make any representation or warranty relating to the Owner or the General Partner;

5.2.9 Settlement of Claims. Settle, compromise (including agreeing to any penalty for any violation of any Applicable Law or Permit), assign, pledge, transfer, release or consent to the compromise, assignment, pledge, transfer or release of, any claim, suit, debt, demand or judgment against or due by the Owner or the General Partner, or submit any such claim, dispute or controversy to arbitration or judicial process, or stipulate in respect thereof to a judgment, or consent to do the same;

5.2.10 Scope of Authority. Engage in any transaction on behalf of the Owner or the General Partner not permitted under this Agreement; or

5.2.11 Commingling of Funds. Commingle its funds with the funds of the Owner.

5.3 Execution of Documents

The Manager may execute or cause to be executed any document required to be executed pursuant to the terms hereof for the provision of the services on behalf of the Owner as follows:

Great Lakes Power Limited on behalf of Great Lakes Power Transmission LP

Per:

____
Authorized Signatory

ARTICLE 6 – TERM

6.1 Term of Agreement

This Agreement shall become effective on the Effective Date and shall continue in full force and effect in perpetuity until terminated in accordance with the provisions of Section 6.3, Article 10 or Article 17.

6.2 Survival

Any obligation of the parties pursuant to the terms hereof which accrued prior to the termination of this Agreement and was intended to continue after the termination of the Agreement shall survive the termination of this Agreement.

6.3 Termination

Either the Owner or the Manager may at any time terminate this agreement on 180 days' prior written notice to the other.

ARTICLE 7 – REMUNERATION OF MANAGER AND PAYMENT OF EXPENSES

7.1 Remuneration of the Manager

As compensation for the Services to be provided by the Manager pursuant to the terms of this Agreement, the Owner hereby covenants and agrees to pay to the Manager as and when payable compensation for costs related to the Services in accordance with the cost allocation methodology set out in Schedule "A" hereto, and all other provisions of this Section 7. All such compensation paid to the Manager by the Owner on account of the methodology provided in Schedule "A" are referred to herein as "**Compensation.**"

7.2 Receipt of funds for Owner

If the Manager receives any amounts on behalf of the Owner, the Manager shall deposit such amounts in the Operating Accounts.

7.3 Additional Payments

7.3.1 Additional Payments shall be reimbursed to the Manager. The Manager shall provide to the Owner an invoice for the Additional Payments. Payment shall be due upon presentation of the invoice.

7.3.2 The Manager shall be responsible for payment of invoices for all Third Party Costs incurred in the name of the Owner in respect of the performance by the Manager of the Total Services. The Manager shall be responsible for all penalties and interest owing resulting from a failure to pay any such obligation on a timely basis, except where such failure resulted from a failure by the Owner to make funds available to the Manager in accordance with this Agreement.

7.3.3 The Manager shall not incur on behalf of or in the name of the Owner or the General Partner any Third Party Costs other than those that are directly and reasonably related to the provision of the Total Services.

7.3.4 The Manager shall provide to the Owner an invoice of the Third Party Costs incurred in the name of the Owner and paid by the Manager in performance by the Manager of the Total Services. Payment shall be due upon presentation of the invoice.

7.3.5 The Manager shall provide to the Owner an invoice for the Compensation. Payment shall be due upon presentation of the invoice.

7.4 Interest

If any payment payable to the Manager hereunder is not received by the Manager within thirty (30) days after its due date (both before and after judgment), interest at a rate per annum equal to the prime rate per annum of the primary commercial bank of the Owner plus two percent (2%) will accrue from the due date of such payment until such payment is made.

Notwithstanding Section 10.5, a Dispute as to the payment of an invoice or of any amount pursuant to the terms of this Agreement will not allow a party to delay payment of the disputed invoice or amount and the parties agree to submit the resolution of all such disputes to the arbitration process in accordance with Article 15 if not otherwise resolved within five (5) days.

7.5 Acknowledgement of Owner and Manager as to Compensation

The Owner and Manager hereby acknowledge and agree as follows:

7.5.1 Any and all compensation paid or owing from the Owner to the Manager pursuant to the terms of this Agreement (i) are cost based, (ii) are in accordance with the allocation methodology approved by the OEB in the Manager's previous transmission rate filing with respect to the Transmission Business, as the same may be amended, supplemented, or replaced and (iii) are subject to amendment, supplement and replacement as agreed to in writing by the Owner and Manager from time to time.

7.5.2 Notwithstanding anything to the contrary in this Agreement, any cost incurred by the Manager on account of the performance of services provided in accordance with this Agreement are subject to adjustment as a result of determination by the OEB in respect of the cost allocation methodology or the fairness or prudency of such cost in Owner's future rate case proceeding and the Owner and Manager shall negotiate and agree as to such adjustment.

7.5.3 To the extent the Manager agrees to provide Additional Services pursuant to Section 4.5 of this Agreement, the Owner and Manager shall negotiate and agree as to compensation payable by the Owner to the Manager.

ARTICLE 8 – RECORDS AND AUDITS

8.1 Books and Records

The Manager shall keep proper books, records and accounts in conformity with generally accepted accounting principles and all requirements of Applicable Law in which full, true and correct entries will be made of all dealings and transactions in relation to the performance of the Obligations, at the Manager's principal establishment or at the Facilities.

8.2 Examination of Records

The Manager shall make available to the Owner and its lenders, agents, and authorized representatives at any time during normal business hours on a Business Day all records, documents or information related to the Transmission Business and Business Assets, wherever maintained. The Manager shall permit the Owner and its authorized representatives and any party permitted by any Contract or Document at any time during normal business hours on a Business Day to examine the books, records, drawings, computer-stored data, correspondence, accounting procedures and practices, cost analyses and any other supporting financial data, including invoices, payments or claims and receipts pertaining to the Transmission Business, maintained by the Manager at its head office. Such examination of records at the Facilities or at the Manager's principal establishment shall be conducted in a manner which will not unduly interfere with the conduct of the Transmission Business or of the Manager's business in the ordinary course. The Manager shall furnish to the Owner such financial and operating data and other information with respect to the Transmission Business as the Owner shall from time to time reasonably request.

8.3 Compliance

The Manager shall deliver to the Owner within sixty (60) days after the end of each fiscal year of the Owner a certificate signed on behalf of the Manager by two senior officers of the Manager stating that a review of the activities of the Manager during the preceding calendar year has been made under the supervision of such officers and that, based on that review and to their best knowledge, the Manager has fulfilled all of its Obligations, and complied with all of the terms of, this Agreement, in all material respects and that no Manager Event of Default (or event which, with notice or lapse of time or both, could become a Manager Event of Default) occurred during such calendar year.

8.4 Audits

From time to time, the Owner may appoint an Independent Engineer (i) to review and assess the performance of the Manager in relation to this Agreement, (ii) to certify that the Facilities were operated and maintained in all material respects in accordance with this Agreement, Good Utility Practices and Applicable Law, (iii) to assess and review the adequacy of the Plan or any modifications, additions or amendments thereto proposed by the Manager, or (iv) to assess and review any opportunity to enhance the Facilities or to develop and construct new transmission facilities.

ARTICLE 9 – REPRESENTATIONS AND WARRANTIES

9.1 Representations and Warranties of the Owner

The Owner represents and warrants as follows to the Manager and acknowledges and confirms that the Manager is relying upon such representations and warranties:

9.1.1 Each of the Owner and the General Partner is validly organized and is duly authorized and, to the extent required and applicable, licensed to own the Business Assets and to carry on the Transmission Business as presently owned and carried out;

9.1.2 the General Partner has the power and authority to execute this Agreement on behalf of the Owner, which will constitute a valid and legally binding obligation of the Owner enforceable against the Owner in accordance with its terms subject to applicable bankruptcy, insolvency and other laws of general application limiting the enforceability of creditor's rights and to the fact that specific performance and injunction are equitable remedies available only in the discretion of the court;

9.1.3 neither the execution and delivery of this Agreement nor compliance with the terms hereof (i) has resulted or will result in a violation of the terms of the constating documents of the General Partner or the Owner or any resolution of their respective partners, directors or shareholders, as applicable; (ii) has resulted or will result in a breach of, or constitute a default, under any Document to which the General Partner or the Owner is a party or by which either of them is bound, (iii) has resulted or will result in a violation of any provision of any Applicable Law, the occurrence of which could reasonably be expected to have a material adverse effect on the performance of its obligations under the terms hereof, or (iv) requires as of the date hereof, Permits except as have been obtained or may be obtained in the ordinary course of business;

9.1.4 as of the date hereof, there are no suits, actions, proceedings, judgements or orders pending or, to the knowledge of the Owner threatened against or affecting the Owner or the Business Assets by or before any Governmental Authority that would, if adversely determined, have a material adverse effect on, the Owner or the Business Assets; and

9.1.5 as of the date hereof, each of the Contracts that is material to the Transmission Business is in full force and effect and there has been no notice or claim of a material default or breach thereunder or of the occurrence of any condition entitling any Person to terminate its obligations thereunder;

The representations and warranties of the Owner shall survive the execution of this Agreement and remain in full force and effect throughout the Term.

9.2 <u>Representations and Warranties of the Manager</u>

The Manager represents and warrants as follows to the Owner and acknowledges and confirms that the Owner is relying upon such representations and warranties:

9.2.1 the Manager is validly organized under the laws of the Province of Ontario and is duly authorized and, to the extent required, licensed and maintains all required qualifications to carry on its business in the Province of Ontario;

9.2.2 the Manager has full power and authority to execute this Agreement, which will constitute a valid and legally binding obligation of the Manager enforceable against the Manager in accordance with its terms subject to applicable bankruptcy, insolvency and other laws of general application limiting the enforceability of creditors' rights and to the fact that specific performance and injunction are equitable remedies available only in the discretion of the court;

9.2.3 neither the execution and delivery of this Agreement nor compliance with the terms hereof (i) has resulted or will result in a violation of the terms of the constating documents of the Manager or any resolutions of its directors or shareholders (as applicable) or of any Applicable Law, (ii) has resulted or will result in a breach of, or constitute a default under any agreement to which the Manager is a party or by which it is bound or (iii) requires Permits except as such have been obtained or may be obtained in the ordinary course of business;

9.2.4 as of the date hereof, there are no suits, actions, proceedings, judgements or orders pending or, to the knowledge of the Manager, threatened against or affecting the Manager or any of its assets by or before any court, tribunal, board or other Governmental Authority that would, if adversely determined, have a material adverse effect on the Manager or on its performance of its duties and obligations hereunder; and

9.2.5 the Manager has the capability to perform its obligations, covenants and responsibilities pursuant to the terms hereof;

The representations and warranties of the Manager shall survive the execution of this Agreement and remain in full force and effect throughout the Term.

ARTICLE 10 – DEFAULT AND REMEDIES

10.1 <u>Event of Default by the Owner</u>

The Owner shall be in default under this Agreement upon the happening or occurrence of any of the following events relating to the Owner, the Business Assets or Transmission Business, each of which shall be deemed to be an event of default with respect to the Owner for the purposes of this Agreement (an **"Owner Event of Default"**):

10.1.1 The Owner or the General Partner breaches or fails to observe or perform any of the Owner's or the General Partner's material obligations under this Agreement and, within forty-five (45) days after written notice from the Manager to the Owner specifying the nature of such breach or failure, the Owner or the General Partner fails to cure such breach or failure; provided, however, that if the fact, circumstance or condition that is the subject of such obligation cannot reasonably be corrected within such forty-five (45) day period and if, within such period of forty five (45) days, the Owner or the General Partner provides reasonable evidence to the Manager that it has commenced, and thereafter proceeds with all due diligence, to correct the fact, circumstance or condition that is the subject of such obligation, said period shall be extended for a reasonable period thereafter for the Owner or the General Partner to correct the same with all due diligence;

10.1.2 Notwithstanding Section 10.1.1, the Owner fails to pay any amount which is required to be paid by the Owner to the Manager pursuant to the terms hereof after fifteen (15) days from the due date and after receiving a notice thereof from the Manager; and

10.1.3 the Owner (i) becomes Insolvent; (ii) is subject to any proceeding, voluntary or involuntary, with a view to postponing or rescheduling its debts generally or of distributing its assets among its creditors under the provisions of any Insolvency Legislation for the benefit of creditors, where any such involuntary proceeding continues for a period of more than sixty (60) days; (iii) goes into liquidation; (iv) winds up either voluntarily or under an order of a court of competent jurisdiction; (v) makes a general assignment for the benefit of its creditors; or (vi) otherwise takes any action that acknowledges that it is Insolvent.

10.2 Remedies of the Manager

Upon the occurrence of an Owner Event of Default which has not been remedied, the Manager may, without recourse to legal process and without limiting any other rights or remedies which it may have at law, in equity, or otherwise, terminate this Agreement with respect to the Owner by delivery of a written notice of termination to the Owner.

10.3 Events of Default by the Manager

The Manager shall be in default under this Agreement upon the happening or occurrence of any of the following events, each of which shall be deemed to be an event of default with respect to the Manager for the purposes of this Agreement (a "**Manager Event of Default**"):

10.3.1 the Manager breaches or fails to observe or perform any of the Manager's material Obligations and, within thirty (30) days after written notice from the Owner specifying the nature of such breach or failure, the Manager fails to cure such breach or failure; provided, however, that if the fact, circumstance or condition that is the subject of such obligation cannot reasonably be corrected within such thirty (30) day period and if, within such period of thirty (30) days, the Manager provides reasonable evidence to the Owner that it has commenced, and thereafter proceeds with all due diligence, to correct the fact, circumstance or condition that is the subject of such material Obligation, said period shall be extended for a reasonable period thereafter for the Manager to correct the same with all due diligence;

10.3.2 notwithstanding Section 10.3.1., the Manager fails to pay any amount which is required to be paid to the Owner pursuant to the terms hereof after ten (10) days from the due date and after receiving a notice thereof from the Owner; and

10.3.3 the Manager: (i) becomes Insolvent; (ii) is subject to any proceeding, voluntary or involuntary, with a view to postponing or rescheduling its debts generally or of distributing its assets among its creditors under the provisions of any Insolvency Legislation for the benefit of creditors, where any such involuntary proceeding continues for a period of more than sixty (60) days; (iii) goes into liquidation; (iv) winds up either voluntarily or under an order of a court of competent jurisdiction; (v) makes a general assignment for the benefit of its creditors; or (vi) otherwise takes any corporate action that acknowledges that it is Insolvent.

10.4 Remedies of the Owner

Upon the occurrence of a Manager Event of Default which has not been remedied, the Owner may, without recourse to legal process and without limiting any other rights or remedies it may have at law, in equity, or otherwise, terminate this Agreement by delivery of a written notice of termination to the Manager.

10.5 Dispute as to the Occurrence of an Event of Default

Should a party dispute that a Manager Event of Default or Owner Event of Default (each an "**Event of Default**") has occurred under this Article 10, such Dispute shall be submitted to Arbitration. During Arbitration, the applicable cure periods in favour of the defaulting party shall be interrupted and shall only commence on the date of the decision of the Arbitrator confirming that an Event of Default has occurred. The Arbitrator shall also confirm whether or not the Event of Default has been cured by the defaulting party prior to the exercise by the non-defaulting party of its remedies pursuant to Section 10.2 or 10.4, as the case may be.

10.6 Post-Termination Arrangements

In the event of a termination of this Agreement:

10.6.1 the Manager shall deliver to the Owner all books, records, accounts, documents, systems and manuals which it has developed and maintained relating to the Owner, the Transmission Business, the Business Assets and, to the extent distinct, the General Partner pursuant to this Agreement;

10.6.2 the parties shall take all steps as may be reasonably required to complete any final accounting between them and to provide, if applicable, for the orderly transfer of insurance and completion of any other matter contemplated by this Agreement; and

10.6.3 if applicable, title to all materials, equipment, supplies, consumables, spare parts and other items purchased or obtained by the Manager for the Facilities shall pass to and vest in the Owner upon the passage of title from the vendor or supplier thereof and payment by the Owner or reimbursement of the costs of all such materials, equipment, supplies, consumables, spare parts and other items, if applicable.

ARTICLE 11 – FORCE MAJEURE

11.1 Consequences of Force Majeure

During the occurrence of an event of Force Majeure, the obligations of the party affected by such event of Force Majeure, to the extent that such obligations cannot be performed, are delayed or cannot be complied with as a result of such event of Force Majeure, shall be suspended, and such party shall not be considered to be in breach or default hereunder, for the period of such occurrence except that the occurrence of an event of Force Majeure shall not relieve it of its obligations to make payments to the other party. The suspension of performance shall be of no greater scope and of no longer duration than is required by the event of Force Majeure. No obligation of a party that arose prior to the event of Force Majeure causing the suspension of performance shall be excused as a result of the event of Force Majeure.

11.2 Notice

The non-performing party (i) shall give the other party prompt written notice of the particulars of the event of Force Majeure and its expected duration, (ii) shall continue to furnish regular reports with respect thereto on a timely basis during the continuance of the event of Force Majeure, and (iii) shall use commercially reasonable efforts to remedy its inability to perform.

11.3 Burden of Proof

The burden of proof as to whether an event of Force Majeure has occurred and as to the consequences of such an event of Force Majeure shall be upon the party claiming Force Majeure. Notwithstanding the foregoing, should the party claiming Force Majeure be the Owner, the Manager shall have the burden of proof if it wants to assert that an event of Force Majeure has not occurred.

11.4 Duties of the Parties

The parties shall use all commercially reasonable efforts to prevent or avoid any event, condition or circumstance, which would result in an event of Force Majeure, to minimize the effects of each event of Force Majeure and to reduce and minimize any ensuing delay or interruption in the performance of their obligations hereunder.

11.5 Liabilities

Neither the Manager nor the Owner will be liable to the other for any damage or loss to the Transmission Business resulting from an interruption in the transmission of electricity caused by an event of Force Majeure pursuant to the terms hereof.

ARTICLE 12 – INDEMNIFICATION

12.1 Indemnification

12.1.1 The Manager shall indemnify and save the Owner completely harmless from any action, cause of action, suit, debt, cost, expense, damages, claim and demand whatsoever (each individually and collectively a "**Claim**") at law or in equity arising out of or relating directly or indirectly to any matters pertaining to or arising in connection with any breach of this Agreement by the Manager, its employees, servants, agents or persons for whom it is in law responsible or by reason of any unlawful acts or omissions or wilful misconduct of or acting outside the scope of its authority by the Manager, its officers, directors, employees, servants, agents or persons for whom the Manager is in law responsible. This indemnity shall survive the termination of this Agreement and it extends to and protects the Owner, its Affiliates, and their agents, officers, directors, shareholders and employees.

12.1.2 Subject to Section 12.1.1, the Owner agrees to indemnify the Manager and hold it harmless from and against all claims, losses, actions, lawsuits and other liabilities (each individually and collectively a "**Claim**") arising directly out of any matter relating to the Facilities or any action taken by the Manager within the scope of its authority and duties under this Agreement, excluding those liabilities which arise as a result of a breach of the Manager's obligations, or as a result of any unlawful acts or omissions or wilful misconduct of, or acting outside the scope of its authority by the Manager or fraud of the Manager. This indemnity extends to and protects the Manager, its Affiliates, and their respective agents, officers, directors, shareholders, and employees.

12.2 Claim Process

12.2.1 If a party entitled to indemnification pursuant to the terms hereof (the "**Indemnified Party**") intends to seek indemnification under this Article 12 from the other party (the "**Indemnifying Party**"), the Indemnified Party shall give the Indemnifying Party notice of such claim for indemnification within thirty (30) days of the receipt of actual knowledge or information by the Indemnified Party of any possible claim or action including the commencement of any Claim which is subject to indemnification. The Indemnifying Party shall have no liability under this Article 12 for any claim or action for which such notice is not provided to the extent that the failure to give such notice prejudices the Indemnifying Party.

12.2.2 The Indemnifying Party shall have the right to assume the defence of any Claim, at its sole cost and expense, with counsel designated by the Indemnifying Party and reasonably satisfactory to the Indemnified Party; provided, however, that if the defendants in any such action include both the Indemnified Party and the Indemnifying Party, and the Indemnified Party shall have reasonably concluded that there may be legal defences available to it which are different from or additional to those available to the Indemnifying Party or that the legal interests of the Indemnifying Party and the Indemnified Party are likely to diverge in any respect, the Indemnified Party shall have the right to select separate counsel, the reasonable costs of which shall be at the Indemnifying Party's expense, to assert such legal defences and to otherwise participate in the defence of such action on behalf of such Indemnified Party.

12.2.3 Should any Indemnified Party be entitled to indemnification under this Article 12 as a result of a Claim, and should the Indemnifying Party fail to assume the defence of such Claim, the Indemnified Party may, at the expense of the Indemnifying Party, contest (or, with or without the prior consent of the Indemnifying Party, settle) such Claim. Except to the extent expressly provided herein, no Indemnified Party shall settle any Claim with respect to which it has sought or intends to seek indemnification pursuant to this Article without the prior written consent of the Indemnifying Party, which consent shall not be unreasonably withheld or delayed.

12.2.4 Except to the extent expressly provided herein, no Indemnifying Party shall settle any Claim with respect to which it may be liable to provide indemnification pursuant to this Article 12 without the prior written consent of the Indemnified Party, which consent shall not be unreasonably withheld or delayed; provided, however, that if the Indemnifying Party has reached a *bona fide* settlement agreement with the claimant(s) or plaintiff(s) regarding any such Claim and the Indemnified Party does not consent to such settlement agreement, then the dollar amount specified in the settlement agreement shall act as an absolute maximum limit on the indemnification obligation of the Indemnifying Party.

12.3 Claim Amount

In the event that an Indemnifying Party is obligated to indemnify and hold any Indemnified Party harmless under this Article 12, the amount owing to the Indemnified Party shall be the amount of such Indemnified Party's actual out-of-pocket loss.

12.4 Survival of Obligation

The obligation to indemnify under this Article 12 will continue in full force and effect notwithstanding the expiration or termination of this Agreement, with respect to any Claim which arose prior to such expiration or termination.

12.5 Limitation of Liability.

Save as expressly set out in this Agreement, no party shall be liable to the other party for any indirect or consequential losses or damages. The maximum amount of liability of the Manager to the Owner and the General Partner pursuant to this Agreement with respect to claims made against the Manager, other than claims with respect to the gross negligence or wilful misconduct or the Manager, shall be equal to the total amounts paid or payable by the Owner to the Manager in respect of the previous calendar year as Compensation Third Party Costs and Additional Payments, which amount will be deemed to equal $20 million until the first day of the second calendar year of this Agreement.

ARTICLE 13 – ASSIGNMENT AND CHANGE OF CONTROL

13.1 Assignment by the Owner

The Owner shall not sell or assign its rights or obligations under this Agreement (by operation of law or otherwise) without the prior written consent of the Manager, which consent may be provided by the Manager in its sole discretion. Notwithstanding the foregoing, the Owner shall be entitled to pledge or charge its rights under this Agreement with notice to the Manager but without the prior written consent of the Manager as security for its obligations under any Financing Documents or any documentation relating to any indebtedness incurred by the Owner or any guarantee granted by the Owner provided that the lender or secured party under such financing, indebtedness or guarantee enters into an agreement with the Manager agreeing to be bound by the terms of this Agreement upon and during any enforcement of its security.

13.2 Assignment by the Manager

The Manager shall not sell or assign its rights or obligations under this Agreement (by operation of law or otherwise) without the prior written consent of the Owner, which consent may be provided by the Owner in its sole discretion.

13.3 Assignment to the Other party

Notwithstanding any provision in this Article 13 to the contrary, subject to any application licensing requirements established by the OEB, (i) the Owner may assign this Agreement to the Manager and (ii) the Manager may assign this Agreement to the Owner, upon written consent of the party receiving the assignment, which consent shall not be unreasonably withheld.

ARTICLE 14 – OTHER ACTIVITIES OF THE MANAGER

14.1 Non-Exclusive Services

The Owner acknowledges that the Manager is not required to devote its personnel and resources exclusively to or exclusively for the benefit of the Owner; provided, however, that this acknowledgment in no way reduces or waives any of the Manager's obligations to the Owner hereunder.

14.2 Other Business Interests

The Owner acknowledges that the Manager is engaged in or may become engaged, directly or indirectly, in a variety of other businesses. The Owner acknowledges and consents to any and all such activities and agrees that nothing herein shall prevent the Manager or any of its officers, directors or employees from having other business interests.

ARTICLE 15 – RESOLUTION OF DISPUTES AND ARBITRATION

15.1 Dispute

Any dispute or disagreement of any kind or nature between the parties arising out of or in connection with this Agreement (a "**Dispute**") shall be resolved in accordance with this Article 15, to the extent permitted by law.

