CLINTON POWER CORPORATION

FINANCIAL STATEMENTS

DECEMBER 31, 2009

CLINTON POWER CORPORATION

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DECEMBER 31, 2009

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AUDITORS' REPORT

To the Shareholders of Clinton Power Corporation

We have audited the balance sheet of Clinton Power Corporation as at December 31, 2009 and the statements of income, retained earnings, and cash flows for the year then ended. These financial statements are the responsibility of the Company'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 Company as at December 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The comparative amounts were audited by another firm of Chartered Accountants.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

London, Canada

October 15, 2010

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CLINTON POWER CORPORATION

BALANCE SHEET

AS AT DECEMBER 31, 2009

ASSETS

	2009	2008
Current Assets		
Cash	$ 450,558	$ 292,135
Accounts receivable (note 3)	977,447	894,190
Inventory	14,005	80,277
Due from related party (note 7)	74,250	140,993
	1,516,260	1,407,595
Property, Plant and Equipment (note 4)	1,326,085	1,183,124
Future Payment in Lieu of Income Tax Asset (note 11)	40,000	-
Regulatory Assets (note 5)	301,530	164,942
	$3,183,875	$2,755,661

LIABILITIES AND SHAREHOLDER'S EQUITY

	2009	2008
Current Liabilities		
Accounts payable and accrued liabilities	$1,685,525	$1,261,388
Regulatory liabilities (note 5)	78,857	38,857
Customer deposits (note 6)	55,426	52,490
Current portion of due to related party (note 8)	770,958	-
	2,590,766	1,352,735
Due to Related Party (note 8)	-	770,958
Shareholder's Equity		
Share capital (note 9)	698,786	698,786
Retained earnings (deficit)	(105,677)	(66,818)
	593,109	631,968
	$3,183,875	$2,755,661

Contingent liabilities (notes 10 and 12)
Subsequent event (note 13)

APPROVED ON BEHALF OF THE BOARD:

________________ Director   ________________ Director

The attached Auditors' Report and notes form an integral part of these audited financial statements.

CLINTON POWER CORPORATION

STATEMENT OF RETAINED EARNINGS (DEFICIT)

FOR THE YEAR ENDED DECEMBER 31, 2009

	2009	2008
Balance, Beginning of Year	$ (66,818)	$ 54,389
Net Loss	(38,859)	(121,207)
Balance, End of Year	$ (105,677)	$ (66,818)

The attached Auditors' Report and notes form an integral part of these audited financial statements.

CLINTON POWER CORPORATION

STATEMENT OF INCOME (LOSS)

FOR THE YEAR ENDED DECEMBER 31, 2009

	2009	%	2008	%
Electricity Revenue	$ 2,547,559		$ 2,655,621	
Cost of Power	2,036,176		2,184,360	
Distribution Revenue	511,383	100.00	471,261	100.00
Expenses				
Billing and collecting	56,418	11.03	132,837	28.20
Community relations	13,398	2.62	(3,603)	(0.76)
Direct operation	264,490	51.72	196,051	41.60
Office and administration	93,104	18.21	54,349	11.53
Regulatory and professional	59,670	11.67	281,389	59.71
	487,080	95.25	661,023	140.28
Net Income (Loss) from Operations Before before Interest, Amortization and Other	24,303	4.75	(189,762)	(40.28)
Amortization	72,107	14.10	59,186	12.56
Interest	40,333	7.89	62,149	13.19
Income (Loss) from Operations Before Other Income and Tax	(88,137)	(17.24)	(311,097)	(66.03)
Other Income				
Interest income	9,220	1.80	29,593	6.28
Service revenue	40,058	7.83	160,297	34.00
	49,278	9.63	189,890	40.28
Net Income (Loss)	$ (38,859)	(7.61)	$ (121,207)	(25.75)

The attached Auditors' Report and notes form an integral part of these audited financial statements.

CLINTON POWER CORPORATION

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2009

	2009	2008
Cash Flows from Operating Activities		
Net Income (loss)	$ (38,859)	$ (121,207)
Items not requiring an outlay of cash:		
Amortization	72,107	59,186
	33,248	(62,021)
Changes in non-cash working capital balances:		
Accounts receivable	(83,257)	(68,441)
Inventory	66,272	(24,635)
Regulatory assets	(136,588)	-
Accounts payable and accrued liabilities	424,137	349,948
Customer deposits	2,936	10,550
Due to related party	66,743	4,189
Net Cash Provided by Operating Activities	373,491	209,590
Cash Flows from Investing Activities		
Additions to property, plant and equipment	(215,068)	(190,026)
Net Increase in Cash	158,423	19,564
Cash, Beginning of Year	292,135	272,571
Cash, End of Year	$ 450,558	$ 292,135
Supplemental Cash Flow Information		
Interest paid	$ 21,830	$ -

The attached Auditors' Report and notes form an integral part of these audited financial statements.