15.1.1 If a Dispute occurs between the parties in relation to a matter of a technical nature (a "**Technical Dispute**") then the parties will appoint an independent technical expert (the "**Technical Expert**") to resolve the Technical Dispute. If the parties cannot agree in good faith that a Dispute is a Technical Dispute, such Dispute shall be submitted to Arbitration pursuant to the procedures described in Section 15.2 provided that the arbitrators shall also determine whether the Dispute is a Technical Dispute and, if so determined, the expenses of the arbitration shall be borne by the party which had maintained that the Dispute was not a Technical Dispute.

15.1.2 If the parties are unable to agree on the appointment of the Technical Expert within thirty (30) days of the notice of a party to the other party requesting the resolution of a Technical Dispute, the Technical Expert may be appointed by a judge of the Ontario Superior Court of Justice, upon motion of either party.

15.1.3 The Technical Expert shall be appointed on the condition that it (i) renders a decision with full reasons within sixty (60) days after the date of its appointment, (ii) promptly fixes a reasonable time and place for receiving representations, submissions, or information from the parties, and (iii) the Technical Expert issues directions to the parties for the proper conduct of any hearing.

15.1.4 The parties undertake to provide the Technical Expert with all evidence and information within their respective possession or control as the Technical Expert may consider reasonably necessary for determining the Technical Dispute or that is relevant to and bears upon the matter to be determined.

15.1.5 Each party may appoint such lawyers, consultants, and advisers as it feels appropriate to assist the Technical Expert in its determination and to present such party's case, provided that the parties shall cooperate and seek to narrow and limit the issues to be determined.

15.1.6 If within sixty (60) days of its appointment, the Technical Expert shall not have rendered a decision in accordance with its appointment, a new Technical Expert may (at the request of any party) be appointed and the appointment of the existing Technical Expert shall cease for the purpose of determining the Technical Dispute, provided that if the existing Technical Expert renders a decision with full reasons prior to the appointment of a new Technical Expert, then the decision shall have effect and the proposed appointment of the new Technical Expert shall be without effect.

15.1.7 The determination of the Technical Expert shall, except in the event of fraud, be final, without appeal and binding upon the parties.

15.1.8 Each party shall bear the costs and expenses of all lawyers, consultants, advisers, witnesses, and employees retained by it in any Technical Dispute referred to a Technical Expert, and the costs and expenses of the Technical Expert shall be borne equally by the parties.

15.2 Arbitration

15.2.1 Any Dispute that is not subject to resolution pursuant to Section 15.1 shall be submitted to arbitration by one arbitrator pursuant to the procedure set forth in this Section 15.2 (the "**Arbitration**"). If the provisions of this Section 15.2 are inconsistent with the provisions of the *Arbitration Act, 1991* (Ontario) then, to the extent of such inconsistency, the provisions of this Section 15.2 shall prevail in any Arbitration.

15.2.2 Either party may make a demand for Arbitration by sending a notice in writing to the other party, setting forth the nature of the Dispute, the amount involved and the name of the arbitrator it proposes to be appointed. The demand for Arbitration shall be made within thirty (30) days after the event giving rise to the Dispute.

15.2.3 Within thirty (30) days after any demand for Arbitration under Section 15.2.2, the parties shall have agreed on the designation of the arbitrator or should the parties fail to do so, the arbitrator may be appointed by a judge of the Ontario Superior Court of Justice upon motion of either party (the "**Arbitrator**").

15.2.4 The Arbitration hearings shall be held in a location in Ontario specified in the demand for Arbitration and shall commence no later than thirty (30) days after the date of the notice under Section 15.2.3. The decision of the Arbitrator shall be made not later than sixty (60) days after its appointment. The decision of the Arbitrator, shall be final, without appeal and binding on the parties.

15.2.5 Each party shall bear the costs and expenses of all lawyers, consultants, advisors, witnesses and employees retained by it in any Arbitration. The expenses of the Arbitrator shall be paid equally by the parties unless the Arbitrator otherwise provides in its award.

15.3 Confidentiality

All information disclosed by any party in relation to the resolution of Disputes pursuant to the terms hereof shall be subject to the provisions of Section 16.2 hereof and shall not be used for any purpose other than the resolution of a Dispute pursuant to the terms hereof.

15.4 Continued Performance

Notwithstanding Section 10.5, during the conduct of Dispute resolution procedures pursuant to this Article 15, the parties shall continue to perform their respective obligations under this Agreement and neither party shall exercise any other remedies to resolve a Dispute.

ARTICLE 16 – GENERAL PROVISIONS

16.1 Notice

Any demand, notice or communication to be made or given hereunder shall be in writing and may be made or given by personal delivery or by transmittal by telecopier or other electronic means of communication addressed to the respective party as follows:

To the Owner:

Great Lakes Power Transmission
on behalf of Great Lakes Power Transmission LP
2 Sackville Road
Sault Ste. Marie, Ontario
P6B 6J6

Facsimile: (705) 941-5600

Attention: General Manager

To the Manager:

Great Lakes Power Limited
2 Sackville Road
Sault Ste. Marie, Ontario
P6B 6J6

Facsimile: (705) 941-5600

Attention: General Manager

With a copy to:

Brookfield Power Inc.
Suite 200
480, de la Cite Blvd.
Gatineau, Quebec
J8T 8R3

Facsimile: (819) 561-2421

Attention: General Counsel

or to such other address, telecopier number as a party may from time to time notify the other in accordance with this Section 16.1. Any demand, notice or communication made or given by personal delivery shall be conclusively deemed to have been given on the day of actual delivery thereof, or, if made or given by electronic means of communication, on the first Business Day following the transmittal thereof.

16.2 Confidentiality

The Manager hereby agrees that it will not at any time use, disclose or make available to any Person, and will take reasonable steps to prevent such disclosure and restrain further disclosure by any other Person, any information concerning the Transmission Business, the Business Assets or the affairs of the Owner or, to the extent distinct, the General Partner, whether acquired in connection with the performance of its duties and obligations pursuant to the terms hereof or otherwise or prior to or after the commencement of this Agreement (the "**Confidential Information**"), except:

16.2.1 such use as may be expressly permitted in or necessary or advisable for the performance of this Agreement or of any of the Documents;

16.2.2 such disclosure as may be required in order to comply with any Applicable Law, including disclosure obligations of the Manager;

16.2.3 such information as comes into the public domain independently where the Person disclosing the same is not under an obligation of confidentiality to the Owner or the General Partner; and

16.2.4 such information as can be demonstrated by the party desiring to disclose such information, to have come into its possession independently of anything done under this Agreement;

provided, however, that:

16.2.5 nothing in this subsection shall prevent the Manager from disclosing, without disclosing any Confidential Information, any expertise, ideas, concepts, know-how or knowledge of the Transmission Business, the Business Assets or the affairs of the General Partner developed or, to the extent distinct, acquired by the Manager before or after the entering into of this Agreement; and

16.2.6 Section 16.2 shall expire and be at an end on the fifth anniversary of the termination of this Agreement.

16.2.7 In order to comply with the provisions of this Section 16, the Manager agrees to:

16.2.7.1 maintain and keep in place all protocols, policies and procedures to safeguard and protect the Confidential Information including any licence condition; and

16.2.7.2 maintain the necessary physical separation of staff engaged in the day-to-day provision of services that are part of the Transmission Business from any staff of the Manager engaged in non-transmission activities, including but not limited to, generation or marketing of electricity.

16.3 Amendments

The terms of this Agreement may be waived, altered or amended only by an instrument in writing duly executed by the Owner and the Manager.

16.4 Governing Law; Submission to Jurisdiction

16.4.1 This Agreement shall be construed in accordance with and governed by the law of the Province of Ontario, Canada and the laws of Canada applicable therein.

16.4.2 Each of the Owner and the Manager hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of the courts of the Province of Ontario, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such courts of the Province of Ontario. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law.

16.5 Benefit of the Agreement

This Agreement shall enure to the benefit of and be binding upon the parties hereto and their respective successors and permitted assigns.

16.6 Severability

Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall not invalidate the remaining provisions hereof and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. In respect of any provision so determined to be unenforceable or invalid, the parties agree to negotiate in good faith to replace the unenforceable or invalid provision with a new provision that is enforceable and valid in order to give effect to the business intent of the original provision to the extent permitted by law and in accordance with the intent of this Agreement.

16.7 No Partnership or Joint Venture

It is understood and agreed that nothing contained in this Agreement nor any acts of the parties shall be deemed to constitute the Manager and the Owner as partners of each other or to create a joint venture between the parties.

16.8 Counterparts

This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument and any of the parties hereto may execute this Agreement by signing any such counterpart.

ARTICLE 17 – TERMINATION

17.1 Termination by the Owner

This agreement may be terminated at the sole discretion of the Owner immediately if the Manager is unable to fulfill the terms of this Agreement in accordance with Applicable Law.

17.2 Termination by either Party

The Owner or the Manager may terminate this Agreement upon notice to the other party upon an Event of Default by the other party that is not cured pursuant to the provisions of this Agreement.

IN WITNESS WHEREOF this Agreement has been executed by the parties hereto as of the date set forth above.

GREAT LAKES POWER TRANSMISSION LP
by its General Partner,
GREAT LAKES POWER TRANSMISSION INC.

Per: ______________________________
Name: Patricia Bood
Title: Secretary, Vice President of Legal Services and General Counsel

GREAT LAKES POWER LIMITED

Per: ______________________________
Name: Patricia Bood
Title: Vice President and Secretary

SCHEDULE "A"

COST ALLOCATION METHODOLOGY

Service	Driver of Allocation
Ontario System Control Centre:	
Dispatch Operations[1]	40% Tx
Integrated Communications Network[2]	45% Tx based on # of circuits used by Tx
Ontario MSP[3]	26% based on the # of IESO meter points owned by Tx
VP Responsible for Ontario Operations Administration	
Vice President[4]	1/6th of costs to Tx - based on # of business units under VP
Health Safety and Environment[5]	1/6th of costs to Tx - based on # of business units under VP
General Manager Administration[6]	50% Tx
Customer Service and Finance	
Payroll and Benefits[7]	Based on Hours charged to Tx
Accounting and Procurement[8]	50% Tx
Purchasing/Receiving and Accounts Payable[9]	Based on # of purchases made in Tx
Stores[10]	Based on # of transactions made in Tx
Planning & Maintenance and Administrative Support	
Planning and Maintenance[11]	50% Tx
Information Technology[12]	Based on # of computers used in Tx
Distribution Direct Cost Allocation	
Engineering	
Engineering Services	Based on labour hours (includes base labour, burdens and direct overheads)
Operations	
Supervision	Allocated as part of the direct overhead for all direct labour
Tradestaff	Based on labour hours (includes base labour, burdens and direct overheads)
- Linemen	Based on labour hours (includes base labour, burdens and direct overheads)
- Electricians	Based on labour hours (includes base labour, burdens and direct overheads)
- P&C	Based on labour hours (includes base labour, burdens and direct overheads)
- Foresters	Based on labour hours (includes base labour, burdens and direct overheads)

END NOTES

Ontario System Control Centre

1) Dispatch Operations

Allocation of Costs of Operation

The method establishing the cost-based price is described as follows:

(i) Transco shall pay to the GLPL an annual cost-based price equal to 40 percent of the Allocated Costs as defined in (ii) below.

(ii) Allocated Costs: for the purposes of sub-paragraph (i) means those annual costs of operating the Control Centre are comprised of the following:

   i. 100% of the payroll cost of the General Manager,
   ii. 100% of the payroll cost of the Operating Superintendent:
   iii. 100% of the payroll cost of all System Control Operators (including the senior Operator);
   iv. 100% of the payroll cost of electronic technicians incurred in the maintenance and repair of the SCADA system;
   v. The SCADA license fee;
   vi. Capital cost of repair and replacement of Control Centre equipment;
   vii. Capital recovery being an amount equal to the annual depreciation taken on the un-depreciated book value of the capital cost of the Control Centre assets calculated on a straight line – 15 year basis

(iii) The Allocated Costs are estimated prior to the commencement of each fiscal year and the annual cost-based price, determined in accordance with the estimated Allocated Costs, is payable in equal monthly instalments. At the end of each year, the annual cost-based price is adjusted as soon as actual Allocated Costs for such fiscal year have been determined and any difference between the actual and the estimated annual cost-based price is adjusted at the end of the fiscal period.

Cost Driver

The activities related to the transmission control room activity have been reviewed from an overall perspective of benefits delivered to the transmission system. The cost of the transmission-only activities make up on average 40% of the activity, thus providing the associated allocation.

2) Integrated Communication Network

GLPL's telecommunication system operates as a complex, integrated system to provide vital services to each business unit. This network consists of fibre optic communication, microwave communication, vhf radio communication, and a telephone network. This integration and the shared system has proven to be a cost-effective solution to the communication requirements of mutual business operations. Total separation and the necessary duplication of equipment that would be required is not in the best interests of either party.

Allocation of Costs Methodology

The telecommunication system assets have been assigned to the cost centre in the GLPL's Ontario System Control Centre, so that the capital, operations and maintenance costs can be collected and monitored.

In order to manage a transparent cost allocation process, the specific network applications and services that specifically utilize the telecommunication system, have been individually identified and quantified. Costs for each of these applications and services have been allocated on a percentage based on the number of circuits utilized by each Business unit.

In addition the GLPL will set off against costs incurred by Transco the cost payable to Transco for the fibre cable pole attachments. These rates are based on similar rates for common communication carriers that are normal to the "wires" business units.

Cost Driver

The costs of the communication system are based on the OM&A and capital costs of the system. The benefits delivered through the various circuits provided for each part of the integrated communications network. On average, transmission utilizes 45% of all available circuits and is allocated cost on that basis.

3) Meter Service Provider

GLPL's meter service provider provides service to all GLPL registered meter points as well as the transmission designated transitional meter points. This internal provision and the shared MV90 system have proven to be a cost-effective solution to the MSP function requirements of business operations. Total separation and the necessary duplication of equipment that would be required is not in the best interests of either party.

Allocation of Costs Methodology

The MSP system MV90 assets have been assigned to the cost centre in the GLPL's Ontario System Control Centre, so that the capital, operations and maintenance costs can be collected and monitored.

In order to manage a transparent cost allocation process, the specific services that utilize the MSP, have been individually identified and quantified. Costs for each of these applications and services have been allocated on a percentage based on the number of delivery points owned by each of GLPL's business units and Transco.

Cost Driver

The costs of the MSP system are based on the OM&A and capital costs of the system. The benefits delivered to each market participant include daily meter reads, dispute resolution, IESO audit support, and necessary maintenance on each meter installation. On average, transmission utilizes 26% of the MSP and is allocated cost on that basis.

4) VP Ontario Operations Administration

The Vice President responsible for Ontario Operations is responsible for the general supervision and direction of the businesses and affairs of all divisions of GLPL. This includes the Vice President responsible for Ontario Operations together with his support staff, which include both Safety Management and Environmental Management activities.

Allocation of Costs Methodology

Transmission is allocated 1/6th of the costs incurred by the VP Ontario Operations Administration .

Cost Driver

The costs of this service are driven by the individual salaries and associated costs that support the function. The benefits delivered to each business unit will vary however, on average, equal attention of the VP and administrative staff is given to each operating business unit under the direction of this administration.

5) Health Safety and Environment

Costs associated with the heath & safety are allocated to transmission and distribution based on share of the total number of full-time equivalent union employees (allocation = # of union FTEs for Division / Total # of union employees x total health & safety budget). This methodology has resulted in a 28/72 split between Transmission and Distribution in 2006 and will be adjusted annually.

6) General Manager and Associated Costs

Costs associated with the General Manager are allocated on a 50/50 cost basis split between transmission and distribution. These allocations are based on the assumption that on average the General Manager spends an equal amount of time and effort overseeing the activities of each transmission and distribution.

7) Payroll and Benefits

Cost associated with payroll and benefits are allocated to transmission and distribution based on share of the total number of full time equivalent employees (allocation = # of FTEs in / Total # of employees x total payroll & benefits budget). This methodology resulted in 26/74 split between transmission and distribution in 2006. The basis for the uneven split between transmission and distribution is that GLPL's full time equivalent employees are distribution employees that perform transmission work on a contract basis.

8) Accounting

Costs associated with accounting services are allocated based on a 50/50 split between transmission and distribution. The accounting department has an equivalent number of internal and external reporting requirements for both businesses, thus ensuring this is a reasonable allocation. This is based on the share of total accounting work done for each business segment.

9) Purchasing/Receiving and Accounts Payable

Costs associated with purchasing, receiving, and accounts payable are allocated to transmission and distribution based on share of the total number of accounts payable transactions. Cost per cheque is an average calculation, including cost of labour, materials, and postage. This is applied to the planned total cheques issued for the year, and allocated on the basis of transactions (allocation = # of transactions for Division / Total # of transactions x total purchasing / receiving / A/P budget). This methodology resulted in a 39/61 split between Transmission and Distribution in 2006.

10) Stores

Costs associated with the stores are allocated to transmission and distribution based on share of the total number of issues from stores (allocation = # of stores issues / Total # of stores issues x total stores budget). This methodology resulted in a 24/76 split between transmission and distribution in 2006

11) Planning & Maintenance

Costs associated with planning & maintenance services are allocated based on a 50/50 split between transmission and distribution. transmission and distribution's workload in this regard is equivalent.

12) Information Technology

Costs associated with information technology services are allocated to transmission and distribution based on share of the total number of computers in use (allocation = # of computers/total # of computers x total information technology budget). This methodology resulted in a 21/79 split between transmission and distribution in 2006.

Fixed Asset Continuity Schedule
2005 Historical

				Cost				Accumulated Depreciation				
CCA Class	OEB	Description	Depreciation Rate	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Net Book Value
N/A	1705	Land	0.00%	544,437	-	-	544,437	-	-	-	-	544,437
47	1715	Station Equipment	2.50%	82,862,074	12,772,606	(70,099)	95,564,581	(24,418,176)	(2,178,483)	48,026	(26,548,633)	69,015,948
47	1720	Towers and Fixtures	2.50%	23,147,286	-	-	23,147,286	(5,857,494)	(578,682)	-	(6,436,176)	16,711,110
47	1725	Poles and Fixtures	4.00%	35,241,848	23,334,736	(9,881,927)	48,694,658	(7,950,932)	(908,717)	1,234,770	(7,624,879)	41,069,779
47	1730	Overhead Conductors & Devices	2.50%	18,553,671	19,901,730	(1,070,006)	37,385,395	(5,581,036)	(653,726)	638,033	(5,596,730)	31,788,665
47	1740	Underground Conductors & Devices	4.00%	160,387	-	-	160,387	(144,348)	(6,415)	-	(150,764)	9,623
47	1745	Road and Trails	2.50%	497,389	-	-	497,389	(373,707)	(9,756)	-	(383,464)	113,926
47	1908	Buildings and Fixtures	4.00%	5,264	30,413	-	35,677	(2,334)	(819)	-	(3,153)	32,524
8	1915	Office Furniture & Equipment	10.00%	-	-	-	-	-	-	-	-	-
8	1920	Computer Equipment - Hardware	20.00%	19,094	-	-	19,094	(13,366)	(3,819)	-	(17,184)	1,909
8	1925	Computer Software	20.00%	28,367	-	-	28,367	(14,184)	(5,673)	-	(19,857)	8,510
10	1930	Transportation Equipment	20.00%	-	-	-	-	-	-	-	-	-
8	1940	Tools, Shop and Garage Equipment	10.00%	-	-	-	-	-	-	-	-	-
8	1955	Communication Equipment	10.00%	1,386,249	24,100	-	1,410,350	(1,079,486)	(77,807)	-	(1,157,293)	253,056
8	1960	Miscellaneous Equipment	10.00%	15,483	-	-	15,483	(2,322)	(1,548)	-	(3,871)	11,612
47	1990	Other Tangible Property	2.50%	757,041	-	-	757,041	(757,041)	-	-	(757,041)	-
		Subtotal		**163,218,590**	**56,063,585**	**(11,022,032)**	**208,260,144**	**(46,194,427)**	**(4,425,447)**	**1,920,829**	**(48,699,044)**	**159,561,100**
47	1715	Station Equipment	2.50%	-	(1,485,600)	-	(1,485,600)	-	18,570	-	18,570	(1,467,030)
		Total		**163,218,590**	**54,577,985**	**(11,022,032)**	**206,774,544**	**(46,194,427)**	**(4,406,877)**	**1,920,829**	**(48,680,474)**	**158,094,070**

Fixed Asset Continuity Schedule
2006 Historical

				Cost				Accumulated Depreciation				
CCA Class	OEB	Description	Depreciation Rate	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Net Book Value
N/A	1705	Land	0.00%	544,437	-	-	544,437	-	-	-	-	544,437
47	1715	Station Equipment	2.50%	95,564,581	24,869,970	(448,610)	119,985,941	(26,548,633)	(2,643,952)	411,987	(28,780,598)	91,205,344
47	1720	Towers and Fixtures	2.50%	23,147,286	536,602	-	23,683,888	(6,436,176)	(580,918)	-	(7,017,094)	16,666,794
47	1725	Poles and Fixtures	4.00%	48,694,658	7,923,983	-	56,618,640	(7,624,879)	(1,214,918)	-	(8,839,797)	47,778,844
47	1730	Overhead Conductors & Devices	2.50%	37,385,395	6,425,468	-	43,810,863	(5,596,730)	(983,881)	-	(6,580,610)	37,230,252
47	1740	Underground Conductors & Devices	4.00%	160,387	-	-	160,387	(150,764)	(6,415)	-	(157,179)	3,208
47	1745	Road and Trails	2.50%	497,389	-	-	497,389	(383,464)	(9,756)	-	(393,220)	104,169
47	1908	Buildings and Fixtures	4.00%	35,677	-	-	35,677	(3,153)	(1,381)	-	(4,534)	31,143
8	1915	Office Furniture & Equipment	10.00%	-	-	-	-	-	-	-	-	-
8	1920	Computer Equipment - Hardware	20.00%	19,094	-	-	19,094	(17,184)	(1,909)	-	(19,094)	-
8	1925	Computer Software	20.00%	28,367	-	-	28,367	(19,857)	(5,673)	-	(25,530)	2,837
10	1930	Transportation Equipment	20.00%	-	-	-	-	-	-	-	-	-
8	1940	Tools, Shop and Garage Equipment	10.00%	-	-	-	-	-	-	-	-	-
8	1955	Communication Equipment	10.00%	1,410,350	9,900	-	1,420,249	(1,157,293)	(79,095)	-	(1,236,388)	183,861
8	1960	Miscellaneous Equipment	10.00%	15,483	1,461	-	16,944	(3,871)	(1,597)	-	(5,468)	11,476
47	1990	Other Tangible Property	2.50%	757,041	-	-	757,041	(757,041)	-	-	(757,041)	-
		Subtotal		**208,260,144**	**39,767,383**	**(448,610)**	**247,578,917**	**(48,699,044)**	**(5,529,496)**	**411,987**	**(53,816,553)**	**193,762,364**
47	1715	Station Equipment	2.50%	(1,485,600)	-	-	(1,485,600)	18,570	37,140	-	55,710	(1,429,890)
		Total		**206,774,544**	**39,767,383**	**(448,610)**	**246,093,317**	**(48,680,474)**	**(5,492,356)**	**411,987**	**(53,760,843)**	**192,332,474**

Fixed Asset Continuity Schedule
2007 Historical

				Cost				Accumulated Depreciation				
CCA Class	OEB	Description	Depreciation Rate	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Net Book Value
N/A	1705	Land	0.00%	544,437	-	-	544,437	-	-	-	-	544,437
47	1715	Station Equipment	2.50%	119,985,941	15,724,905	(142,193)	135,568,654	(28,780,598)	(2,966,411)	34,051	(31,712,957)	103,855,696
47	1720	Towers and Fixtures	2.50%	23,683,888	-	-	23,683,888	(7,017,094)	(592,097)	-	(7,609,192)	16,074,696
47	1725	Poles and Fixtures	4.00%	56,618,640	2,025,031	-	58,643,672	(8,839,797)	(1,404,150)	-	(10,243,947)	48,399,725
47	1730	Overhead Conductors & Devices	2.50%	43,810,863	(580,268)	-	43,230,595	(6,580,610)	(1,060,060)	-	(7,640,670)	35,589,925
47	1740	Underground Conductors & Devices	4.00%	160,387	-	-	160,387	(157,179)	(3,208)	-	(160,387)	(0)
47	1745	Road and Trails	2.50%	497,389	-	-	497,389	(393,220)	(9,756)	-	(402,976)	94,413
47	1908	Buildings and Fixtures	4.00%	35,677	-	-	35,677	(4,534)	(1,335)	-	(5,870)	29,807
8	1915	Office Furniture & Equipment	10.00%	-	-	-	-	-	-	-	-	-
8	1920	Computer Equipment - Hardware	20.00%	19,094	-	-	19,094	(19,094)	-	-	(19,094)	-
8	1925	Computer Software	20.00%	28,367	4,967	-	33,334	(25,530)	(3,665)	-	(29,195)	4,139
10	1930	Transportation Equipment	20.00%	-	-	-	-	-	-	-	-	-
8	1940	Tools, Shop and Garage Equipment	10.00%	-	-	-	-	-	-	-	-	-
8	1955	Communication Equipment	10.00%	1,420,249	222	-	1,420,471	(1,236,388)	(80,025)	-	(1,316,413)	104,058
8	1960	Miscellaneous Equipment	10.00%	16,944	-	-	16,944	(5,468)	(1,694)	-	(7,162)	9,782
47	1990	Other Tangible Property	2.50%	757,041	-	-	757,041	(757,041)	-	-	(757,041)	-
		Subtotal		**247,578,917**	**17,174,858**	**(142,193)**	**264,611,581**	**(53,816,553)**	**(6,122,401)**	**34,051**	**(59,904,902)**	**204,706,680**
47	1715	Station Equipment	2.50%	(1,485,600)	-	-	(1,485,600)	55,710	37,140	-	92,850	(1,392,750)
		Total		**246,093,317**	**17,174,858**	**(142,193)**	**263,125,981**	**(53,760,843)**	**(6,085,261)**	**34,051**	**(59,812,052)**	**203,313,930**