1. Nature of Operations

The Ontario Government enacted the Energy Competition Act, 1998 to introduce competition to the Ontario electricity market by the year 2000. Under the terms of this legislation, the Ontario Energy Board (the "OEB") regulates industry participants by issuing licences for the right to generate, transmit, distribute or retail electricity. These licences require compliance with established market rules and codes. The Ontario Government opened the Ontario electricity market to competition on May 1, 2002.

The Company is wholly owned by the Municipality of Central Huron and carries on the business of distributing electricity to the town of Clinton.

2. Significant Accounting Policies

The financial statements of the Company have been prepared by management in accordance with Canadian generally accepted accounting principles, as modified by regulations and policies set forth in the Ontario Energy Board Accounting Procedures Handbook. Those policies that are considered to be particularly significant are outlined below:

(a) Property, Plant and Equipment

Property, plant and equipment are recorded at the fair market value of the assets transferred from the Municipal Hydro Electric Commissions to the Company on August 31, 2000, and subsequent to August 31, 2000, at cost on the date of purchase. Property, plant and equipment are amortized over their useful lives using the straight-line method over the following periods:

Plant and equipment	
Automotive equipment	10 years
Computer equipment	10 years
Service, office and other equipment	10 years
Transmission and distribution system	25-30 years

Construction work in progress is recorded at cost until such time that the asset is completed and available for use.

(b) Contributions to Property, Plant and Equipment

Contributions are received from developers and contractors for capital costs incurred by the Company. These contributions are included as a reduction to the cost of the related Property, Plant or Equipment when those assets are placed in service.

2. Significant Accounting Policies (cont.)

(c) Revenue Recognition

(i) Electricity Sales

The Company follows the practice of cycle billing of customer's accounts and revenue is recognized in the period consumed. Estimated customer usage from the last billing date to the year end (unbilled revenue) is included in revenue.

(ii) Interest Income

Interest income is recognized on a time proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the Company.

(iii) Service Revenue

Service revenue is recognized as service is performed.

(d) Financial Instruments

The Company's financial assets and financial liabilities are classified and measured as follows:

- Cash is classified as held for trading and is measured at fair value. Gains and losses related to periodical revaluation are recorded in net income.
- Accounts receivable and regulatory assets are classified as loans and receivables and are initially measured at fair value and, subsequently, at amortized cost using the effective interest rate method.
- Accounts payable and accrued liabilities, regulatory liabilities, customer deposits, and long-term debt are classified as other liabilities and are initially measured at fair value and, subsequently, at amortized cost using the effective interest rate method.

2. Significant Accounting Policies (cont.)

(e) Financial Effects of Distribution Rate Regulation

The financial results presented are in accordance with Canadian generally accepted accounting principles and within that framework the Company accounts for the impact of regulatory actions in the following manner:

(i) Regulatory Decisions to Adjust Distribution Rates

In the event that a regulatory decision is rendered, providing regulatory approval and certainty to the recognition of an asset or creation of a liability and culminating in an adjustment to the Company's distribution rates, such occurrences are immediately reflected in the Company's accounts.

(ii) Regulatory Direction and Practice

In the absence of regulatory decision impacting rates, and where the Company is required by regulatory accounting practice or direction to accumulate balances for future rate recovery or create liabilities for future discharge, those amounts are recorded in accordance with that regulatory direction. Management assesses the future uncertainty with respect to the final regulatory disposition of those amounts and to the extent required, makes accounting provisions to reduce the deferred balances accumulated or to increase the recorded liabilities. Upon rendering of the final regulatory decisions adjusting distribution rates, the provisions are adjusted to reflect the final impact of that decision, and such adjustment is reflected in net earnings for the period.

Amounts currently confirmed by final regulatory decision, and amounts currently accounted for in the absence of final regulatory decision together with related provisions for future uncertainty, are more fully described in note 5 to the financial statements.