Fixed Asset Continuity Schedule
2008 Historical

				Cost				Accumulated Depreciation				
CCA Class	OEB	Description	Depreciation Rate	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Net Book Value
N/A	1705	Land	0.00%	544,437	-	-	544,437	-	-	-	-	544,437
47	1715	Station Equipment	2.50%	135,568,654	10,303,062	(264,891)	145,606,824	(31,712,957)	(3,387,848)	179,259	(34,921,546)	110,685,278
47	1720	Towers and Fixtures	2.50%	23,683,888	-	-	23,683,888	(7,609,192)	(592,097)	-	(8,201,289)	15,482,599
47	1725	Poles and Fixtures	4.00%	58,643,672	717,522	-	59,361,193	(10,243,947)	(1,450,006)	-	(11,693,953)	47,667,241
47	1730	Overhead Conductors & Devices	2.50%	43,230,595	-	-	43,230,595	(7,640,670)	(1,046,704)	-	(8,687,374)	34,543,221
47	1740	Underground Conductors & Devices	4.00%	160,387	-	-	160,387	(160,387)	-	-	(160,387)	(0)
47	1745	Road and Trails	2.50%	497,389	24,653	-	522,042	(402,976)	(9,807)	-	(412,783)	109,259
47	1908	Buildings and Fixtures	4.00%	35,677	-	-	35,677	(5,870)	(1,335)	-	(7,205)	28,472
8	1915	Office Furniture & Equipment	10.00%	-	-	-	-	-	-	-	-	-
8	1920	Computer Equipment - Hardware	20.00%	19,094	5,075	-	24,169	(19,094)	(85)	-	(19,178)	4,991
8	1925	Computer Software	20.00%	33,334	8,337	-	41,671	(29,195)	(2,035)	-	(31,230)	10,441
10	1930	Transportation Equipment	20.00%	-	-	-	-	-	-	-	-	-
8	1940	Tools, Shop and Garage Equipment	10.00%	-	-	-	-	-	-	-	-	-
8	1955	Communication Equipment	10.00%	1,420,471	-	-	1,420,471	(1,316,413)	(57,156)	-	(1,373,569)	46,902
8	1960	Miscellaneous Equipment	10.00%	16,944	-	-	16,944	(7,162)	(1,694)	-	(8,857)	8,087
47	1990	Other Tangible Property	2.50%	757,041	-	-	757,041	(757,041)	-	-	(757,041)	-
		Subtotal		**264,611,581**	**11,058,649**	**(264,891)**	**275,405,339**	**(59,904,902)**	**(6,548,768)**	**179,259**	**(66,274,411)**	**209,130,928**
47	1715	Station Equipment	2.50%	(1,485,600)	-	-	(1,485,600)	92,850	37,140	-	129,990	(1,355,610)
		Total		**263,125,981**	**11,058,649**	**(264,891)**	**273,919,739**	**(59,812,052)**	**(6,511,628)**	**179,259**	**(66,144,421)**	**207,775,318**

Fixed Asset Continuity Schedule
2009 Bridge

				Cost				Accumulated Depreciation				
CCA Class	OEB	Description	Depreciation Rate	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Net Book Value
N/A	1705	Land	0.00%	544,437	384,611	-	929,048	-	-	-	-	929,048
47	1715	Station Equipment	2.50%	145,606,824	5,711,861	-	151,318,686	(34,921,546)	(3,605,382)	-	(38,526,928)	112,791,758
47	1720	Towers and Fixtures	2.50%	23,683,888	-	-	23,683,888	(8,201,289)	(590,672)	-	(8,791,961)	14,891,927
47	1725	Poles and Fixtures	4.00%	59,361,193	-	-	59,361,193	(11,693,953)	(1,463,455)	-	(13,157,408)	46,203,785
47	1730	Overhead Conductors & Devices	2.50%	43,230,595	378,781	-	43,609,376	(8,687,374)	(1,046,902)	-	(9,734,276)	33,875,100
47	1740	Underground Conductors & Devices	4.00%	160,387	-	-	160,387	(160,387)	-	-	(160,387)	(0)
47	1745	Road and Trails	2.50%	522,042	408,680	-	930,722	(412,783)	(9,550)	-	(422,333)	508,388
47	1908	Buildings and Fixtures	4.00%	35,677	176,350	-	212,027	(7,205)	(2,511)	-	(9,716)	202,311
8	1915	Office Furniture & Equipment	10.00%	-	197,742	-	197,742	-	(9,887)	-	(9,887)	187,855
10	1920	Computer Equipment - Hardware	20.00%	24,169	665,381	-	689,551	(19,178)	(127,370)	-	(146,549)	543,002
50	1925	Computer Software	20.00%	41,671	584,441	-	626,112	(31,230)	(32,231)	-	(63,461)	562,651
10	1930	Transportation Equipment	20.00%	-	344,595	-	344,595	-	(59,135)	-	(59,135)	285,461
8	1940	Tools, Shop and Garage Equipment	10.00%	-	7,506	-	7,506	-	(751)	-	(751)	6,755
8	1955	Communication Equipment	10.00%	1,420,471	79,798	-	1,500,268	(1,373,569)	(24,171)	-	(1,397,740)	102,528
8	1960	Miscellaneous Equipment	10.00%	16,944	-	-	16,944	(8,857)	(1,694)	-	(10,551)	6,393
47	1990	Other Tangible Property	2.50%	757,041	-	-	757,041	(757,041)	-	-	(757,041)	-
		Subtotal		**275,405,339**	**8,939,747**	**-**	**284,345,086**	**(66,274,411)**	**(6,973,711)**	**-**	**(73,248,122)**	**211,096,963**
47	1715	Station Equipment	2.50%	(1,485,600)	-	-	(1,485,600)	129,990	37,140	-	167,130	(1,318,470)
		Total		**273,919,739**	**8,939,747**	**-**	**282,859,486**	**(66,144,421)**	**(6,936,571)**	**-**	**(73,080,992)**	**209,778,493**

Fixed Asset Continuity Schedule
2010 Test Year

				Cost				Accumulated Depreciation				
CCA Class	OEB	Description	Depreciation Rate	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Net Book Value
N/A	1705	Land	0.00%	929,048	-	-	929,048	-	-	-	-	929,048
47	1715	Station Equipment	2.50%	151,318,686	3,781,288	-	155,099,974	(38,526,928)	(3,766,846)	-	(42,293,773)	112,806,200
47	1720	Towers and Fixtures	2.50%	23,683,888	-	-	23,683,888	(8,791,961)	(589,247)	-	(9,381,208)	14,302,680
47	1725	Poles and Fixtures	4.00%	59,361,193	46,000	-	59,407,193	(13,157,408)	(1,456,203)	-	(14,613,611)	44,793,582
47	1730	Overhead Conductors & Devices	2.50%	43,609,376	-	-	43,609,376	(9,734,276)	(1,046,986)	-	(10,781,261)	32,828,115
47	1740	Underground Conductors & Devices	4.00%	160,387	-	-	160,387	(160,387)	-	-	(160,387)	(0)
47	1745	Road and Trails	2.50%	930,722	-	-	930,722	(422,333)	(15,540)	-	(437,873)	492,849
47	1908	Buildings and Fixtures	4.00%	212,027	541,000	-	753,027	(9,716)	(19,209)	-	(28,925)	724,102
8	1915	Office Furniture & Equipment	10.00%	197,742	-	-	197,742	(9,887)	(19,774)	-	(29,661)	168,080
10	1920	Computer Equipment - Hardware	20.00%	689,551	248,000	-	937,551	(146,549)	(235,670)	-	(382,218)	555,332
50	1925	Computer Software	20.00%	626,112	299,587	-	925,699	(63,461)	(159,052)	-	(222,513)	703,186
10	1930	Transportation Equipment	20.00%	344,595	130,000	-	474,595	(59,135)	(117,026)	-	(176,161)	298,434
8	1940	Tools, Shop and Garage Equipment	10.00%	7,506	-	-	7,506	(751)	(1,501)	-	(2,252)	5,254
8	1955	Communication Equipment	10.00%	1,500,268	-	-	1,500,268	(1,397,740)	(15,289)	-	(1,413,030)	87,239
8	1960	Miscellaneous Equipment	10.00%	16,944	-	-	16,944	(10,551)	(1,694)	-	(12,245)	4,699
47	1990	Other Tangible Property	2.50%	757,041	-	-	757,041	(757,041)	-	-	(757,041)	-
		Subtotal		**284,345,086**	**5,045,875**	**-**	**289,390,961**	**(73,248,122)**	**(7,444,038)**	**-**	**(80,692,160)**	**208,698,801**
47	1715	Station Equipment	2.50%	(1,485,600)	-	-	(1,485,600)	167,130	37,140	-	204,270	(1,281,330)
		Total		**282,859,486**	**5,045,875**	**-**	**287,905,361**	**(73,080,992)**	**(7,406,898)**	**-**	**(80,487,890)**	**207,417,471**

Financial Statements

GREAT LAKES POWER LIMITED TRANSMISSION DIVISION

December 31, 2005

Deloitte.

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Auditors' Report

To the Directors of
Great Lakes Power Limited

We have audited the balance sheet of Great Lakes Power Limited Transmission Division (the "Division") as at December 31, 2005 and the statements of capital account, income, and cash flows for the year then ended. These financial statements are the responsibility of the Division's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Division as at December 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants

Toronto, Ontario
March 17, 2006

GREAT LAKES POWER LIMITED TRANSMISSION DIVISION
BALANCE SHEET
As at December 31

thousands of CDN dollars	Notes	**2005**	2004
Assets			
Current assets			
Cash		**$ 1,960**	$ 2,892
Accounts receivable		**5,595**	2,285
Due from related parties	3	**6,505**	100
Taxes receivable		**616**	-
Prepaid expenses and other		**109**	484
Current portion of regulatory asset	6	**1,649**	-
		16,434	5,761
Regulatory asset	6	**4,948**	-
Property, plant and equipment	4	**182,182**	150,796
		$ 203,564	$ 156,557
Liabilities and Capital Account			
Current liabilities			
Accounts and other payables		**$ 10,356**	$ 5,290
Taxes payable		**-**	14,108
Due to related parties	3	**1,086**	917
		11,442	20,315
Future income taxes		**23,236**	23,338
First mortgage bonds	5	**115,750**	68,750
		150,428	112,403
Capital account		**53,136**	44,154
		$ 203,564	$ 156,557

See accompanying notes to the financial statements.

-

GREAT LAKES POWER LIMITED TRANSMISSION DIVISION
STATEMENT OF CAPITAL ACCOUNT
Years ended December 31

thousands of CDN dollars		**2005**		2004
Balance, beginning of year	**$**	**44,154**	$	41,266
Net income		**8,982**		2,888
Balance, end of year	**$**	**53,136**	$	44,154

See accompanying notes to the financial statements.

GREAT LAKES POWER LIMITED TRANSMISSION DIVISION
STATEMENT OF INCOME
Years ended December 31

thousands of CDN dollars	Notes		**2005**		2004
Revenues		**$**	**28,909**	$	24,574
Expenses					
Operating and administrative			**4,558**		4,045
Maintenance			**968**		1,863
Interest	8		**2,565**		3,949
Depreciation			**4,425**		3,957
Taxes, other than income taxes			**519**		419
			13,035		14,233
Net operating income			**15,874**		10,341
Loss on disposal of property, plant and equipment, net	6		**(1,671)**		(5,745)
Other income			**90**		28
Net income before income taxes			**14,293**		4,624
Income taxes - current	9		**5,413**		4,154
Income taxes - future	9		**(102)**		(2,418)
Net income		**$**	**8,982**	$	2,888

See accompanying notes to the financial statements.

GREAT LAKES POWER LIMITED TRANSMISSION DIVISION
STATEMENT OF CASH FLOWS
Years ended December 31

thousands of CDN dollars	Notes	**2005**	2004
Operating activities			
Net income		**$ 8,982**	$ 2,888
Items not affecting cash			
Depreciation		**4,425**	3,957
Future income taxes		**(102)**	(2,418)
Loss on disposal of property, plant and equipment, net		**1,671**	5,745
Net change in non-cash working capital	7	**7,576**	17,715
		22,552	27,887
Investing activities			
Due from related parties		**(6,405)**	(100)
Proceeds on disposition of property, plant and equipment		**-**	76
Additions to property, plant and equipment		**(44,079)**	(35,560)
		(50,484)	(35,584)
Financing Activities			
Due to related parties		**27,000**	10,500
		27,000	10,500
(Decrease) increase in cash		**(932)**	2,803
Cash, beginning of year		**2,892**	89
Cash, end of year		**$ 1,960**	$ 2,892

See accompanying notes to the financial statements.

GREAT LAKES POWER LIMITED TRANSMISSION DIVISION NOTES TO FINANCIAL STATEMENTS

December 31, 2005
(in thousands of CDN dollars)

1. NATURE AND DESCRIPTION OF BUSINESS

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles on the basis that the Transmission Division (the "Division") of Great Lakes Power Limited ("GLPL") operates as a separate legal entity. The Division is engaged in the transmission of electricity to the area adjacent to Sault Ste. Marie, Canada and is subject to the regulations of the Ontario Energy Board (the "OEB"). These divisional financial statements do not include all of the assets, liabilities, revenues and expenses of GLPL. Consolidated financial statements of GLPL have been prepared for issuance to the shareholder and have been reported on by its auditors.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been applied in the preparation of these financial statements:

(a) *Property, plant and equipment*

Property, plant and equipment are recorded at cost, including costs of acquisition incurred by the Division and its parent, less accumulated depreciation. The cost of the property, plant and equipment is depreciated over the estimated service lives of the assets as follows:

	Method	Rate
Buildings	Straight-line	40 years
Transmission stations, towers and related fixtures	Straight-line	25 to 40 years
Equipment	Straight-line	5 to 40 years

Construction work in progress is not depreciated until the assets are put into service.

(b) *Impairment of long-lived assets*

The Division reviews long-lived assets for other than temporary impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable. The determination of whether impairment has occurred is based on an estimate of undiscounted cash flows attributable to the assets, as compared to the carrying value of the assets. Should an asset be considered to be impaired, an impairment loss is recognized in an amount equal to the excess of the asset's carrying value over its fair value.

(c) *Capitalization of interest*

Interest on funds used in construction is charged to construction work in progress at the prescribed rate of return applicable to the rate base.

(d) *Revenue recognition*

The Division recognizes revenue on an accrual basis when electricity is wheeled at the established regulated rate by the OEB.

(e) *Income taxes*

The Division uses the asset and liability method in accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on differences between the financial reporting and tax basis of assets and liabilities, and are measured using the enacted, or substantively enacted, tax rates and laws that will be in effect when the differences are expected to reverse, taking into account the organization of the Division's financial affairs and its impact on taxable income and tax losses.

(in thousands of CDN dollars)

(f) *Use of estimates*

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. During the years presented, management has made a number of estimates and valuation assumptions including accruals, depreciation and those relevant to the defined benefit pension plan. Estimates are based on historical experience, current trends and various other assumptions that are believed to be reasonable under the circumstances. Actual results could differ from those estimates.

(g) *Rate Regulation*

On January 1, 2005, the Division adopted CICA Handbook Accounting Guideline 19, *Disclosure by Entities Subject to Rate Regulation*. The Division is regulated by the OEB. Accounting standards recognize that rate regulation can create economic benefits and obligations, which are reported in the financial statements as regulatory assets and liabilities. When the regulation provides assurance that incurred costs will be recovered in the future, the Division may defer these costs and report them as a regulatory asset. If current recovery is provided for costs expected to be incurred in the future, the Division reports a regulatory liability. Also, if the regulation provides for lesser or greater planned revenue to be received or returned by the Division through future rates, the Division recognizes and reports a regulatory asset or liability, respectively. The measurement of such regulatory assets and liabilities are subject to certain estimates and assumptions, including assumptions made in the interpretation of the regulation.

3. RELATED PARTY TRANSACTIONS

(a) The Division has provided advances to and received advances from entities under common control in the normal course of operations. The Division has also provided advances to and received advances from other divisions of GLPL. These advances are non-interest bearing, unsecured and due on demand.

(b) In the normal course of operations, Riskcorp Inc., an insurance broker related through common control, entered into transactions with GLPL to provide insurance. These transactions have been measured at exchange value. The total cost allocated to the Division in 2005 for these services was $124 (2004 – $138) and no amount remains outstanding at year end (2004 - $nil).

(c) As a result, the following balances are receivable (payable) at December 31:

	2005	2004
Due from related parties		
Advances to other divisions of GLPL	**$ 6,505**	$ 100

(in thousands of CDN dollars)

	2005	2004
Due to related parties		
Advances from other divisions of GLPL	**$ (1,081)**	$ (917)
Advances from entities under common control	**(5)**	-
	$ (1,086)	$ (917)

4. PROPERTY, PLANT AND EQUIPMENT

			2005	2004
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Land	**$ 544**	**$ -**	**$ 544**	$ 544
Buildings	**15,466**	**4,148**	**11,318**	11,496
Transmission stations, towers and related fixtures	**189,919**	**42,570**	**147,349**	103,699
Equipment	**3,164**	**2,814**	**350**	451
Construction work in progress	**22,621**	**-**	**22,621**	34,606
	$ 231,714	**$ 49,532**	**$ 182,182**	$ 150,796

Cost and accumulated depreciation as at December 31, 2004 were $197,824 and $47,028, respectively.

Property, plant and equipment were comprehensively revalued to fair value in 1996. At December 31, 2005, the fair value adjustment and the related accumulated depreciation were $78,941 and $17,915, respectively (2004 - $82,005 and $16,401, respectively).

5. FIRST MORTGAGE BONDS

	2005	2004
Series 1 First Mortgage Bonds	**$ 384,000**	$ 384,000
Subordinated First Mortgage Bonds	**115,000**	115,000
	$ 499,000	$ 499,000

The Series 1 First Mortgage Bonds ("Series 1 Bonds") bear interest at the rate of 6.60%. Semi-annual payments of interest only are due and payable on June and December 16 each year until and including June 16, 2013. Equal blended semi-annual payments of principal and interest on the Series 1 Bonds will commence on December 16, 2013 and will continue until and including June 16, 2023. The Series 1 Bonds will not be fully amortized by their maturity date. The remaining principal balance of the Series 1 Bonds will be fully paid on June 16, 2023.

The Subordinated First Mortgage Bonds bear interest at the rate of 7.80% and are due on June 16, 2023.

The Series 1 First Mortgage Bonds and the Subordinated First Mortgage Bonds are both secured by a charge on generation and transmission present and future real property assets of GLPL. The fair market value of the First Mortgage Bonds is $526,713 (2004 - $499,237) based on current market prices for debt with similar terms.

A total of $115,750 of the Series 1 Bonds (2004 - $68,750) has been allocated to the Division. Interest on the allocated Bonds is expensed in accordance with the interest rate prescribed by regulation. In 2005, the interest rate was 6.6% (2004 – 7.0%).

(in thousands of CDN dollars)

6. EFFECT OF RATE REGULATION

The Division recorded the following regulatory asset as at December 31, 2005:

	2005	2004
Regulatory assets		
Deferred loss on disposal of transmission assets	$ 6,597	$ -
Less: current portion	(1,649)	-
Long-term portion	$ 4,948	$ -

The Division operates in accordance with the regulations of the OEB. Regulatory assets and liabilities represent certain revenues or costs incurred in the current period or in prior periods that have been or are expected to be recovered from customers upon approval from the OEB. In the absence of rate regulation, these balances would have been recorded as revenues or expenses in the statement of income.

Deferred loss on disposal of transmission assets

As prescribed by regulatory order, gains or losses on disposal of assets are recorded as a regulatory asset or liability subject to approval by the OEB. For the year ended December 31, 2005, the Division incurred a loss on disposal of assets totalling $8,246 which will be recovered over a period of five years, commencing April 1, 2005. During 2005, the Division recovered $1,649 of the deferred loss, resulting in a balance of $6,597 recorded in the regulatory asset account as at December 31, 2005. As the deferred loss on disposal of transmission assets has been approved by the OEB for recovery, there is no risk of non-collection of this balance.

7. STATEMENT OF CASH FLOWS

	2005	2004
Accounts receivable	$ (3,310)	$ (116)
Prepaid expenses and other	375	(286)
Due to related parties	169	11,206
Taxes receivable / payable	5,276	4,079
Accounts and other payables	5,066	2,832
	$ 7,576	$ 17,715

Non-cash activities for the year ended December 31 include:

	2005	2004
Regulatory asset recorded as a result of loss on disposal of transmission assets (note 7)	$ 8,246	$ -
Due to related parties settled through the allocation of First Mortgage Bonds	$ 27,000	$ -
Taxes payable settled through the allocation of First Mortgage Bonds	$ 20,000	$ -

(in thousands of CDN dollars)

8. INTEREST AND FINANCING FEES

The net interest and financing fees recorded in the financial statements as at December 31 are comprised as follows:

	2005	2004
Interest expense incurred	**$ 4,687**	$ 4,813
Capitalized interest	**(2,122)**	(864)
	$ 2,565	$ 3,949

9. INCOME TAXES

The provision for income taxes in the statements of income represents an effective tax rate different than the Canadian statutory rate of 36% (2005 – 36%). The differences are as follows:

		2005		2004
Net income before income taxes	**$**	**14,293**	$	4,624
Computed income tax expense at Canadian statutory rate		**5,144**		1,665
Increase resulting from:				
Large corporation tax		**205**		38
Other		**(38)**		33
Income tax provision	**$**	**5,311**	$	1,736
Future income tax liabilities				
CCA in excess of book depreciation	**$**	**23,163**	$	23,383
Other		**73**		(45)
	$	**23,236**	$	23,338

The Division's future income tax liability of $23,236 (2004 – $23,338) is comprised principally of temporary differences relating to the CCA in excess of book depreciation. At December 31, 2005, the Division did not have any unused capital losses (2004 – $nil).

10. FINANCIAL INSTRUMENTS

(a) Interest rate risk

The Division's long-term debt bears interest at a rate set periodically by the OEB. Consequently, there is cash flow exposure.

(b) Fair value

The carrying amounts in the balance sheet of accounts receivable and accounts and other payables approximate their fair values, reflecting their short maturities.

The fair value of the related party balances is not determinable by management due to the related party nature of these balances.

(c) Credit risk

Credit risk arises from the potential for a counterparty to default on its contractual obligations and is limited to those contracts where the Division would incur a loss in replacing the defaulted transaction. The Division's financial instruments that are potentially exposed to credit risks are accounts receivable. The Division actively manages its exposure to credit risk by assessing the ability of counterparties to fulfill their obligations under the related contracts prior to entering into such contracts, and continually monitors these exposures.

11. COMMITMENTS, CONTINGENCIES AND GUARANTEES

In the normal course of operations, the Division executes agreements that provide for indemnification and guarantees to third parties in transactions such as debt issuances. The nature of substantially all of the indemnification undertakings prevents the Division from making a reasonable estimate of the maximum potential amount the Division could be required to pay third parties as the agreements do not specify a maximum amount and the amounts are dependent upon the outcome of future contingent events, the nature and likelihood of which cannot be determined at this time. Historically, the Division has not made significant payments under such indemnification agreements.

On behalf of GLPL, Brookfield Power Corporation obtained a letter of credit totaling $19,008 to cover nine months of interest payments on the Series 1 First Mortgage Bonds. No amount has been drawn against this letter of credit.

In the normal course of operations, the Division has committed as at December 31, 2005 to spend approximately $12,700 (2004 - $32,570) on capital projects in future years.

The Division may, from time to time, be involved in legal proceedings, claims, and litigation that arise in the ordinary course of business which the Division believes would not reasonably be expected to have a material adverse effect on the financial condition of the Division.

The Division has asset retirement obligations associated with its transmission lines. The retirement date for these lines cannot be reasonably estimated and therefore the fair value of the associated liability cannot be determined at this time. As a result, no liability has been accrued in these financial statements.

[Filed separately in accordance with the Board's Practice Direction on Confidential Filings]

[Filed separately in accordance with the Board's Practice Direction on Confidential Filings]

GREAT LAKES POWER LIMITED

- and -

GREAT LAKES POWER TRANSMISSION LP

ASSET PURCHASE AGREEMENT

December 11, 2007

TORYS LLP
NEW YORK TORONTO

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ASSET PURCHASE AGREEMENT

THIS AGREEMENT is made as of the 11th day of December, 2007,

BETWEEN:

GREAT LAKES POWER LIMITED

(the "**Vendor**")

- and -

GREAT LAKES POWER TRANSMISSION LP

(the "**Purchaser**")

RECITALS:

A. The Vendor carries on the business of transmitting electric power and all matters incidental and/or ancillary thereto in the Algoma District of Ontario (the "**Business**").

B. The Vendor wishes to sell, and the Purchaser wishes to purchase, all of the assets owned, leased, licensed or used by the Vendor in connection with the Business on and subject to the terms and conditions of this Agreement.

NOW THEREFORE in consideration of the mutual covenants and agreements contained in this Agreement and other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged), the parties hereto agree as follows:

ARTICLE 1
INTERPRETATION

1.1 Definitions

In this Agreement,

1.1.1 "**Affiliate**" has the meaning attributed to such term in the *Business Corporations Act* (Ontario), as the same may be amended from time to time and any successor legislation thereto, with the exception that for the purposes of this Agreement, references in that act to "body corporate" and subsidiary will also be deemed to include partnerships, wherever and however formed and the definitions of such terms will be construed *mutatis mutandis*;

1.1.2 "**Agreement**" means this agreement and all schedules attached to this agreement, in each case as they may be amended or supplemented from time to time, and the expressions "**hereof**", "**herein**", "**hereto**", "**hereunder**", "**hereby**" and similar expressions refer to this agreement and unless otherwise indicated, references to Articles and sections are to Articles and sections in this agreement;

1.1.3 "**Assignment of Contracts**" means, collectively, one or more assignments of the contracts forming part of the Purchased Assets, including assignments of all interconnection agreements relating to the Business to which the Vendor is a party and assignments of all Service Contracts (which Service Contracts will continue to be held and administered by the Vendor for the benefit of the Purchaser in accordance with Section 2.3);

1.1.4 "**Assumed Indebtedness**" means all indebtedness, covenants, obligations and liabilities of the Vendor under (i) a deed of trust to be entered into between the Vendor and CIBC Mellon Trust Company, pursuant to which the Vendor will issue senior bonds in an aggregate principal amount equal to $120,000,000, and (ii) all other agreements, certificates and instruments evidencing, securing or otherwise relating to such deed of trust and/or bonds;

1.1.5 **"Assumed Liabilities"** means all indebtedness, covenants, obligations and liabilities of the Vendor relating to or arising in connection with the Business or the Purchased Assets, whether contingent or otherwise and whether existing or arising before or after the date hereof, including the litigation described in Schedule 4.1.5 but excluding any liabilities, claims or damages for which the Vendor has the right to seek indemnification or reimbursement pursuant to a valid insurance policy;

1.1.6 **"Business"** has the meaning attributed to such term in recital A;

1.1.7 **"Business Day"** means any day, other than Saturday, Sunday or any statutory holiday in the Province of Ontario;

1.1.8 **"Charge"** means any security interest, lien, charge, pledge, encumbrance, mortgage, adverse claim or title retention agreement of any nature or kind;

1.1.9 **"Closing"** means the completion of the sale and purchase of the Purchased Assets pursuant to this Agreement at the Time of Closing;

1.1.10 **"Closing Date"** means January 30, 2008 or such earlier or later date as may be agreed upon in writing by the parties;

1.1.11 **"Closing Date Audited Balance Sheet"** has the meaning attributed to such term in section 3.5;

1.1.12 **"Closing Documents"** has the meaning attributed to such term in section 8.2;

1.1.13 **"Estimated Purchase Price"** has the meaning attributed to such term in section 3.4;

1.1.14 **"Excluded Assets"** has the meaning attributed to such term in section 2.2;

1.1.15 **"General Conveyance, Assignment and Assumption Agreement"** means an agreement pursuant to which the Vendor transfers and conveys to the Purchaser the Purchased Assets and the Purchaser assumes all Assumed Liabilities and Assumed Indebtedness;

1.1.16 **"Governmental Charges"** means all taxes, levies, assessments, reassessments and other charges together with all related penalties, interest and fines, payable on or before the date hereof to any domestic or foreign government (federal, provincial, municipal or otherwise) or to any regulatory authority, agency, commission or board of any domestic or foreign government, or imposed by any court or any other law, regulation or rulemaking entity having jurisdiction in the relevant circumstances;

1.1.17 **"GST"** means the goods and services tax imposed under the GST Legislation;

1.1.18 **"GST Legislation"** means Part IX of the *Excise Tax Act* (Canada);

1.1.19 **"Improvements"** means, collectively, all buildings, fixed machinery, plant, equipment, apparatus and fittings, fixtures, sub-stations and other improvements;

1.1.20 **"Intellectual Property"** means trade marks and trade mark applications, trade names, certification marks, patents and patent applications, copyrights, know-how, formulae, processes, inventions, technical expertise, research data, trade secrets, industrial designs, intellectual property (including software) and other similar property related to or used primarily in connection with the Business or Purchased Assets, and all registrations and applications for registration thereof, and includes computer software;

1.1.21 **"Lands"** means the real property described in Schedule 1.1.21;

1.1.22 **"Litigation Rights"** means all causes of action, rights, claims and Proceedings of the Vendor relating to or arising in respect of the Business, whether relating to the period prior to or after the Closing Date, including, without limitation, the rights of the Vendor under the proceedings and matters described in Schedule 4.1.5;

1.1.23 **"Nominee"** means a company to be incorporated by the Vendor solely for the purposes of holding title to certain Real Estate Assets for the benefit of the Vendor pursuant to the Nominee Agreement;

1.1.24 **"Nominee Agreement"** means a nominee and agency agreement to be entered into between the Vendor and the Nominee pursuant to which the Nominee will agree to hold title to any Real Estate Assets registered in its name as nominee and bare trustee for the Vendor;

1.1.25 **"Operation, Maintenance and Administration Agreement"** means an agreement between the Vendor and the Purchaser pursuant to which the Vendor agrees to provide all services required by the Purchaser in connection with its ownership, operation and maintenance of the Business and the Purchased Assets;

1.1.26 **"Permits"** means all permits, licenses, approvals, consents, authorizations, registrations, certificates, wire crossing agreements, or franchises which are used by the Vendor to carry on the Business as presently conducted by it;

1.1.27 **"Person"** means any individual, partnership, limited partnership, joint venture, syndicate, sole proprietorship, company or corporation with or without share capital, unincorporated association, trust, trustee, executor, administrator or other legal personal representative, regulatory body or agency, government or governmental agency, authority or entity however designated or constituted;

1.1.28 **"Proceedings"** has the meaning attributed to such term in section 4.1.5;

1.1.29 **"Property Rights"** means all easements, leases, licenses, rights of occupation and/or use, and other rights relating to or creating interests in land, in each case that is used by the Vendor primarily in connection with the Business;

1.1.30 **"Purchase Price"** has the meaning attributed to such term in section 3.1;

1.1.31 **"Purchased Assets"** means, collectively, all assets, property, contracts, permits, rights, licenses, franchises and undertaking of the Vendor, whether real, personal or mixed, tangible or intangible, of every kind and description wherever located, that are owned, leased or licensed by the Vendor and are primarily related to or used in respect of the Business, excluding the Excluded Assets, but including, without limitation, all right, title and interest of the Vendor in and to the following:

(a) the power transmission system operated by the Vendor as at the date hereof, including the approximately 151 circuit km of 230 kV line, 564 circuit km of 155 kV line and 11 circuit km of 44 kV line, all transmission stations, sub-stations, lines, poles, wires, equipment, machinery, transformers, motor vehicles, computer hardware and property used primarily in connection with the Business;

(b) all interconnection lines and facilities linking the Vendor's transmission facilities to its customers and the Ontario power grid;

(c) all Real Estate Assets;

(d) all of the issued and outstanding shares of 1228185 Ontario Limited and the Nominee and all rights of the Vendor under the Nominee Agreement;

(e) all Improvements used primarily in connection with the Business and located on the Real Estate Assets;

(f) all warranties, claims, bonds, contracts, agreements and other legally binding instruments relating to or which have been entered into by the Vendor in respect of the Business, including all regulatory agreements and documentation, including all rights, benefits, warranties and claims under or in respect of the Service Contracts to the extent the same relate to the Business;

(g) the Litigation Rights, Permits and Intellectual Property;

(h) all trade accounts receivable and all trade debts due or accruing due to the Vendor in respect of the Business or the Purchased Assets, and the full benefit of all guarantees, security and indemnities related thereto;

(i) all cash, deposits, marketable securities, prepaid expenses, security, materials, supplies, inventories, work in process, raw materials, spare parts and other similar property related to the Business;

(j) all rights, benefits, entitlements, materials, correspondence, filings, economic forecasts, budgets, technical drawings plans, research, work, reports, studies, applications, documentation and material related to the Business or the Purchased Assets;

(k) all business and financial records and systems (whether or not recorded on computer), including all accounting systems, customer lists and lists of suppliers, all surveys, drawings, site plans, plans and specifications relating to the Business or Purchased Assets, and all operating manuals and/or plans, engineering standards and specifications and other information used or required to effectively conduct the Business or operate the Purchased Assets or any of them; and

(l) all goodwill related to the Business;

1.1.32 **"Purchaser"** means Great Lakes Power Transmission LP, and its successors and permitted assigns;

1.1.33 **"Real Estate Assets"** means, collectively, all Lands and all Property Rights;

1.1.34 **"Reciprocal Co-Operation Agreement"** means an agreement between the Vendor and the Purchaser pursuant to which each agrees, among other things, to provide to the other such future access, services, easements, leases, rights or co-operation as the other may reasonably require in order to ensure the efficient and continuous use, ownership, operation, repair, improvement and maintenance of the Vendor's generation and distribution businesses and the Purchaser's Business;

1.1.35 **"Service Contracts"** means all services and advisory contracts to which the Vendor is a party in respect of the Business, provided that if any such services or advisory contract relates to the Business and any other business or undertaking of the Vendor, only the portion that relates to the Business will constitute a Service Contract for purposes of this Agreement;

1.1.36 **"Time of Closing"** means 10:00 a.m., Toronto time, on the Closing Date or such other time on the Closing Date as may be agreed upon in writing by the parties;

1.1.37 **"Vendor"** means Great Lakes Power Limited, and its successors and permitted assigns; and

1.1.38 **"Working Capital"** as means the current assets of the Vendor minus the current liabilities of the Vendor as disclosed on the financial statements of the Vendor for the Business prepared as at the Closing Date in the accordance with generally accepted accounting principles and in a manner consistent with the Vendor's annual audited financial statements prepared for the Business for the period ending on December 31, 2006.

1.2 Schedules

The following are the schedules attached to this Agreement:

Schedule 1.1.21	-	Lands
Schedule 4.1.5	-	Litigation and Other Proceedings

1.3 Headings and Table of Contents

The inclusion of headings and a table of contents in this Agreement is for convenience of reference only and will not affect the construction or interpretation hereof.

1.4 Gender and Number

In this Agreement, unless the context otherwise requires, words importing the singular include the plural and vice versa, words importing gender include all genders or the neuter, and words importing the neuter include all genders.

1.5 Currency

Except where otherwise expressly provided, all amounts in this Agreement are stated and will be paid in Canadian currency.

1.6 Generally Accepted Accounting Principles

In this Agreement, except to the extent otherwise expressly provided, references to "generally accepted accounting principles" mean, for all principles stated in the Handbook of the Canadian Institute of Chartered Accountants, such principles so stated.

1.7 Invalidity of Provisions

Each of the provisions contained in this Agreement is distinct and severable and a declaration of invalidity or unenforceability of any such provision or part thereof by a court of competent jurisdiction will not affect the validity or enforceability of any other provision hereof. To the extent permitted by applicable law, the parties waive any provision of law which renders any provision of this Agreement invalid or unenforceable in any respect. The parties will engage in good faith negotiations to replace any provision which is declared invalid or unenforceable with a valid and enforceable provision, the economic effect of which comes as close as possible to that of the invalid or unenforceable provision which it replaces.

1.8 Entire Agreement

This Agreement constitutes the entire agreement between the parties pertaining to the subject matter of this Agreement. There are no warranties, conditions, or representations (including any that may be implied by statute) and there are no agreements in connection with such subject matter except as specifically set forth or referred to in this Agreement. No reliance is placed on any warranty, representation, opinion, advice or assertion of fact made either prior to, contemporaneous with, or after entering into this Agreement, or any amendment or supplement thereto, by any party to this Agreement or its directors, officers, employees or agents, to any other party to this Agreement or its directors, officers, employees or agents, except to the extent that the same has been reduced to writing and included as a term of this Agreement, and none of the parties to this Agreement has been induced to enter into this Agreement or any amendment or supplement by reason of any such warranty, representation, opinion, advice or assertion of fact. Accordingly, there will be no liability, either in tort or in contract, assessed in relation to any such warranty, representation, opinion, advice or assertion of fact, except to the extent contemplated above.

1.9 Waiver, Amendment

Except as expressly provided in this Agreement, no amendment or waiver of this Agreement will be binding unless executed in writing by the party to be bound thereby. No waiver of any provision of this Agreement will constitute a waiver of any other provision nor will any waiver of any provision of this Agreement constitute a continuing waiver unless otherwise expressly provided.

1.10 Governing Law

This Agreement will be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.

ARTICLE 2
PURCHASED ASSETS

2.1 Agreement to Purchase and Sell Purchased Assets

Subject to the terms of this Agreement, the Vendor will sell, and the Purchaser will purchase, the Purchased Assets.

2.2 Excluded Assets

The Purchased Assets will not include, subject to 6.2 hereof, the following assets (collectively, the "**Excluded Assets**"):

2.2.1 all rights, property, assets and undertakings owned, leased, licensed, operated or used by the Vendor in respect of its Sackville control centre located in Sault Ste Marie, Ontario and all matters incidental and/or ancillary thereto;

2.2.2 any interest of the Vendor under any insurance policies, including any cash surrender value thereof;

2.2.3 any easements, licenses, Permits, contracts, agreements and other rights related primarily to the Business or the Purchased Assets that by their terms are not assignable or transferable and in respect of which consent to the assignment or transfer to the Purchaser has not been obtained as at the Closing; each of which will, after Closing, continue to be held by the Vendor in trust for the benefit of the Purchaser to transfer and assign the same as the Purchaser may from time to time direct;

2.2.4 debts due to the Vendor from any Affiliate, shareholder, director, officer or employee of the Vendor, other than accounts receivable incurred in the ordinary course of business;

2.2.5 any refundable taxes previously paid by the Vendor (including any taxes paid under the GST Legislation) and any claim or right of the Vendor to any refund of taxes; and

2.2.6 for greater certainty, all rights, property, assets and undertaking owned, leased, licensed, operated or used by the Vendor primarily in connection with its hydro electric generating facilities and the sale of electricity therefrom, the distribution of electricity and all matters incidental and/or ancillary thereto.

2.3 Service Contracts

The parties agree that the Vendor will, on Closing, assign the benefit of all Service Contracts to the Purchaser except that where any such Service Contract is not assignable or transferable and consent to the assignment or transfer to the Purchaser has not been obtained as at the Closing, the Vendor will continue to hold each such Service Contract in trust for the benefit of the Purchaser, to transfer and assign the same as the Purchaser may from time to time direct.

In all cases, the Vendor will continue to be the party to each Service Contract as agent for and on behalf of the Purchaser, and will administer and perform the services required to be performed by the Vendor under the Service Contracts in respect of the Business for the benefit of the Purchaser, and the Purchaser will be responsible for all costs, liabilities and expenses incurred by the Vendor under or in respect of such Service Contracts.

2.4 Assumption of Liabilities By the Purchaser

The Purchaser will, on the Closing Date, assume the Assumed Indebtedness and Assumed Liabilities.

2.5 As is, Where is

The Purchaser acknowledges that the Vendor is selling the Purchased Assets on an "as is, where is" basis as they will exist on the Closing Date. The Purchaser further acknowledges that it will conduct such inspections of the condition of and title to the Purchased Assets as it deems appropriate and that it will satisfy itself with regard to these matters. No representation, warranty or condition is expressed or can be implied as to title, encumbrances, description, fitness and purpose, merchantability, condition, assignability, collectability, quantity, outstanding amount, value or quality or in respect of any other matter or thing whatsoever concerning the Purchased Assets or the right of the Vendor to sell same, save and except as expressly represented or warranted in this Agreement. Without limiting the generality of the foregoing, any and all conditions, warranties or representations expressed or implied pursuant to the *Sale of Goods Act* (Ontario) or similar legislation in any other jurisdiction do not apply hereto and have been waived by the Purchaser.

ARTICLE 3
PURCHASE PRICE AND RELATED MATTERS

3.1 Purchase Price

Subject to the adjustments provided in section 3.3, the purchase price payable to the Vendor for the Purchased Assets (the "**Purchase Price**") will be equal to $210,400,000.

3.2 Payment of the Purchase Price

The Purchase Price will be paid by the Purchaser as follows:

3.2.1 as to an amount equal to the aggregate of the amounts outstanding under the Assumed Indebtedness as the Closing Date, by way of assumption thereof as contemplated in section 2.3; and

3.2.2 as to the balance of the Purchase Price, by electronic transfer of funds to the Vendor or as it may direct.

3.3 Adjustments to Purchase Price

The parties acknowledge that the Purchase Price was determined by the parties on the basis that the Working Capital of the Business will be $2,900,000 as at the Closing Date. The Purchase Price will be adjusted to reflect the actual Working Capital as at the Closing Date. Accordingly, the Purchase Price will be reduced by an amount by which the actual Working Capital is less than $2,900,000, or increased by an amount by which the Working Capital exceeds $2,900,000.

3.4 Estimated Purchase Price

The parties acknowledge that it is not possible to conclusively determine the Working Capital until the Closing Date Audited Balance Sheet is available. Accordingly, the parties agree that, at the Closing, the Purchaser will pay to the Vendor an amount which represents a reasonable estimate of the Purchase Price, determined in accordance with the provisions of this section 3.4 (the **"Estimated Purchase Price"**) less the amounts outstanding under the Assumed Indebtedness as at the Closing Date, plus GST (if any) payable on the Estimated Purchase Price.

Note less than one Business Day before the Closing Date, the Vendor will deliver to the Purchaser a balance sheet of the Business as at the Closing Date which reflects a good faith estimate by the Vendor of the Working Capital.

3.5 Closing Date Audited Balance Sheet Statement

Not later than ninety (90) days after the Closing Date, the Purchaser will cause a balance sheet of the Business as at the Closing Date to be prepared and delivered to the Vendor, which balance sheet will be prepared in a manner consistent with that prepared by the Vendor as at the Closing Date and which will be audited by the Purchaser's auditors (the **"Closing Date Audited Balance Sheet"**).

If the Vendor notifies the Purchaser that it agrees with the Closing Date Audited Balance Sheet within 21 days after receipt thereof or fails to deliver notice to the Purchaser of its disagreement therewith within such 21 day period, the Closing Date Audited Balance Sheet will be conclusive and binding on the Purchaser and the Vendor and the parties will be deemed to have agreed thereto, in the first case, on the date the Purchaser receives the notice and, in the second case, on such 21st day. If the Vendor notifies the Purchaser of its disagreement with the Closing Date Audited Balance Sheet within such 21 day period, then the Purchaser and the Vendor will attempt, in good faith, to resolve their differences with respect thereto within 15 days after the Purchaser's receipt of the Vendor's notice of disagreement. Any disagreement over the Closing Date Audited Balance Sheet that is not resolved by the Purchaser and the Vendor within such 15 day period will be submitted to arbitration in accordance with the provisions of the *Arbitration Act, 1991* (Ontario) unless otherwise agreed by the parties.

3.6 Determination of Purchase Price and Adjustment of Amount Paid on Closing Date

On the second Business Day following the date on which the parties agree to the Closing Date Audited Balance Sheet, the Purchase Price will be finally determined in accordance with section 3.3 and either (i) the Purchaser will pay to the Vendor any amount by which the final Purchase Price exceeds the Estimated Purchase Price, or (ii) the Vendor will refund to the Purchaser any amount by which the Estimated Purchase Price exceeds such final Purchase Price.

3.7 Allocation of Purchase Price for Tax Purposes

The Purchaser and the Vendor, in filing their respective tax returns, will use such allocations of the Purchase Price as they may agree to prior to Closing.

ARTICLE 4
REPRESENTATIONS AND WARRANTIES

4.1 By the Vendor

The Vendor represents and warrants to the Purchaser as follows and acknowledges that the Purchaser is relying upon the following representations and warranties in connection with its purchase of the Purchased Assets:

4.1.1 **Incorporation and Status of the Vendor.** The Vendor is duly incorporated and validly existing under the laws of its jurisdiction of incorporation.

4.1.2 **Corporate Power of the Vendor and Due Authorization.** The Vendor has the corporate power and capacity to enter into, and to perform its obligations under, this Agreement. Each of this Agreement and each of the agreements, contracts and instruments required by this Agreement to be delivered by the Vendor at the Closing has been duly authorized. This Agreement has been duly executed and delivered by the Vendor and is a valid and binding obligation of the Vendor, enforceable in accordance with its terms, subject to the usual exceptions as to bankruptcy and the availability of equitable remedies. At the Time of Closing, the Closing Documents to which the Vendor is a party will be duly executed and delivered by the Vendor and will be valid and binding obligations of the Vendor, enforceable in accordance with their respective terms, subject to the usual exceptions as to bankruptcy and the availability of equitable remedies.

4.1.3 **No Rights to Acquire Purchased Assets.** To the Vendor's knowledge, there are no agreements, options or other rights pursuant to which the Vendor is, or may become, obligated to sell any of the Purchased Assets.

4.1.4 **Right to Sell, and Title to, Purchased Assets.** The Vendor is the absolute beneficial owner of the Real Estate Assets and is the absolute owner of all other Purchased Assets, in each case, to the Vendor's knowledge, free of all Charges other than Charges securing the Assumed Indebtedness and Charges that would not materially adversely affect the ability of the Purchaser to operate the Business or the Purchased Assets as a whole.

4.1.5 **Litigation and Other Proceedings.** To the Vendor's knowledge, the only court, administrative, regulatory or similar proceeding (whether civil, quasi-criminal or criminal); arbitration or other dispute settlement procedure; investigation or inquiry by any governmental, administrative, regulatory or similar body; or any similar matter or proceeding (collectively "**Proceedings**") against or involving the Vendor in respect of the Business or the Purchased Assets is described in Schedule 4.1.5.

4.1.6 **Vendor Resident of Canada.** The Vendor is not a non-resident of Canada under the *Income Tax Act* (Canada).

4.1.7 **Goods and Services Tax.** The Vendor is registered for purposes of the GST Legislation. Following completion of this Agreement, the Purchaser will have ownership, possession or use of all or substantially all of the property that can reasonably be regarded as being necessary for the Purchaser to be able to carry on the Business.

4.1.8 **Tax, etc. Matters.** Except as set out in Schedule 4.1.5, to the best of the Vendor's knowledge, after appropriate inquiries and investigations, there are no Proceedings either in progress, pending or threatened in connection with any Governmental Charges in respect of the Business or the Purchased Assets. The Vendor has withheld or collected and remitted all amounts required to be withheld or collected and remitted by it in respect of any Governmental Charges.

4.1.9 **Sufficiency of Asset.** The Purchased Assets are sufficient to carry on the Business as currently conducted.

4.2 By the Purchaser

The Purchaser represents and warrants to the Vendor as follows and acknowledges that the Vendor is relying upon the following representations and warranties in connection with its sale of the Purchased Assets:

4.2.1 **Creation and Status of the Purchaser.** The Purchaser is duly organized and validly existing under the laws of its jurisdiction of creation. The Purchaser is registered for purposes of the GST Legislation.

4.2.2 **Corporate Power of the Purchaser and Due Authorization.** The Purchaser has the power and capacity to enter into, and to perform its obligations under, this Agreement. Each of this Agreement and each of the agreements, contracts and instruments required by this Agreement to be delivered by the Purchaser at the Closing has been duly authorized by the Purchaser. This Agreement has been duly executed and delivered by the Purchaser and is a valid and binding obligation of the Purchaser, enforceable in accordance with its terms, subject to the usual exceptions as to bankruptcy and the availability of equitable remedies. At the Time of Closing, the Closing Documents to which the Purchaser is a party will be duly executed and delivered and will be valid and binding obligations of the Purchaser, enforceable in accordance with their respective terms, subject to the usual exceptions as to bankruptcy and the availability of equitable remedies.