(f) Payments in Lieu of Income Taxes ("PILs")

The Company uses the liability method for accounting for PILs. Under this method, future payment in lieu of income tax assets and liabilities are recognized for differences between the carrying value of assets and liabilities for accounting purposes and their respective values for payment in lieu of income tax purposes. These differences are measured using substantively enacted tax rates applicable for the period in which those differences are expected to be recovered or settled. To the extent that there is uncertainty regarding the recovery of a future payment in lieu of income tax asset, a valuation allowance reducing the future payment in lieu of income tax asset is recorded.

2. Significant Accounting Policies (cont.)

(g) Inventories

Effective January 1, 2008, the Company adopted Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3031 - *Inventories*, which is based on the International Accounting Standards Board's International Accounting Standard 2 and replaced existing CICA Handbook Section 3030. Under this new standard, inventories are required to be measured at the lower of cost and net realizable value and any items considered to be major future components of property, plant and equipment are to be transferred to property, plant and equipment. The new standard also provides updated guidance on the appropriate methods of determining cost and the impact of any write-downs to net realizable value. The implementation of this standard did not have any impact on the Company's results of operations.

Inventories consist primarily of materials and supplies. Inventories are carried at the lower of cost and net realizable value, with cost determined on an average cost basis net of a provision for obsolescence.

(h) Use of Estimates

The preparation of the financial statements of the Company in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

(i) Impairment of Long-lived Assets

Long-lived assets are tested for recoverability when events or changes in circumstances indicate that their carrying value may not be recoverable. An impairment loss is recognized when the carrying value exceeds the total undiscounted cash flow expected from their use and eventual disposition. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value.

2. Significant Accounting Policies (cont.)

(j) Accounting Changes

(i) Generally Accepted Accounting Principles

Effective January 1, 2009, the Company adopted the changes to CICA Handbook Section 1100 - *Generally Accepted Accounting Principles*. The amendment to this section removed the temporary exemption pertaining to the application of the section to the recognition and measurement of assets and liabilities arising from rate regulation. In response to the removal of the exemption, the Company established accounting policies for the recognition and measurement of assets and liabilities arising from rate regulation. In accordance with the Canadian GAAP hierarchy guidance framework outlined in CICA Handbook Section 1100, the company has determined that its assets and liabilities arising from rate regulation qualify for recognition under Canadian GAAP and this recognition is constant with U.S. Statement of Financial Accounting Standards No. 71, *Accounting for Effects of Certain Types of Regulations* ("FAS71"). The company concluded that its policies for assets and liabilities arising from rate regulation were consistent with the primary sources of Canadian GAAP and were developed through the exercise of professional judgment. As a result there was no changes in the Company's opening retained earnings as at January 1, 2009 or the Company's results from operations for the year ended December 31, 2009 as a result of the adoption of this section.

(ii) Income tax expense

Effective January 1, 2009, the Company retroactively adopted the liability method for accounting for income taxes and restated prior period amounts. Under this method, future income tax assets are recognized for the differences between the financial statement carrying amounts of existing assets and liabilities and their respective values for income tax purposes. These differences are measured using substantively enacted tax rates in effect in the period in which these differences are expected to be recovered or settled. As a rate regulated entity, future income taxes will be returned to customers as they are recovered. As a result, all increases or decreases in future income tax assets are offset by a regulatory liability. As a result of the adoption of this standard, future income tax assets of $19,000 were determined to exist, however given the uncertainty about the Company's ability to utilize those assets, a full valuation allowance was taken. There was no impact to prior period earnings as a result of adopting this standard.

2. Significant Accounting Policies (cont.)

(k) Future Accounting Changes

(i) International Financial Reporting Standards ("IFRS")

On February 13, 2008, the Accounting Standards Board of Canada ("AcSB") confirmed that publicly accountable enterprises will be required to adopt IFRS in place of Canadian GAAP for interim and annual reporting purposes for fiscal years beginning on or after January 1, 2012.

A limited number of converged or IFRS-based standards will be incorporated into Canadian GAAP prior to 2012, with the remaining standards to be adopted at the change over date.

The Company has an internal initiative to govern the conversion process and is currently in the process of evaluating the potential impact of the conversion to IFRS on its financial statements. Although the impact of the adoption to IFRS on the Company's Balance Sheet and Income Statement is not yet reasonably determinable or estimable, the company does expect a significant increase in financial statement disclosure requirements resulting from the adoption of IFRS, and is designing the systems and related process changes, which will be required in order to provide the additional information required to make these disclosures.