4.3 Survival of Covenants, Representations and Warranties

To the extent that they have not been fully performed at or prior to the Time of Closing, the covenants, representations and warranties contained in this Agreement and in all certificates and documents delivered pursuant to or contemplated by this Agreement will survive the Closing and will continue for 18 months.

ARTICLE 5
CONDITIONS

5.1 Conditions for the Benefit of the Purchaser

The obligation of the Purchaser to complete the purchase of the Purchased Assets pursuant to this Agreement is subject to the satisfaction of, or compliance with, at or prior to the Time of Closing, each of the following conditions (each of which is acknowledged to be for the exclusive benefit of the Purchaser):

5.1.1 **Accuracy of Representations of Vendor and Compliance with Covenants.** The representations and warranties of the Vendor made in or pursuant to this Agreement will be true and correct in all material respects at the Time of Closing with the same force and effect as if made at and as of the Time of Closing; the covenants contained in this Agreement to be performed by the Vendor at or prior to the Time of Closing will have been performed in all material respects; and the Vendor will not be in breach of any agreement on its part contained in this Agreement.

5.1.2 **Closing Documents and Proceedings.** The Purchaser will have received the Closing Documents required to be delivered by the Vendor in form and substance satisfactory to it, acting reasonably.

5.1.3 **No Action to Restrain.** No action or proceeding will be pending or threatened by any Person to restrain or prohibit:

5.1.3.1 the purchase and sale of the Purchased Assets hereunder; or

5.1.3.2 the Vendor from carrying on the Business as such Business is being carried on at the date hereof.

5.1.4 **Consents and Approvals .** The following consents and approvals will have been obtained, in form and substance satisfactory to the Purchaser:

5.1.4.1 the Ontario Energy Board having approved the purchase and sale of Purchased Assets as contemplated by this Agreement;

5.1.4.2 the Purchaser having acquired all material licenses that it requires in order to own and operate the Purchased Assets and the Business; and

5.1.4.3 all required consents having been obtained and documentation entered into, on terms and conditions satisfactory to the Purchaser, with respect to the assumption by the Purchaser of the Assumed Indebtedness.

5.1.5 **Title to Real Estate Assets.** Title to the Real Estate Assets being held by the Nominee or the Vendor being free of all Charges other than Charges securing the Assumed Indebtedness and Charges that would not materially adversely affect the ability of the Purchaser to operate the Business or the Purchased Assets as a whole.

If any of the conditions contained in this section 5.1 will not be fulfilled or performed at or prior to the Time of Closing to the satisfaction of the Purchaser (acting reasonably), the Purchaser may, by notice to the Vendor, terminate this Agreement and the obligations of the Vendor and the Purchaser under this Agreement. Any condition may be waived in whole or in part by the Vendor without prejudice to any claims it may have for breach of covenant, representation or warranty.

5.2 Conditions for the Benefit of the Vendor

The obligation of the Vendor to complete the sale of the Purchased Assets hereunder is subject to the satisfaction of, or compliance with, at or before the Time of Closing, each of the following conditions (each of which is acknowledged to be for the exclusive benefit of the Vendor):

5.2.1 **Accuracy of Representations of Purchaser and Compliance with Covenants.** The representations and warranties of the Purchaser made in or pursuant to this Agreement will be true and correct at the Time of Closing with the same force as if made at and as of the Time of Closing; the covenants contained in this Agreement to be performed by the Purchaser at or prior to the Time of Closing will have been performed; the Purchaser will not be in breach of any agreement on its part contained in this Agreement; and the Vendor will have received a certificate confirming the foregoing, signed for and on behalf of the Purchaser by senior officers or directors of the Purchaser or other persons acceptable to the Vendor in form and substance satisfactory to the Vendor and the Vendor's Counsel.

5.2.2 **Closing Documents and Proceedings.** The Vendor will have received the Closing Documents required to be delivered by the Purchaser in form and substance satisfactory to it, acting reasonably; and

5.2.3 **No Action to Restrain.** No action or proceeding will be pending or threatened by any Person to restrain or prohibit:

5.2.3.1 the purchase and sale of the Purchased Assets hereunder; or

5.2.3.2 the Vendor from carrying on the Business as such Business is being carried on at the date hereof.

If any of the conditions contained in this section 5.2 will not be fulfilled or performed at or prior to the Time of Closing to the satisfaction of the Vendor (acting reasonably), the Vendor may, by notice to the Purchaser, terminate this Agreement and the obligations of the Vendor and the Purchaser under this Agreement. Any condition may be waived in whole or in part by the Vendor without prejudice to any claims it may have for breach of covenant, representation or warranty.

ARTICLE 6
ADDITIONAL AGREEMENTS OF THE PARTIES

6.1 Negative Covenant

Except as expressly provided in this Agreement or except with the prior written consent of the Purchaser, prior to the Time of Closing the Vendor will not transfer, lease, license, sell or otherwise dispose of any of the Purchased Assets other than in the ordinary course of the Business, consistent with past practice.

6.2 Insurance

Until the Time of Closing, the Vendor will maintain in full force all policies and contracts of insurance which are now in effect (or renewals thereof) and under which it or any of the Purchased Assets are insured.

6.3 Obtaining of Consents and Approvals

The Vendor will use reasonable efforts to deliver, at or prior to the Time of Closing, the consents and approvals referred to in section 5.1.4 and the easements, sublicenses and subleases referred to in section 8.2.7. If, notwithstanding such efforts, the Vendor is unable to obtain any of such consents and approvals or grant any such easements, sublicenses or subleases, the Vendor will not be liable to the Purchaser for any breach of covenant but will continue after the Closing to use reasonable efforts as requested by the Purchaser from time to time in order to attempt to obtain any such consent or approval.

6.4 Planning Act

This Agreement will be effective to create an interest in the Real Estate Assets only if the subdivision control provisions of the *Planning Act* (Ontario) or any successor or similar legislation is complied with by the Vendor on or before the Closing and the Vendor will proceed diligently at its own expense to obtain any necessary consent on or before the Closing. If requested by the Purchaser, the Vendor will ensure that any deed or transfer of Real Property to be delivered on the Closing will contain the statements contemplated by section 50(22) of the *Planning Act* (Ontario).

6.5 Bulk Sales Act

The Purchaser agrees that it will not require the Vendor to comply with the requirements of the *Bulk Sales Act* (Ontario). The Vendor agrees to indemnify and save harmless the Purchaser from and against all losses which the Purchaser may suffer or incur as a result of or arising out of such non-compliance. This section 6.5 will not merge on, but will survive Closing.

6.6 Access of the Vendor to Records

The Vendor will have access to, and the right to copy, at its expense, for *bona fide* business purposes and during usual business hours, upon reasonable prior notice to the Purchaser, all books and records relating to the Business and the Purchased Assets which are transferred and conveyed to the Purchaser pursuant to this Agreement. The Purchaser will retain and preserve all such books and records for at least a six (6) year period.

6.7 Accounts Receivable

The Vendor agrees that the Purchaser will have the right after the Closing to endorse in its name all payments received by the Purchaser in respect of any of the trade accounts receivable and trade debts due in respect of the Business, and to deposit the same into the Purchaser's bank accounts. The Vendor will deliver at the Closing such resolutions or other documents as the Purchaser may reasonably request in order to permit the implementation of the provisions of this section.

6.8 Employees

The Purchaser will not be required to offer employment to any employees of the Vendor either before or after Closing.

6.9 Cooperation

The parties will cooperate fully in good faith with each other and their respective legal advisers, accountants and other representatives in connection with any steps required to be taken as part of their respective obligations under this Agreement.

ARTICLE 7
INDEMNIFICATION

7.1 Indemnification by the Vendor

The Vendor will indemnify and save the Purchaser harmless for and from:

7.1.1 all losses, costs and damages suffered by the Purchaser as a result of any breach of representation, warranty or covenant on the part of the Vendor contained in this Agreement or in any certificate, document or instrument delivered to the Purchaser hereunder;

7.1.2 all losses, costs and damages suffered by the Purchaser as a result of the failure of the Vendor to perform any of its obligations relating to or in respect of any Excluded Assets; and

7.1.3 all claims, demands, costs and expenses, including legal fees, in respect of the foregoing.

7.2 Maximum Liability of Vendor

Notwithstanding anything to the contrary in this Agreement, the Purchaser acknowledges and agrees that the aggregate liability of the Vendor in respect of any claim for breach of any representation, warranty or covenant made by the Vendor in this Agreement or in any certificate, document or instrument delivered by the Vendor hereunder, or any claim for indemnity made pursuant to Section 7.1, will be limited to an amount equal to the Purchase Price.

7.3 Indemnification by the Purchaser

The Purchaser will indemnify and save the Vendor harmless for and from:

7.3.1 all losses, costs and damages suffered by the Vendor as a result of any breach of representation, warranty or covenant on the part of the Purchaser contained in this Agreement or in any certificate, document or instrument delivered to the Vendor hereunder;

7.3.2 all losses, costs and damages suffered by the Vendor as a result of the failure of the Purchaser to perform any of its obligations relating to or in respect of the Assumed Indebtedness and Assumed Liabilities or arising out of action or inaction of the Purchaser; and

7.3.3 all claims, demands, costs and expenses, including legal fees, in respect of the foregoing.

ARTICLE 8
CLOSING

8.1 Location and Time of the Closing

The Closing will take place at the Time of Closing on the Closing Date at the offices of Purchaser's Counsel.

8.2 Deliveries by Vendor and Purchaser at the Closing

At the Time of Closing, the Vendor will prepare (or cause to be prepared) and the Vendor and the Purchaser will execute (or cause to be executed) and deliver (or cause to be delivered) to the other the following items, in each case on terms and conditions satisfactory to both parties hereto, (collectively, the "**Closing Documents**"):

8.2.1 Registrable transfer/deeds of land and assignments in respect of all Lands and Property Rights together with acknowledgements and directions authorizing the electronic registration of the transfers and assignments;

8.2.2 Direction by the Vendor to the Nominee to hold legal interest in the Real Estate Assets as agent and bare nominee for the Purchaser;

8.2.3 the General Conveyance, Assignment and Assumption Agreement;

8.2.4 the Assignment and Assumption Agreement;

8.2.5 the Reciprocal Co-Operation Agreement;

8.2.6 the Operation, Maintenance and Administration Agreement;

8.2.7 to the extent required for the continuous operation of the Business after Closing, and to the extent that all necessary consents have been obtained, such sublicenses, subleases, easements and other rights as the parties may agree to over the lands owned, leased or licensed by the Vendor for the purposes of placing, maintaining and operating the Improvements related to the Business on such lands, and all necessary subordinations and postponements from the Vendor's existing mortgagees with respect to such easements;

8.2.8 transfer by the Vendor to the Purchaser of all of the issued and outstanding shares of 1228185 Ontario Limited and the Nominee, and delivery by the Vendor to the Purchaser of original share certificates representing all such issued and outstanding shares;

8.2.9 a certificate by the Vendor to the effect that it is not a non-resident of Canada within the meaning of the *Income Tax Act* (Canada);

8.2.10 a certificate by the Purchaser to the effect that it is a registrant under the GST Legislation and an indemnity with respect to GST liability;

8.2.11 all assumptions, acknowledgements, agreements, opinions, certificates and other documentation required by the lenders under the Assumed Indebtedness to evidence the assumption by the Purchaser of the Vendor's obligations under the Assumed Indebtedness and all indentures, agreements, debentures, security agreements and other agreements evidencing, security or relating to the Assumed Indebtedness, and the continuation of the security created pursuant thereto against the Purchased Assets; and

8.2.12 all other deeds, documents of title, conveyances, bills of sale, transfers, assignments, indentures, instruments, assignments, assumption agreements, consents and other documents as the Purchaser may reasonably require in order to effect the assignment, transfer and sale of the Purchased Assets to the Purchaser and the assumption by the Purchaser of the Assumed Liabilities.

8.3 Deliveries by Purchaser at the Closing

At the Time of Closing, in addition to delivering those Closing Documents to which it is required to be a party, the Purchaser will pay the balance of the Estimated Purchase Price in accordance with section 3.4.

8.4 Delivery of Books and Records

At the Time of Closing, the Vendor will deliver to the Purchaser all books, records, lists of suppliers and customers and other documents, files and data relating to the Business, all of which will become the property of the Purchaser.

ARTICLE 9
GENERAL MATTERS

9.1 Risk of Loss

The Purchased Assets will be and remain at the risk of the Purchaser from and after the date of this Agreement. If, prior to the Time of Closing, all or any material part of the Purchased Assets are destroyed or damaged by fire or any other casualty or will be expropriated, the Purchaser will complete the purchase without reduction of the Purchase Price and all proceeds of insurance or compensation for expropriation will be payable to the Purchaser and all right and claim of the Vendor to any such amounts not paid by the Time of Closing will be assigned by the Vendor to the Purchaser.

9.2 Expenses

Each of the Vendor and the Purchaser will be responsible for the expenses (including fees and expenses of legal advisers, accountants and other professional advisers) incurred by them, respectively, in connection with the negotiation and settlement of this Agreement and the completion of the transaction contemplated hereby.

9.3 Transfer and Sales Taxes

The Purchaser will pay all land transfer taxes, federal and provincial sales taxes and all other taxes or other like charges payable upon or in connection with the sale, assignment or transfer of the Purchased Assets by the Vendor to the Purchaser.

9.4 Goods and Services Tax

The parties agree to elect that no tax be payable pursuant to the GST Legislation with respect to the sale under this Agreement. The Purchaser will file an election pursuant to the GST Legislation, made jointly by the parties, in compliance with the requirements of the GST Legislation.

The Purchaser covenants and agrees that it will on or prior to Closing provide the Vendor with a certificate of a senior officer of the Purchaser (without personal liability) confirming the registration number relating to the federal government's goods and services tax under the GST Legislation. The Purchaser further agrees to self-assess and remit the required amount (if any) in accordance with the applicable statutory requirements and in connection with any other GST calculations made by the Purchaser. The Purchaser further agrees to indemnify and save harmless the Vendor from and against such GST together with any penalties and interest thereon which may arise as a result of any failure by the Purchaser to pay such GST as aforesaid. The Purchaser shall deliver on Closing an indemnity with respect to GST liability in form and content satisfactory to the Vendor and the Purchaser, each acting reasonably.

9.5 Assignment

No party may assign its rights or benefits under this Agreement without the prior written consent of the other party.

9.6 Notices

Any notice or other communication required or permitted to be given hereunder will be in writing and will be given by prepaid mail, by facsimile or other means of electronic communication or by hand-delivery to such address as the party may from time to time specify. Any such notice or other communication, if mailed by prepaid mail at any time other than during a general discontinuance of postal service due to strike, lockout or otherwise, will be deemed to have been received on the fourth Business Day after the post-marked date thereof, or if sent by facsimile or other means of electronic communication, will be deemed to have been received on the Business Day following the sending, or if delivered by hand will be deemed to have been received at the time it is delivered to the applicable address noted below either to the individual designated below or to an individual at such address having apparent authority to accept deliveries on behalf of the addressee.

9.7 Time of Essence

Time is of the essence of this Agreement.

9.8 Further Assurances

Each of the parties hereto will promptly do, make, execute or deliver, or cause to be done, made, executed or delivered, all such further acts, documents and things as the other party hereto may reasonably require from time to time for the purpose of giving effect to this Agreement and will use reasonable efforts and take all such steps as may be reasonably within its power to implement to their full extent the provisions of this Agreement.

9.9 Counterparts

This Agreement may be signed in counterparts and each of such counterparts will constitute an original document and such counterparts, taken together, will constitute one and the same instrument.

[NEXT PAGE IS SIGNATURE PAGE]

IN WITNESS WHEREOF the parties hereto have executed this Agreement.

GREAT LAKES POWER LIMITED

by: ______________________
Name: PATRICIA BOOD
Title: SECRETARY

GREAT LAKES POWER TRANSMISSION LP, by its general partner, GREAT LAKES POWER TRANSMISSION INC.

by: ______________________
Name: PATRICIA BOOD
Title: SECRETARY

SCHEDULE 1.1.21

LANDS

<u>THIRD LINE SUBSTATION (TARENTORUS 19)</u>

PIN 31563-0092(LT) - Lot 66, Registrar's Compiled Plan H739, Tarentorus Section 19, Sault Ste. Marie.

<u>FOURTH LINE PROPERTY</u>

PIN 31564-0058(LT) - Part of Lot 38, Registrar's Compiled Plan H741, Tarentorus Section 18, as in T220780 (Schedule A 14thly), Sault Ste. Marie.

<u>FIFTH LINE PROPERTY (TARENTORUS 18)</u>

PIN 31564-0101(LT) - Lot 54, Registrar's Compiled Plan H741, Tarentorus Section 18, together with T220780, Sault Ste. Marie.

<u>TARENTORUS - SECTION 21</u>

PIN 31506-0125(LT) - Parcel 3329, Algoma West Section, being Part of Section 21, Tarentorus, as in LT29593 amended by LT32324, except LT30035 and Lots 1, 4 and 6, Expropriation Plan M-258, subject to LT40165 and LT70999, Sault Ste. Marie.

PIN 31506-0126(LT) - Parcel 3385, Algoma West Section, being Part of Section 21, Tarentorus, as in LT30035, except Lot 2, Expropriation Plan M-258, Sault Ste. Marie.

<u>PENNEFATHER</u>

PIN 31350-0100(LT) - Part of Section 24, Township of Pennefather as in T220780.

<u>FENWICK</u>

PIN 31346-0082(LT) - Lot 21, Registrar's Compiled Plan H-812, subject to RB640 and T-15805, District of Algoma.

<u>TILLEY</u>

PIN 31302-0339(LT) - Part of Section 36 Tilley, designated as Part 1 on Plan 1R-3450, subject to BC97, District of Algoma

<u>D.A. WATSON TRANSMISSION STATION HIGH FALLS SUBSTATION</u>

PIN 31176-0002(LT) - Parcel 423, Algoma Central Railway Lands, Township of Naveau, designated as Parts 1, 2 and 3, Plan 1R-9587 except an area of land containing 11 acres more or less being a right-of-way for power transmission line of the Great Lakes Power Company; subject to LT68364, LT26454 and LT113588, Michipicoten.

<u>GARTSHORE TRANSMISSION STATION</u>

PIN 31231-0019(LT) - Surface rights only, all of location CL 13852, designated as Part 1, Plan 1R-11005, Township of Peever, District of Algoma as in Crown Patent AL18166.

<u>ECHO RIVER TRANSMISSION STATION</u>

PIN 31473-0101(LT) - Part of Lots 24 and 37, RCP H766, as in T266124 and Parts 1 and 2, Plan 1R-5849, Macdonald, Meredith, Aberdeen Additional.

SCHEDULE 4.1.5

LITIGATION AND OTHER PROCEEDINGS

A claim between Comstock Canada Ltd. versus the Vendor in the Ontario Superior Court of Justice bearing Court File No. 06-CV-310517, arising out of a contract between the Vendor and Comstock Canada Ltd. dated February 25, 2004, with respect to the Anjigami and Sault 230 kV Line Reconstruction.

Numerous property tax reassessment applications or disputes initiated by the Vendor in respect of real property taxes affecting the Purchased Assets, as disclosed to the Purchaser

WARDROP

Report to:

GREAT LAKES POWER LIMITED

Third Line TS Electrical Arrangement Study

Document No. 0837321800-REP-E0001-01

Report to:

GREAT LAKES POWER LIMITED

THIRD LINE TS ELECTRICAL ARRANGEMENT STUDY

Dec. 24, 2008
Rev 01

Prepared by ______________________ Date December 23, 2008
For. Jeff Graham P.Eng. - Engineer

Reviewed by ______________________ Date December 23, 2008
Mario Germani P.Eng.- Lead Electrical Engineer

Authorized by ______________________ Date December 23, 2008
Mehrdad Boloorchi P.Eng.- Design Manager, T & D

WARDROP

6725 Airport Road, 6th Floor, Mississauga, Ontario L4V 1V2
Phone: 905-673-3788 Fax: 905-673-8007 E-mail: toronto@wardrop.com

REVISION HISTORY

REV. NO	ISSUE DATE	PREPARED BY AND DATE	REVIEWED BY AND DATE	APPROVED BY AND DATE	DESCRIPTION OF REVISION
Draft	June 20, 2008	Jeff Graham, June 20, 2008	Mario Germani, June 20, 2008	Gordon Roberts, June 20, 2008	Draft.
2nd Draft	August 11, 2008	Jeff Graham, August 11, 2008	Mario Germani, August 11, 2008	Mehrdad Boloorchi, August 11, 2008	Second draft for Review
00	August 26, 2008	Jeff Graham, August 20, 2008	Mario Germani, August 21, 2008	Mehrdad Boloorchi, August 26, 2008	Final Report for Issue
01	December 24th, 2008	Jeff Graham, Dec 23rd, 2008	Mario Germani Dec 23rd, 2008	Mehrdad Boloorchi Dec 23rd, 2008	Revision 1

EXECUTIVE SUMMARY

Third Line TS is a 230/115 kV station in Sault Ste. Marie, Ontario that is operated by Great Lakes Power Limited (GLP). The 115kV switchyard has a number of deficiencies and as such is under various operation and maintenance restrictions. GLP is seeking a permanent solution to the deficiencies at Third Line TS and has contracted Wardrop Engineering Inc. to study the problem and propose feasible solutions.

The five options considered include:

1) direct upgrades to the limiting bus sections using cable, an SF_6 bus duct, or overhead lines;
2) the construction of a new 115 kV switchyard on undeveloped GLP land on the west end of the station as well as existing station property using "folded" diameters with a breaker and a third configuration;
3) the construction of a new 115 kV switchyard on undeveloped GLP land to the west of the station using "folded" diameters with a breaker and a half configuration;
4) the construction of a new 115 kV switchyard on existing station property as well as undeveloped GLP land to the west of the station using "linear" diameters with a breaker and a half configuration; and,
5) the construction of a new 115 kV switchyard on undeveloped GLP land to the west of the existing property as well as partially on the existing station property using the "linear" diameters of breaker and a half configuration.

These options were evaluated based on their constructability, maintainability, reliability, expandability, the outage requirements in the implementation of the proposed solutions, and their cost.

Upon completion of the analysis, option 1 above has been eliminated. The option falls short of correcting overhead conductor maintenance issues, requires outages that cause unreasonable disruptions in service and does not maximize reliability, maintainability and expandability.

Options 2, 3, 4 and 5 above however provide good reliability, minimal disruptions in service due to outages, good maintainability, flexible operability, expandability and favourable value versus cost.

To meet IESO requirements, expansion of the switchyard described in options 3 and 5, and initial implementation of option 4 will require the installation of bus tie breakers. This adds 2 breakers to these configurations as a maximum of 6 circuit breakers on any high voltage bus should trip as a result of any fault. Options 3 and 4 also require the use of temporary power cables for successful implementation. Additionally for option 4, the deficiency of a transformer bus crossing both main buses can result in a total station outage upon a failure of an overhead conductor. These shortfalls and slightly higher costs eliminate options 3 and 4 as candidates for implementation.

Options 2 and 5 offer straightforward constructability, low staging complexity and minimal outages however Option 5 offers superior operational and maintenance flexibility in comparison to Option 2; however, Option 2, with two less breakers, is estimated to be about $1.39 M less than option 5.

It is therefore recommended that option 5 be implemented by Great Lakes Power as the best compromise between cost vs improved operational and maintenance flexibility while resolving all the operational limitations and restrictions of the station in its current configuration.

TABLE OF CONTENTS

1.0 INTRODUCTION & PURPOSE

Third Line TS is a 230 / 115 kV station in Sault Ste. Marie, Ontario that is operated by Great Lakes Power Limited (GLP). The single line diagram in Appendix 1 illustrates the two 230/115 kV auto transformers and the present 115 kV bus and circuit arrangement that are discussed in this report.

1.1 Statement of Concern

The 115 kV switchyard was modified with three critical areas of temporary, low-level bus to bypass existing conductors that are insufficiently rated for current station capacity. A physical barrier encloses each new temporary bus as they reside beneath areas of the existing main North and South buses, impinging upon electrical safety clearances. This restriction dictates the area is off-limits to personnel and maintenance vehicles. The switchyard also employs source and customer connections on conductors that continuously cross overhead of both North and South main buses in nine places. Maintenance of these conductors requires isolation of both main buses, or a total station outage, to ensure safe working conditions or multiple complex outages that leave the station vulnerable to single contingency failures during the multiple outage sequences. Failure of any one of these overhead conductors could result in a consequential fault on both main buses, causing a shutdown of the entire station thus causing a total outage to Sault St. Marie customers which includes industrial, distribution and generator customers.

1.2 Purpose

GLP is seeking a permanent solution to the deficiencies at Third Line TS and has contracted Wardrop Engineering Inc. to review and study the problem and propose alternative solutions. The goal is to provide feasible options that will allow simplified constructability, good maintainability, maximized reliability, flexibility for future expansion, outage requirements with minimal interruption to customer service, negligible vulnerability to station operation and finally, good value for the associated cost. Other constraints include the upgrade of all components for a minimum capacity of 2000 Amperes, minimizing civil works and reusing structures where possible.