In July 2009, the International Accounting Standards Board ("IASB") issued an exposure draft on rate regulated activities. The IASB staff has postponed presenting their analysis of the responses to the IASB. This presentation may include options for the next steps of the rate regulated activities project. It is unclear at this time what the outcome of the IASB's deliberations will be and how that will impact the Company's reporting under IFRS.

At this time, the impact on the Company’s future financial statements cannot be determined.

3. Accounts Receivable

	2009	2008
Energy, water and sewer	$ 685,361	$ 692,234
Unbilled energy	292,086	201,956
	$ 977,447	$ 894,190

The amounts shown above are net of allowance for doubtful accounts of $174,709 (2008 - $195,110).

4. Property, Plant and Equipment

	Cost 2009	Accumulated Amortization	Net 2009	Net 2008
Plant and equipment	$ 246,847	$ 89,333	$ 157,514	$ 170,224
Transmission and distribution system	1,561,272	392,701	1,168,571	1,012,900
	$ 1,808,119	$ 482,034	$ 1,326,085	$ 1,183,124

During the year, the Company recorded amortization of $72,107 ($59,186 - 2008).

5. Regulatory Assets and Liabilities

Regulatory assets consist of the following:

	2009	2008
Retail settlement variances	$ 224,770	$ 164,942
Organizational costs	76,760	-
	$ 301,530	$ 164,942

Regulatory liabilities consist of the following:

	2009	2008
Regulatory assets recovery account	$ 38,857	$ 38,857
Future payment in lieu of income tax liability	40,000	-
	$ 78,857	$ 38,857

The OEB approved an Interim Rate Order for May 1, 2008, that effectively removed the recovery allocation of the regulatory assets amounts until the final Cost of Service Rate Application was approved. The new Cost of Service Rate Order approved by the OEB, effective December 1, 2008, includes an allocation of the recovery of the low voltage energy variances. The remainder of the regulatory assets will be recovered based on future rate orders.

5. Regulatory Assets and Liabilities (cont.)

(a) Retail settlement variances represent amounts accumulated since the opening of the electricity market on May 1, 2002. These variances are comprised of variances between amounts charged by the Independent Electricity Market Operator and amounts billed to customers plus variances from settlement and transmission charges. In the absence of rate regulations, these costs (revenues) would be charged to the period incurred.

(b) Demand side management ("DSM") amounts are expenses incurred in accordance with OEB rules and regulations and represent costs to the Company of literature provided to its customers and capital expenditures to provide energy conservation. In the absence of rate regulations, these costs (revenues) would be charged to the period incurred.

6. Customer Deposits

Customer deposits are obtained as security for energy consumption. On an annual basis, interest is calculated at a rate of 1.5% and credited to the customers' utility accounts. Also included are security deposits received for construction projects.

7. Related Party Transaction

The companies are related as follows:

The Municipality of Central Huron owns all the outstanding common shares of Clinton Power Corporation.

The revenue reflected in the financial statements includes the electricity revenue for the sale of electricity to the Municipality of Central Huron. In addition, the Municipality of Central Huron charges the Company for management, labour and facilities costs. These transactions are in the normal course of operations at rates approved by the Ontario Energy Board.

The following table summarizes the company's related party transactions for the year.

	2009
Revenues	$ 52,112
Expenses	$ 230,996

At the end of the year, amounts due from related party is as follows:

	2009	**2008**
Municipality of Central Huron	$ 74,250	$ 140,993

8. Due to Related Party

	2009	2008
Interest only demand note payable to the Municipality of Central Huron bearing interest at the municipality's prime borrowing rate.	$ 698,786	$ 698,786
Interest only demand loan payable to the Municipality of Central Huron bearing interest at the annual average prime rate.	72,172	72,172
	770,958	770,958
Less: current portion	(770,958)	-
	$ -	$ 770,958

The municipality's prime borrowing rate as at December 31, 2009 is 2.4%. During 2009, $37,006 was charged to interest expense for interest on related party long-term debt ($42,920 - 2008).

9. Share Capital

Authorized

Unlimited number of common shares

	2009	2008
Issued capital		
2,000 common shares	$ 698,786	$ 698,786

10. Prudential Support Requirements

The Company, as a Local Distribution Company under the Energy Competition Act, 1998, R.S.O., posted prudential support obligations on market opening, May 1, 2002 with the Electric Independent Market Operator. The prudential support obligation as at December 31, 2008 was $189,900 and had not changed as at December 31, 2009. The prudential support requirement is honoured through a letter of credit.