This report summarizes our investigation and describes alternative solutions to the deficiencies at the station.

2.0 DESCRIPTION OF OPTIONS STUDIED

The five options reviewed are described in this section.

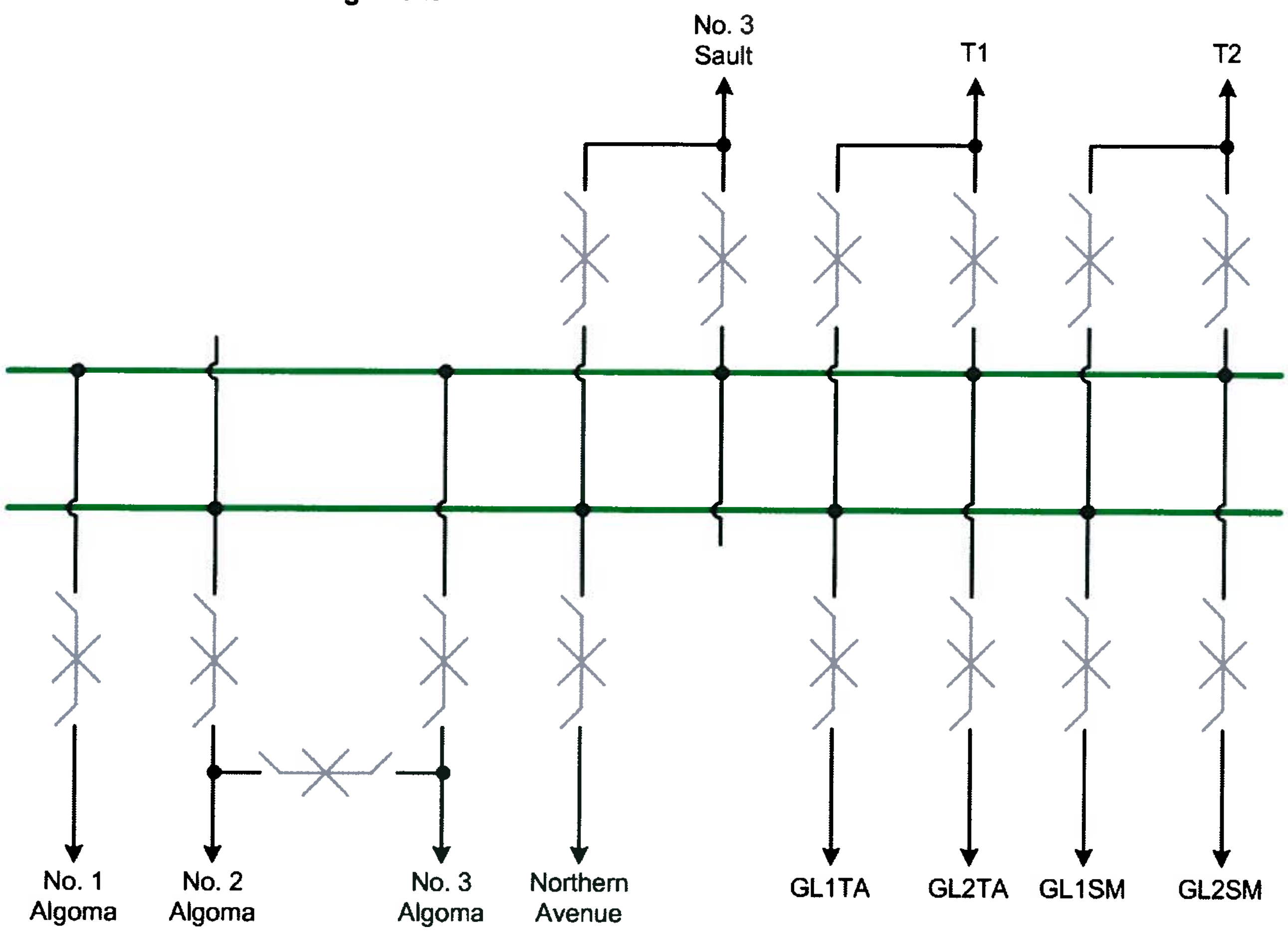
2.1 Upgrading of Limiting Sections

The limiting bus sections would be fixed using:

a) 115 kV Cable
b) 115 kV SF6 Bus Duct
c) Overhead Lines

A single line diagram of the connection arrangement can be seen in Figure 1. below.

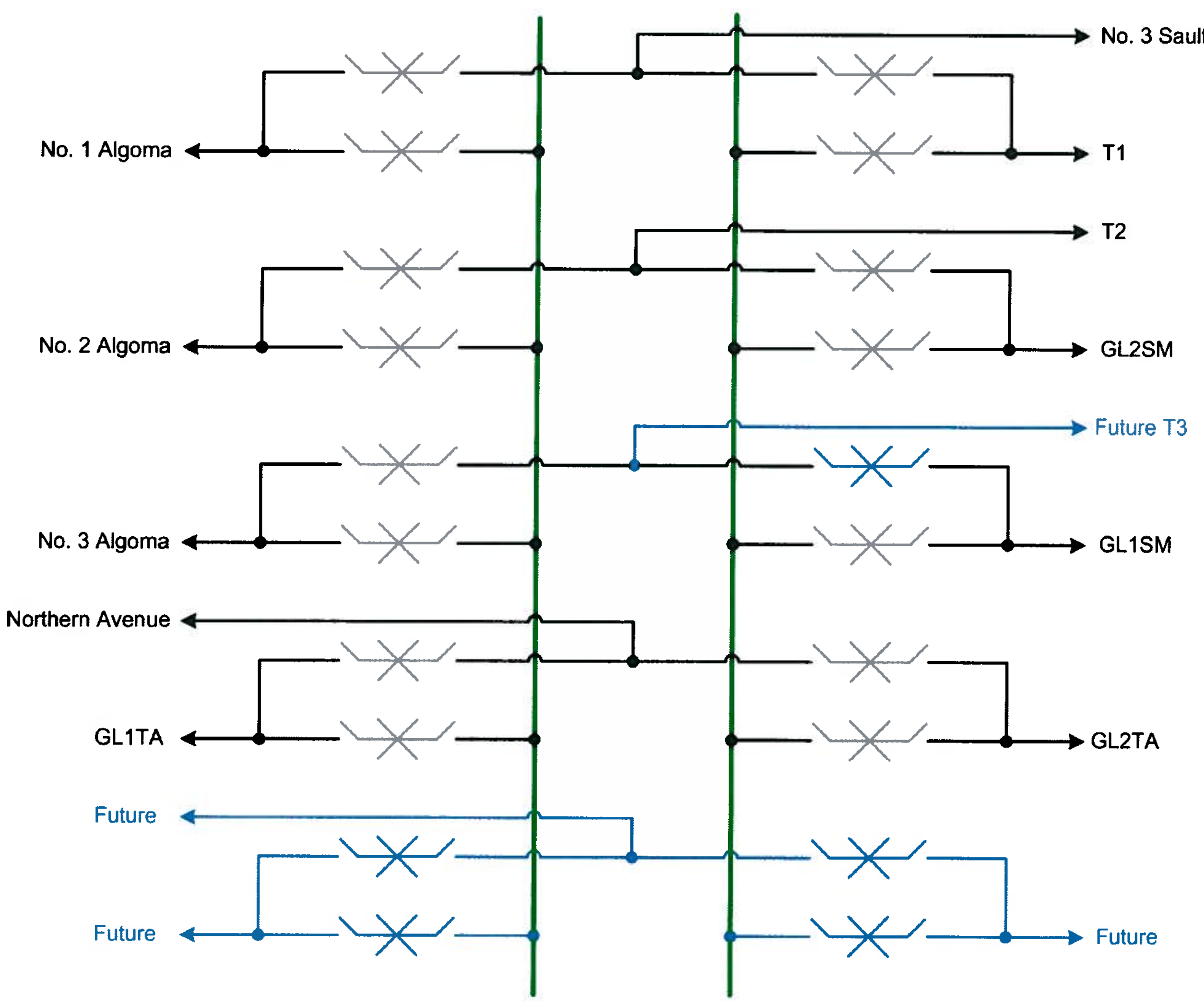
Figure 1. Option 1, Single Line Connection Diagram – Existing Switchyard Connection Arrangement



2.2 Construction of New 115 kV Switchyard on Undeveloped Western GLP Land and Existing Station Property (Breaker and a Third Configuration – Folded Diameters)

Build a new 115 kV switchyard on the border of the existing fenced station property and the vacant land on the west side of the station using diameters with a breaker and a third configuration in a folded arrangement. A single line diagram of the connection arrangement can be seen in Figure 2. below. More detailed plan and elevation station electrical arrangements can be seen in Appendices 2. and 3. respectively.

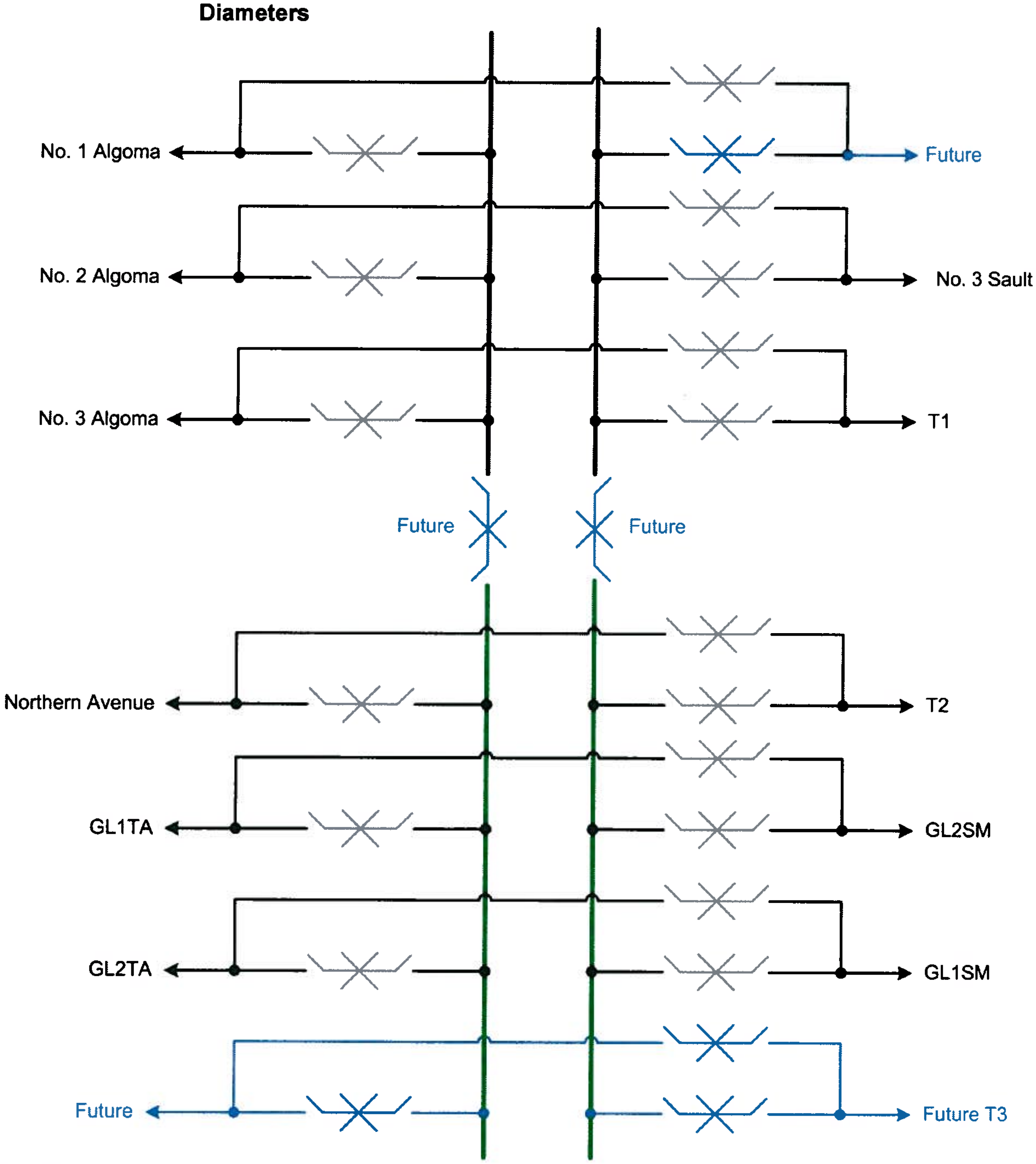
Figure 2. Option 2, Single Line Connection Diagram - Breaker and a Third, Folded Diameters



2.3 Construction of New 115 kV Switchyard on Undeveloped Western GLP Land (Breaker and a Half Configuration – Folded Diameters)

Build a new 115 kV switchyard on the vacant land on the west side of the station using diameters with a breaker and a half configuration in a folded arrangement. A single line diagram of the connection arrangement can be seen in Figure 3. below. More detailed plan and elevation station electrical arrangements can be seen in Appendices 4. and 5. respectively.

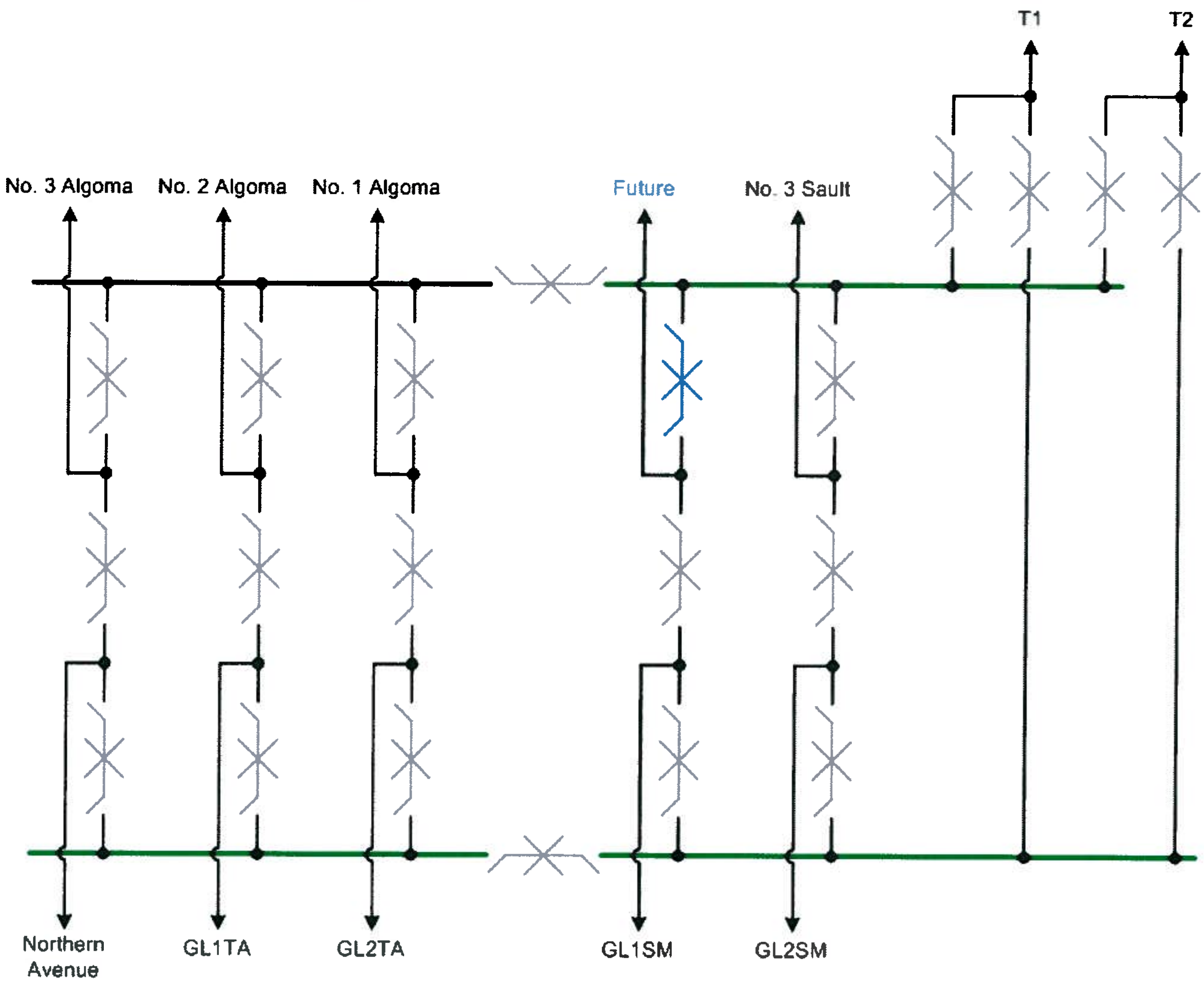
Figure 3. Option 3, Single Line Connection Diagram - Breaker and a Half, Folded Diameters



2.4 Construction of New 115 kV Switchyard on Existing Property and Undeveloped Western GLP Land (Breaker and a Half Configuration – Linear Arrangement)

Build a new 115 kV switchyard on the vacant land on the west side of the station using three diameters with a linear breaker and a half configuration and two new linear diameters with a breaker and a half configuration where the current Algoma circuits are located. The existing transformer breaker locations would be retained. A single line diagram of the connection arrangement can be seen in Figure 4. below. More detailed plan and elevation views of the switchyard electrical arrangement can be seen in Appendices 6 and 7 respectively.

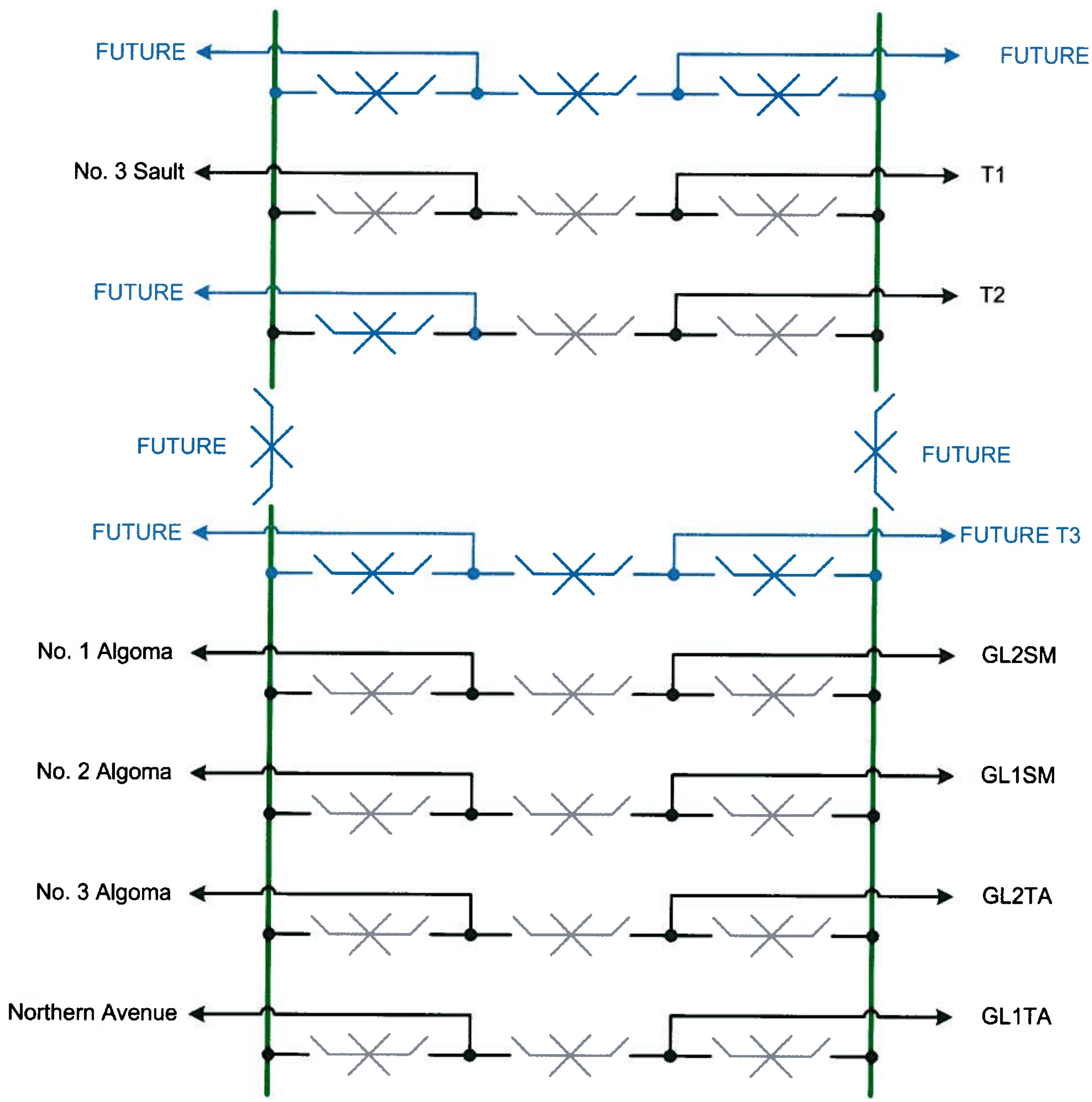
Figure 4. Option 4, Single Line Connection Diagram - Breaker and a Half, Linear Diameters



2.5 Construction of New 115 kV Switchyard on Undeveloped Western GLP Land and Existing Property (Breaker and a Half Configuration – Linear Arrangement)

Build a new 115 kV switchyard on the vacant land on the west side of the station using diameters with a linear breaker and a half configuration. A single line diagram of the connection arrangement can be seen in Figure 5. below. More detailed plan and elevation views of the switchyard electrical arrangement can be seen in Appendices 8 and 9 respectively.

Figure 5. Option 5, Single Line Connection Diagram - Breaker and a Half, Linear Diameters



3.0 EVALUATION OF OPTIONS

The criteria used to evaluate the options and the results of this evaluation are discussed.

3.1 Evaluation Criteria

The options described in Section 2. above were evaluated using the following criteria:

- Constructability
- Outage requirements
- Maintainability
- Reliability
- Expandability
- Cost

3.2 Evaluation of Options

A comparison of the advantages and disadvantages, with respect to the above criteria, of each of the options are provided in Tables 1 to 5. Following these tables is a summary of each of the options and the results of the evaluation.

Table 1: Option 1 Evaluation (diagram Appendix 1)

Option		Criteria: Constructability	Criteria: Outage Requirements	Criteria: Maintainability	Criteria: Reliability	Criteria: Expandability	Criteria: Cost	Criteria: Comments
Option 1: Upgrading of Limiting Sections								
1	Pros	• Construction may be comparatively simple	•	• Temporary bus sections could be removed	•	•	• May have lowest initial capital cost of all options	• Capacity of all limiting buses will be increased
	Cons	• SF6 bus duct would be new technology on site • Multiple complex outages, that leave the station vulnerable to single contingency failures during the multiple outage sequences, are required	• Large scale and long duration outages would likely be required for construction • No change from present configuration for scheduled or forced outages	• Maintenance of overhead bus will still require station shutdown or complicated multiple outages for safe work • Minimal improvement from original design except use of new materials	• Single point failure mode remains as overhead bus failure can result in complete station outage • Similar to original station configuration	• Bus tie breakers will be required if switchyard expansion occurs	• Very expensive to expand due to requirement for bus tie breakers	• Does not conform to current IESO requirements (see Section 3.3)

Table 2: Option 2 Evaluation (diagrams Appendix 2 and 3)

Option		Constructability	Outage Requirements	Maintainability	Reliability	Expandability	Cost	Comments
		Criteria						
Option 2: Construction of New 115 kV Switchyard on Undeveloped Western GLP Land and Existing Property (Breaker and a Third Configuration – Folded Diameters)								
2	**Pros**	• "New" switchyard – fewer restrictions than Option 4 • Simple staging of line relocations • Decreased staging complexity for transformer connections since it will have minimal interference with the existing installation • Smaller switchyard footprint compared to options 3,4 and 5	• Decreased number of outages since transformer connections to the new switchyard will have minimal interference with the existing installation	• Good maintainability • Good access to equipment via an open layout • No restrictions of maintaining crossover buses	• Good reliability with breaker and a third diameters • 15 breakers required, the same as existing and fewer than options 3, 4 and 5	• One spare connection available with addition of one breaker • Easily expandable either north or south as new switchyard not entirely bound by lines • No bus tie breakers are required for one or two additional diameter(s)	• Overall cost is less than options 3, 4 and 5 • No temporary cables are required as in options 3 and 4	• Would eliminate single contingency failure of overhead bus crossing both main buses • Good operating flexibility • Conforms to the IESO Assessment Criteria document
	Cons	• Large amount of civil work compared to Option 4 • Switchyard located more distant from the existing Control Building than Option 4 • A survey of the vacant western land is required to locate the optimum location for "greenfield" construction	•	• Good aerial lift access only to equipment on the outside of the switchyard as aerial lift movement is restricted when maintaining equipment on the inside of the switchyard IE: the two main buses	•	• Addition of future T3 would require the 115kV connection to cross under or over GL2SM	•	• Reduced operating flexibility compared with option 3, 4 and 5 during breaker or diameter outages • GLP staff unfamiliar with the layout of a breaker and a third folded layout

Table 3: Option 3 Evaluation (diagrams Appendix 4 and 5)

Option		Criteria						
		Constructability	Outage Requirements	Maintainability	Reliability	Expandability	Cost	Comments
Option 3: Construction of New 115 kV Switchyard on Undeveloped Western GLP Land (Breaker and a Half Configuration – Folded Diameters)								
3	**Pros**	• "New" switchyard – fewer restrictions than Option 4 • Simple staging of line relocations	• With temporary cables from T1 and T2 to energize the new switchyard only limited short duration outages are required to move connections	• Good maintainability • Good access to equipment via an open layout • No restrictions of maintaining crossover buses	• Very good reliability with breaker and a half diameters	• One spare diameter connection available with addition of one breaker • Easily expandable north or south as not entirely bound by lines	•	• Would eliminate single contingency failure of overhead bus crossing both main buses • Very good operating flexibility • Conforms to the IESO Assessment Criteria document
	Cons	• Large amount of civil work compared to Option 4 • Switchyard located more distant from the existing Control Building than Option 4 • A survey of the vacant western land is required to locate the optimum location for "greenfield" construction	• Temporary cable increase the number of outages when going from the existing to temporary and then to final arrangement	• Good aerial lift access only to equipment on the outside of the switchyard as aerial lift movement is restricted when maintaining equipment on the inside of the switchyard IE: the two main buses	• 17 breakers required, two more than the existing number and Option 2	• Bus tie breakers are required if additional diameters are added • Addition of future T3 connection would require the 115kV connection to cross under or over GL2SM and GL1SM	• Highest overall cost • Higher line relocation costs	• Temporary 115kV power cables from T1 and T2 required to energize new switchyard • GLP staff unfamiliar with the layout of a breaker and a half folded layout

Table 4: Option 4 Evaluation (diagrams Appendix 6 and 7)

Option		Criteria						
		Constructability	Outage Requirements	Maintainability	Reliability	Expandability	Cost	Comments
Option 4: Construction of New 115 kV Switchyard on Existing Property and Undeveloped Western GLP Land (Breaker and a Half Configuration – Linear Arrangement)								
4	Pros	• Smaller footprint • Existing 115kV transformer breakers will be replaced in existing locations • Slightly reduced civil work compared to option 2, 3 and 5	•	• Improved maintenance over original switchyard design as fewer overhead connections exist over both buses (only transformer connections remain crossing both buses)	• Very good reliability with breaker and a half diameters	• One spare diameter connection available with addition of one breaker		• Very good operating flexibility
	Cons	• Increased staging complexity for construction of new diameters and tie breakers within the existing switchyard • Increased staging complexity for line relocation and construction • Longer construction schedule • A survey of the vacant western land is required to locate the optimum location for "greenfield" construction	• May require additional outages for line egress relocation	• Some areas have limited vehicle access for maintenance • Transformer connections require a crossover of both main buses requiring isolation of the lower bus while maintaining the overhead connection	• Utilizes most number of breakers (20 required for existing connections vs. 15 breakers for existing and Option 2) • Reduced reliability with transformer bus crossover of both main buses	• Flexibility for future new lines bound by wrapping of transmission lines • Addition of T3 would have both T1 and T2 115kV connections crossing both main buses • Poor expandability due to required move of transmission lines	• Second highest overall cost • Bus tie breakers are required to conform to IESO requirements	• Double transformer breaker configuration requires overhead buses that cross both main buses maintaining the single contingency failure • Temporary 115kV power cables from T1 and T2 required to energize new switchyard

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Table 5: Option 5 Evaluation (diagrams Appendix 8 and 9)

Option		Criteria						
		Constructability	Outage Requirements	Maintainability	Reliability	Expandability	Cost	Comments
Option 5: Construction of New 115 kV Switchyard on Undeveloped Western GLP Land and Existing Property (Breaker and a Half Configuration – Linear Arrangement)								
5	Pros	• "New" switchyard – fewer restrictions than Option 4 • Simple staging of line relocations • Decreased staging complexity for transformers connections since it will have minimal interference with the existing installation	• Decreased number of outages since transformer connections to the new switchyard will have minimal interference with the existing installation	• Very Good maintainability • Very Good access to all equipment via an open layout • No restrictions of maintaining crossover buses • Roads between each pair of diameters allows aerial lift access to maintain all equipment	• Very good reliability with breaker and a half diameters	• One spare connection available with addition of one breaker • Easily expandable either north or south as the new switchyard is not entirely bound by lines • Addition of future T3 would not cross over or under existing lines like Options 2 and 3	• Second lowest cost	• Would eliminate single contingency failure of overhead bus crossing both main buses • Very good operating flexibility • Conforms to the IESO Assessment Criteria document • GLP staff familiar with the linear layout of a breaker and a half
	Cons	• Large amount of civil work compared to Option 4 • Switchyard located more distant from the existing Control Building than Option 4 • A survey of the vacant western land is required to locate the optimum location for "greenfield" construction			• 17 breakers required, two more than the existing number and Option 2	• Bus tie breakers are required if additional diameters are added	• $1.39M greater than Option 2	

3.3 Summary Analysis of Option 1: Upgrade of the Limiting Bus Sections

Advantages

- The material cost of just replacing conductors will be considerably smaller when compared with the other options
- Construction of this option will be relatively simple if undersized conductors are replaced with others of appropriate capacity
- Operation and load restrictions would be eliminated

Disadvantages

- Expandability, operational flexibility and reliability would remain similar to the original switchyard configuration
- Extensive, complex and long duration outages will be required for implementation
- Maintenance of the overhead conductors would still require a total station outage or multiple complicated outages to maintain worker safety clearances
- Does not conform with IESO requirements regarding the maximum number (six) of high voltage (115kV) breakers that need to trip following any fault (Source: IESO, "Ontario Resource and Transmission Assessment Criteria", Issue 5.0, Section B.3.3)
- With respect to reliability, the single point failure mode will remain as failure of an overhead conductor could result in a fault on both buses, causing a complete station shutdown
- Poor expandability except for addition of T3 as there will be no increased benefit with respect to expansion compared to the current configuration
- SF6 bus duct on site would introduce a new technology and require skills and training for site personnel

Result: Option 1 has been eliminated from further consideration.

3.4 Summary Analysis of Option 2: Construction of New 115 kV Switchyard on Undeveloped Western GLP Land and Existing Station Property (Breaker and a Third Configuration, Folded Diameter)

Advantages

- Conforms with IESO requirements regarding the maximum number (six) of high voltage (115kV) breakers that need to trip following any fault (Source: IESO, "Ontario Resource and Transmission Assessment Criteria", Issue 5.0, Section B.3.3)
- Fewest number of breakers required for implementation compared with the other options (15 required for current connections)
- Higher cost of implementation than option 1 however the cost of this option is lower than options 3, 4 and 5 because of fewer breakers
- Increased flexibility and overall good operating flexibility
- Would eliminate single contingency failure of overhead bus crossing both main buses
- Only short duration outages will be required to move source and customer connections
- A smaller station footprint when compared to options 3, 4 and 5
- Good reliability and good maintainability
- Good access to equipment via an open layout
- No temporary cable is required to energize the new switchyard compared with options 3 and 4
- Good expandability – One spare diameter connection is available with the addition of one breaker and additional diameters can be added easily for expansion to the north or south as the switchyard is not entirely bound by wrapping of transmission lines
- Bus tie breakers will not be required for initial installation or if one or two new diameters are added
- New switchyard can be constructed without staging of diameters

Disadvantages

- Reduced operating flexibility compared with options 3, 4 and 5 during breaker or diameter outages
- A significant amount of civil work will be required compared to option 4
- GLP staff unfamiliarity with operation and layout of a folded breaker and a third configuration
- A land survey is required to verify the final location of a new switchyard to reduce civil costs of developing the vacant land to the north-west of the existing 115kV switchyard
- Good aerial lift access only to equipment on the outside of the switchyard as aerial lift movement is restricted when maintaining equipment on the inside of the switchyard including the two main buses
- Switchyard located more distant from the existing Control Building than option 4
- Addition of future T3 would require the 115kV connection to cross under or over GL2SM

Result: Option 2 has not been selected as the preferred option due to reduced operating flexibility and reduced maintainability when compared with Option 5.

3.5 Summary Analysis of Option 3: Construction of New 115 kV Switchyard on Undeveloped Western GLP Land (Breaker and a Half Configuration, Folded Diameter)

Advantages

- Conforms with IESO requirements regarding the maximum number (six) of high voltage (115kV) breakers that need to trip following any fault (Source: IESO, "Ontario Resource and Transmission Assessment Criteria", Issue 5.0, Section B.3.3)
- Increased flexibility and overall very good operating flexibility
- Would eliminate single contingency failure of overhead bus crossing both main buses
- Only short duration outages will be required to move source and customer connections.
- Very good reliability and good maintainability
- Good access to equipment via an open layout
- Good expandability – One spare diameter connection is available with the addition of one breaker, and additional diameters can be added easily for expansion to the north and south as the switchyard is not entirely bound by wrapping of transmission lines (Note: expansion will require the addition of two bus tie breakers)
- New switchyard can be constructed without staging of diameters

Disadvantages

- Highest cost of implementation
- Requires 17 breakers to implement switchyard with all current connections on separate diameters
- Temporary 115kV cables will be required to energize the new station and will run from the T1L bus between switch 89-481 and breaker 52-482 to the new diameter connection point for the north bus and also from the T2L bus between switch 89-501 and breaker 52-502 to the new diameter connection point for the south bus.
- Bus tie breakers will be required if additional diameters are added for expansion
- A significant amount of civil work will be required compared to Option 4
- GLP staff unfamiliarity with operation and layout of a folded breaker and a half configuration
- A land survey is required to verify the final location of a new switchyard to reduce civil costs of developing the vacant land to the north-west of the existing 115kV switchyard
- Switchyard located more distant from the existing Control Building than option 4
- Bus tie breakers are required if additional diameters are added including adding T3
- Addition of future T3 would require the 115kV connection to cross under or over GL2SM and GL1SM or relocation of GL2SM and GL1SM
- Higher line relocation costs

Result: Option 3 has not been selected as the preferred option due to the use of temporary cable connections, transformer connection staging and reduced expandability compared with Option 2 and 5.

3.6 Summary Analysis of Option 4: Construction of New Switchyard on Existing Station Property and Undeveloped Western GLP Land (Linear Breaker and a Half Configuration with 3 New Diameters outside existing fence)

Advantages

- Conforms with IESO requirements regarding the maximum number (six) of high voltage (115kV) breakers that need to trip following any fault (Source: IESO, "Ontario Resource and Transmission Assessment Criteria", Issue 5.0, Section B.3.3)
- Increased flexibility and overall very good operating flexibility
- Good reliability and good maintainability
- Allows use of the existing 115 kV breaker locations for the transformers
- GLP staff familiar with the linear layout of a breaker and a half similar to Mackay TS
- One spare diameter connection is available with the addition of one breaker

Disadvantages

- Second highest overall cost
- Would not entirely eliminate single contingency failure of overhead bus crossing both main buses as one transformer would still require a crossover connection
- Some switchyard areas have limited vehicle access for maintenance
- Temporary 115kV cables will be required to energize the new station and will run from the T1L bus between switch 89-493 and the existing north bus to the far west end of the new north bus and also from the T2L bus between switch 89-503 and the existing south bus to the far west end of the new south bus.
- Requires 20 breakers to implement including 4 transformer breakers, 2 bus tie breakers and all other connections on diameters
- Poor expandability as it will likely require movement and possibly relocation of wrapped transmission lines in western part of the switchyard
- A land survey is required to verify the final location of a new switchyard to reduce civil costs of developing the vacant land to the north-west of the existing 115kV switchyard
- Increased staging complexity for construction of new diameters within the existing switchyard
- Longer construction schedule compared to options 2, 3 and 5
- Addition of future T3 would have both T1 and T2 115kV connections crossing both main buses

Result: Option 4 has not been selected as the preferred option due to reduced constructability, expandability and maintainability when compared with Option 2 and 5.

3.7 Summary Analysis of Option 5: Construction of New 115 kV Switchyard on Undeveloped Western GLP Land and Existing Station Property (Breaker and a Half Configuration - Linear Arrangement)

Advantages

- Conforms with IESO requirements regarding the maximum number (six) of high voltage (115kV) breakers that need to trip following any fault (Source: IESO, "Ontario Resource and Transmission Assessment Criteria", Issue 5.0, Section B.3.3)
- Second lowest cost
- Increased flexibility and overall very good operating flexibility
- Would eliminate single contingency failure of overhead bus crossing both main buses
- Only short duration outages will be required to move source and customer connections
- Very good reliability and very good maintainability
- Very good access to all equipment via an open layout and roads between each pair of diameters allows aerial lift access to maintain all equipment
- GLP staff familiar with the linear layout of a breaker and a half similar to Mackay TS
- No temporary cable is required to energize the new switchyard compared with options 3 and 4
- Good expandability – One spare diameter connection is available with the addition of one breaker, and additional diameters can be added easily for expansion to the north and south as the switchyard is not entirely bound by wrapping of transmission lines (Note: expansion will require the addition of bus tie breakers)
- New switchyard can be constructed without staging of diameters

Disadvantages

- Higher overall cost than Option 2
- Requires 17 breakers (as opposed to 15 for the existing installation and Option 2) to implement switchyard with all current connections on separate diameters
- A significant amount of civil work will be required compared to option 4
- A land survey is required to verify the final location of a new switchyard to reduce civil costs of developing the vacant land to the north-west of the existing 115kV switchyard
- Switchyard located more distant from the existing Control Building than option 4
- Additional diameter connections require the addition of bus tie breakers to maintain conformance to IESO requirements

Result: Option 5 has been selected over option 2 as the preferred option due to very good maintainability, very good reliability and very good operating flexibility.

4.0 COST ESTIMATES

The following table outlines the cost estimates for Options #2, #3, #4 and #5 described above.

Table 5. Cost Estimates for Options #2, #3, #4 and #5.

Description	Sub-title	Option 2 Breaker and a Third - Folded Diameters - 15 breakers	Option 3 Breaker and a Half- Folded Diameters - 17 breakers	Option 4 Breaker and a Half - Linear Diameters - 20 breakers	Option 5 Breaker and a Half- Linear Diameters - 17 breakers
Engineering	Design	875,000	900,000	850,000	900,000
	CAD	825,000	825,000	750,000	825,000
	Construction Support	250,000	250,000	250,000	250,000
Procurement		125,000	125,000	125,000	125,000
Project management	2 years on-site	350,000	350,000	350,000	350,000
Contract management	Internal GLP cost	40,000	40,000	40,000	40,000
Environment	Environmental assessment (screening process)	5,000	5,000	5,000	5,000
Transmission code	SIA	30,000	30,000	30,000	30,000
Permits	Drainage CofA	10,000	10,000	10,000	10,000
	Geotech	10,000	10,000	10,000	10,000
	Survey	12,000	12,000	12,000	12,000
Civil	Clearing	200,000	220,000	200,000	220,000
	Grading	325,000	350,000	325,000	350,000
	Drainage	40,000	45,000	40,000	45,000
	Bearing roads	180,000	200,000	180,000	200,000
	Fence	100,000	110,000	100,000	100,000
	Yard foundations	1,000,000	1,300,000	1,000,000	1,100,000
Structures	Existing structure	0	0	225,000	0

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Description	Sub-title	Option 2 Breaker and a Third - Folded Diameters - 15 breakers	Option 3 Breaker and a Half- Folded Diameters - 17 breakers	Option 4 Breaker and a Half - Linear Diameters - 20 breakers	Option 5 Breaker and a Half- Linear Diameters - 17 breakers
	assessment & modifications				
	Breaker switch structures	1,000,000	1,300,000	1,100,000	1,100,000
	115kV transformer connection structures	600,000	700,000	500,000	600,000
	Transformer disconnect structures	0	0	80,000	0
Basic layout, matl & installation	Grounding	325,000	350,000	300,000	350,000
	Cable trenches	450,000	500,000	400,000	500,000
	Station services	100,000	100,000	80,000	100,000
	Cables control and ancillary	1,000,000	1,100,000	1,000,000	1,100,000
	Major matl's - diameter breakers	2,700,000	3,060,000	2,880,000	3,060,000
	Major matl's - switches	960,000	1,080,000	1,140,000	1,080,000
	Motorized switches	130,000	130,000	150,000	130,000
	Major matl's - electrical hardware	1,050,000	1,180,000	1,150,000	1,180,000
	CVT's	425,000	425,000	525,000	425,000
	Temporary HV cables	0	55,000	55,000	0
Transformer breakers		0	0	640,000	0
Protection systems	Relays and equipment	875,000	900,000	940,000	900,000
Control & telecom	SCADA	140,000	150,000	160,000	150,000
Control Building		500,000	500,000	500,000	500,000
PUC metering cost		320,000	320,000	320,000	320,000
Commissioning		320,000	320,000	330,000	320,000
Contractor Mob/demob		100,000	100,000	100,000	100,000
Contractor profits		150,000	150,000	150,000	150,000

Description	Sub-title	Option 2 Breaker and a Third - Folded Diameters - 15 breakers	Option 3 Breaker and a Half- Folded Diameters - 17 breakers	Option 4 Breaker and a Half - Linear Diameters - 20 breakers	Option 5 Breaker and a Half- Linear Diameters - 17 breakers
Customer negotiations	GLP staff time	40,000	40,000	40,000	40,000
Owners costs	Misc time by GLP	100,000	100,000	100,000	100,000
Demolition and removals		500,000	500,000	450,000	500,000
Sub total		**16,162,000**	**17,842,000**	**17,592,000**	**17,277,000**
Contingency	25%	4,040,500	4,460,500	4,398,000	4,319,250
Total cost		**20,202,500**	**22,302,500**	**21,990,000**	**21,596,250**

Note: Cost estimates do not include the following:

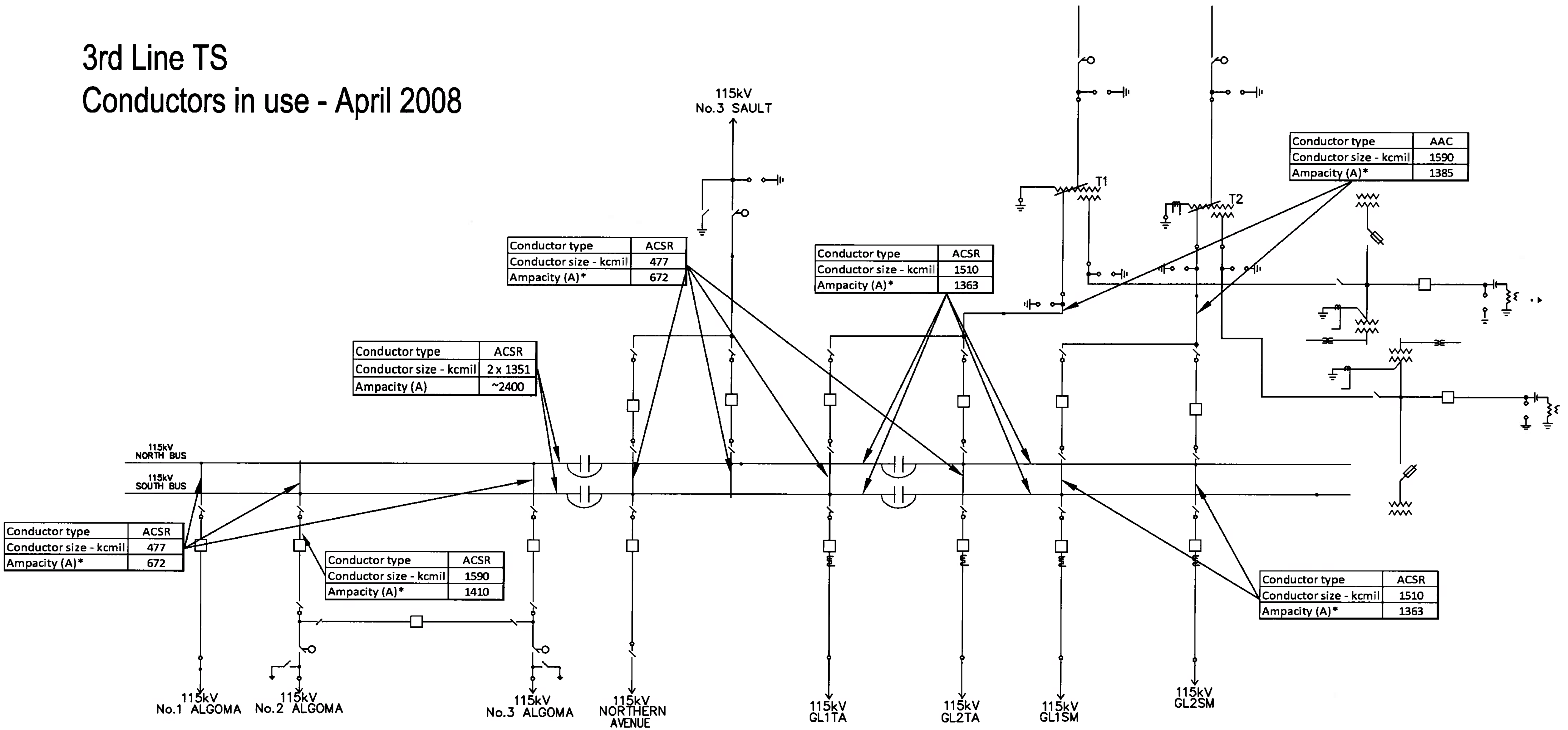
- line relocation and reconnection
- Interest and overheads

5.0 THE PATH FORWARD

- Proceed with the detailed design of the preferred option: Construction of a new 115 kV switchyard on undeveloped western GLP land and existing property with a breaker and a half, “linear” diameter configuration (Option 5 above)

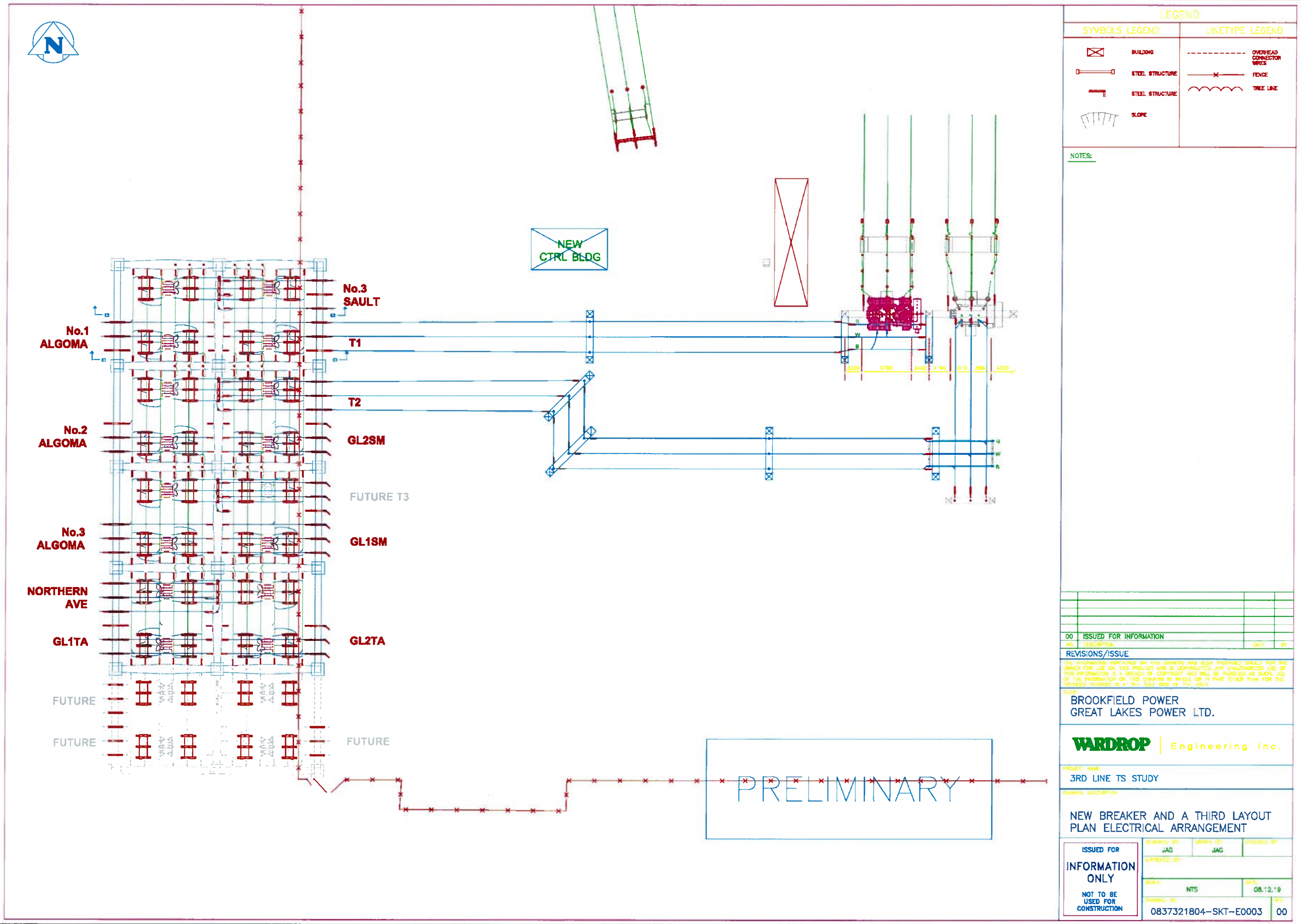
APPENDIX 1: EXISTING CABLE AND BUS AMPACITY

3rd Line TS
Conductors in use - April 2008

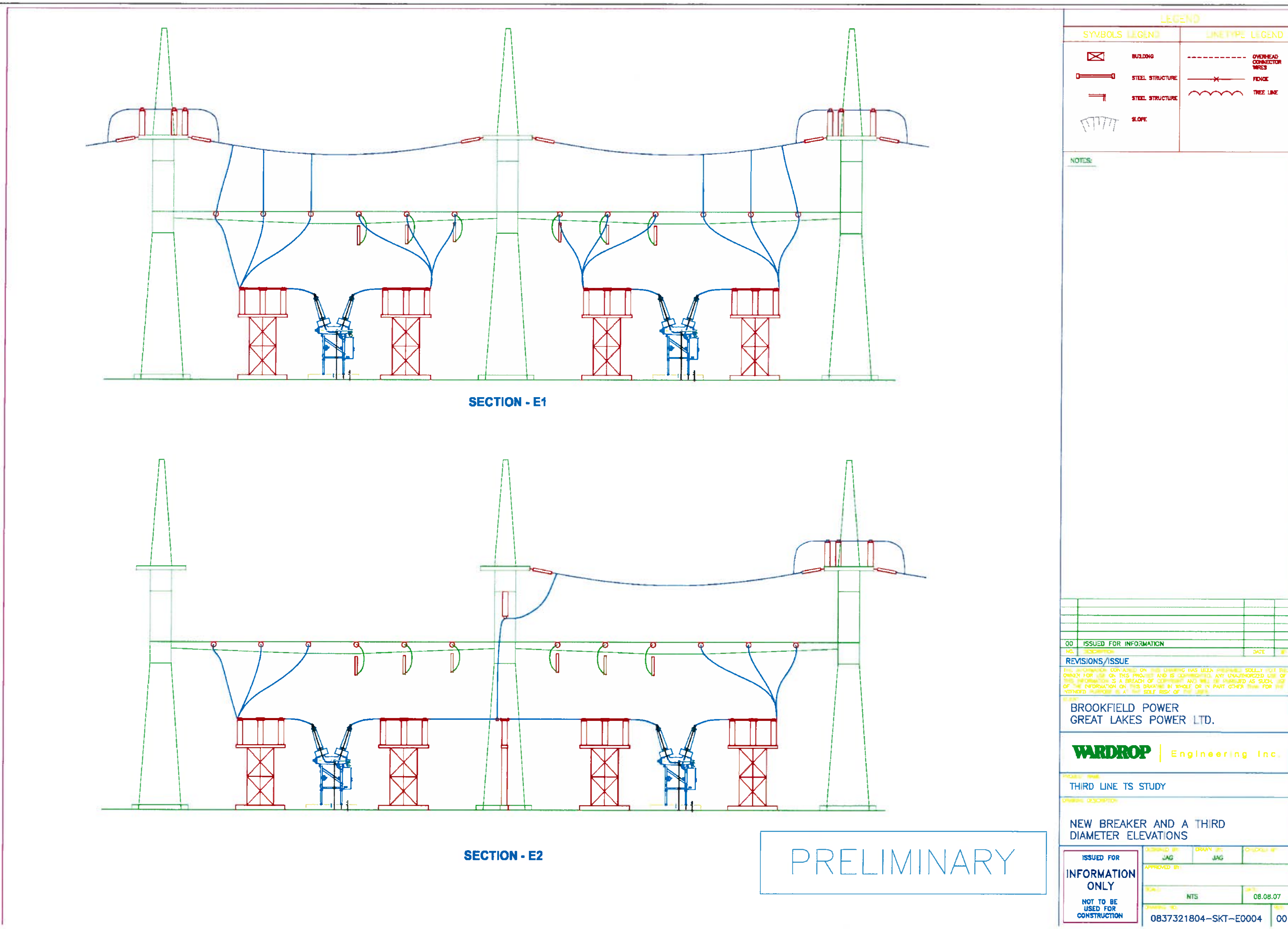


* Ampacity rating applies for 30 °C, 4km/hr wind at 20 degrees with a conductor temperature of 90°C

APPENDIX 2: CONCEPTUAL NEW BREAKER AND A THIRD STATION LAYOUT PLAN (OPTION 2)



APPENDIX 3: CONCEPTUAL NEW BREAKER AND A THIRD STATION LAYOUT ELEVATION (OPTION 2)



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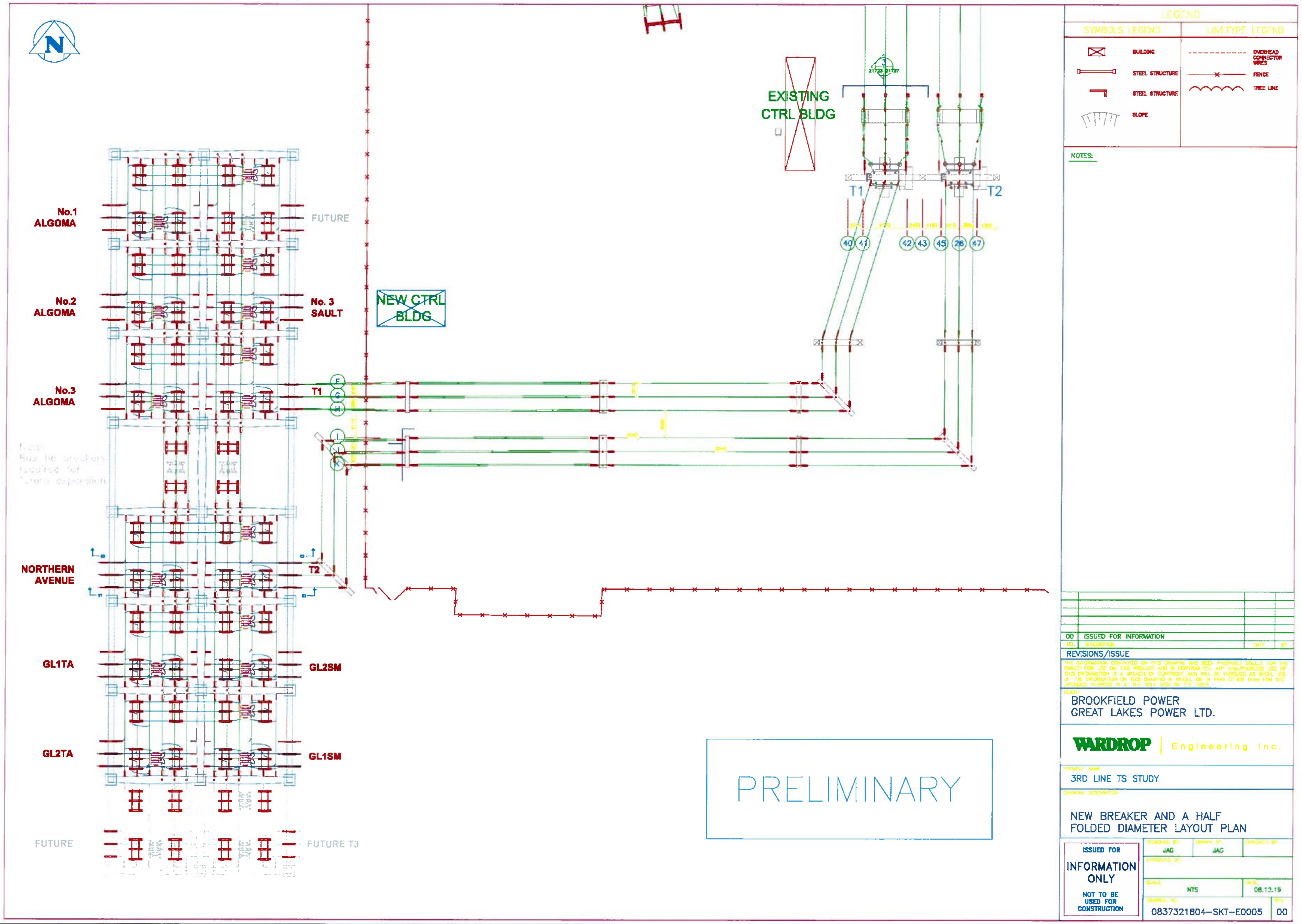
APPENDIX 4: CONCEPTUAL NEW BREAKER AND A HALF (FOLDED) STATION LAYOUT PLAN (OPTION 3)



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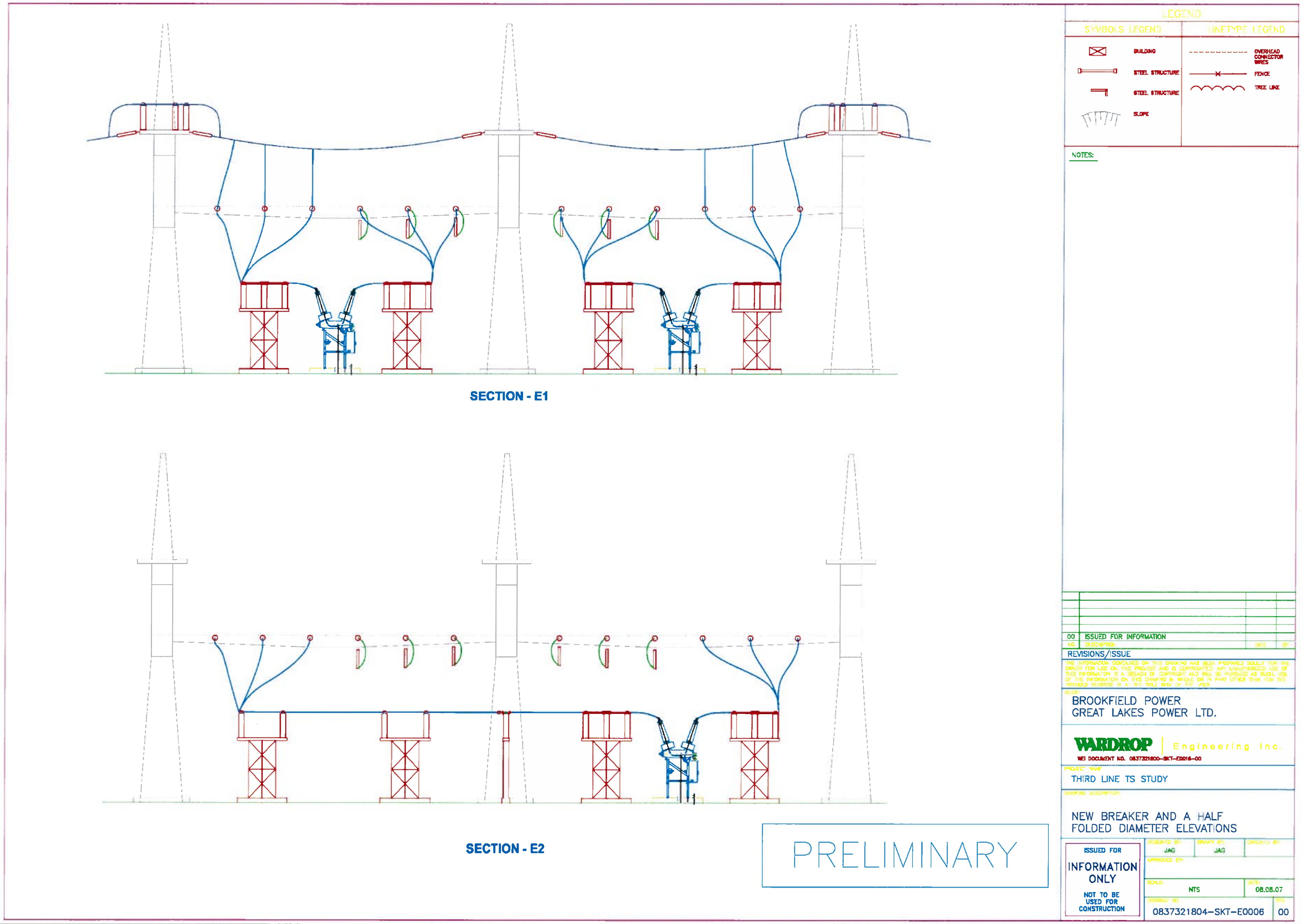
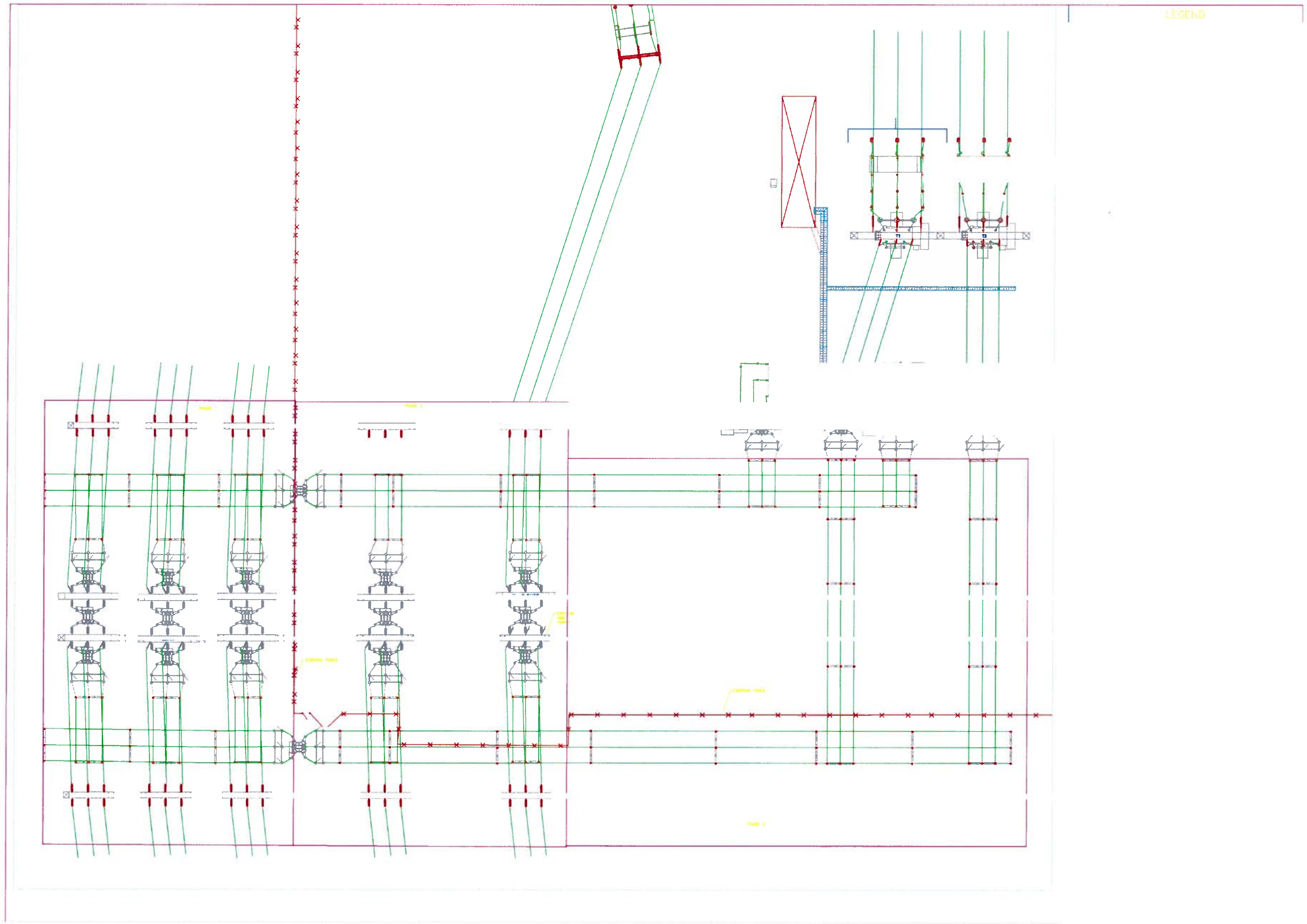
APPENDIX 5: CONCEPTUAL NEW BREAKER AND A HALF (FOLDED) STATION LAYOUT ELEVATION (OPTION 3)



APPENDIX 6: CONCEPTUAL NEW BREAKER AND A HALF (LINEAR) STATION LAYOUT PLAN (OPTION 4)



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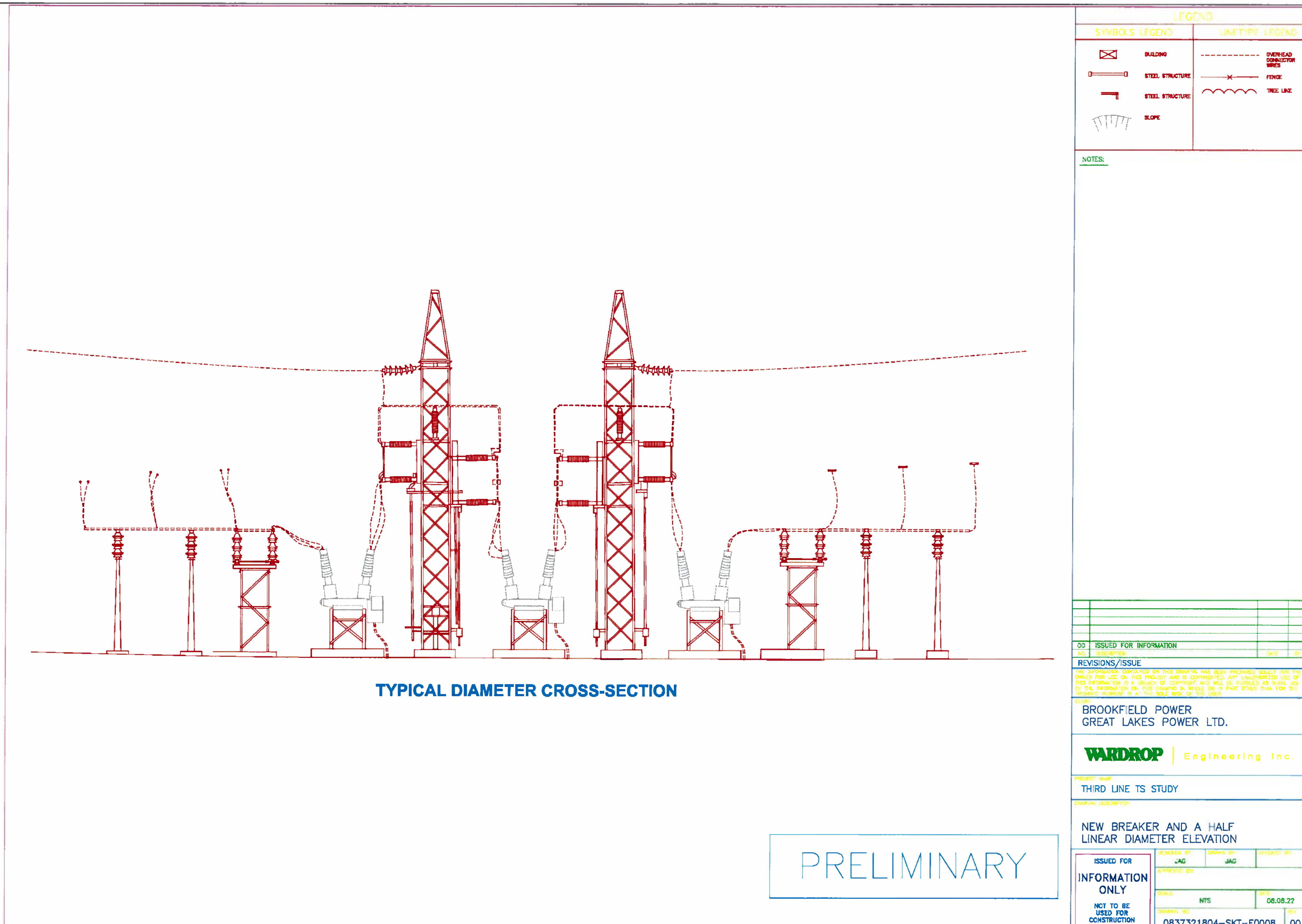
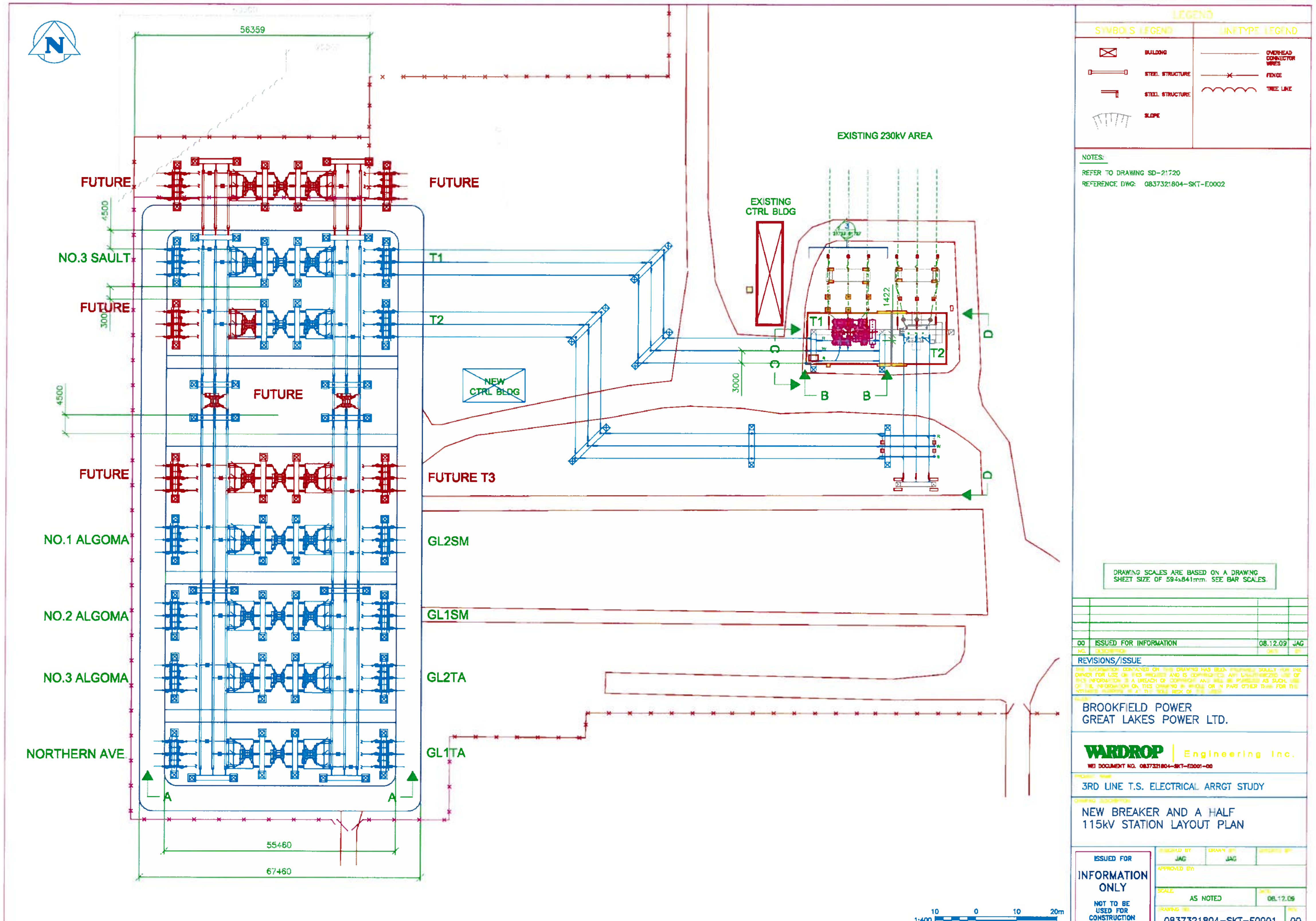
APPENDIX 7: CONCEPTUAL NEW BREAKER AND A HALF (LINEAR) STATION LAYOUT ELEVATION (OPTION 4)



APPENDIX 8: CONCEPTUAL NEW BREAKER AND A HALF (LINEAR) STATION LAYOUT PLAN (OPTION 5)



APPENDIX 9: CONCEPTUAL NEW BREAKER AND A HALF (LINEAR) STATION LAYOUT ELEVATION (OPTION 5)