11. Payments in Lieu of Income Taxes

The provision for payments in lieu ("PILs") of income taxes differs from amounts which would be calculated by applying the Company's combined statutory income tax rate as follows:

	2009	2008
Income (loss) from continuing operations before PILs	$ (38,859)	$ (121,207)
Statutory Canadian Federal and Provincial income tax rate	33.00 %	33.50 %
Basic rate applied to income before PILs	(12,823)	(40,604)
Other	12,823	40,604
Provision for payment in lieu of income tax	$ -	$ -
Effective tax rate	- %	- %

The Company as of December 31, 2009 has recorded a future payment in lieu of income tax asset of $40,000 (2008 - $Nil) and future income tax regulatory liability of $40,000 (2008 - $Nil), based on future substantively enacted income tax rates.

Significant components of the Company's future income tax assets and regulatory liability are as follows:

	2009	2008
Property, plant and equipment	$ 8,000	$ 16,000
Regulatory adjustments	10,000	-
Non-Capital loss	22,000	3,000
	40,000	19,000
Valuation allowance	-	(19,000)
	$ 40,000	$ -

The Company has accumulated non-capital losses for tax purposes of $88,000, which are available to offset income in the future. These non-capital loss carry forwards of $11,000 and $77,000 will expire in 2028 and 2029 respectively.

12. Contingent Liability

On March 2, 2010 the Electric Distributors Association ("EDA") presented to it's members and all electric distributors in Ontario, the terms of a tentative settlement with respect to a pending class action lawsuit against all local distribution company's ("LDC's") regarding the charging of late payment penalties ("LPP's") which are alleged to have contravened Section 347 of the Criminal Code. It is contended that LPP's are "interest" as defined in the Criminal Code and that, in certain circumstances, the implied rate of interest exceeds the prescribed limit of 60%.

The plaintiffs seek repayment of all improper LPP charges. This litigation has been pending since 1994 in the case of Toronto Hydro, and since 1998 in the case of all the other LDC's. Similar class actions were also brought against Enbridge/Consumers Gas and Union Gas. On each of these occasions, the Supreme Court of Canada has made rulings which were favourable to the plaintiffs and which deprived the defendant utilities of most of their defences to these claims.

In light of the settlement in the other cases, industry counsel instruction by an Ad Hoc Committee of the EDA recently participated in a court-supervised mediation process to explore possible settlement of the case against the LDC's. A settlement in principle of the litigation on behalf of all LDC's has now been reached. The tentative settlement agreement requires the unanimous consent and approval of all LDC's. All LDC's must indicate their acceptance of the settlement on or before April 5, 2010. The Ontario Superior court of Justice convened a hearing on May 26, 2010 to consider the settlement of the class action suit at which a tentative resolution was reached. Specific details related to the Company's liabilities are not yet available at this time.

13. Subsequent Event

Subsequent to year end, the Company sold 100% of its issued and outstanding shares for $782,007, which was funded through the issuance of shares of the purchasing Company. As part of the purchase consideration, the Company agreed to purchase and subscribe for one voting Class "A" share of the purchaser for consideration of one dollar.

14. Capital Disclosures

The Company's main objective is to ensure ongoing access to funding to maintain and improve the electricity distribution system of the Company.

As at December 31, 2009 the Company's definition of capital includes shareholder's equity and long-term debt. As at December 31, 2009, shareholders' equity amounts to $593,109 (2008 - $631,968) and long-term debt amounts to $770,958 (2008 - $770,958). The Company's structure as at December 31, 2009 is 55% debt and 45% equity (2008 - 55% debt and 45% equity). There have been no changes in the Company's approach to capital management during the year.

15. Financial Instruments

As a rate-regulated entity, the nature of the Company's operations are defined and restricted by regulation. Financial operations and risks are also substantially influenced by regulation, limiting the necessity to engage in risk mitigation strategies involving the use of derivatives or hedges, and the Company did not engage in those activities during the fiscal year.

The company has adopted CICA Handbook Section 3861- *Financial Instruments* for disclosure purposes as the Company's financial instruments are not subject to disclosure requirements under Section 3862 or 3863 of the CICA Handbook.

a) Credit Risk

By regulation, the Company is responsible for collecting both the distribution and energy portions of the electricity bill. On average, 16% of amounts billed to customers are for distribution charges and 84% of the bill is energy related. Unless the retailer elects to bill the customers directly for the energy portion of the bill, the Company is exposed to a credit risk substantially greater then their portion of the electricity bill.

Mitigation of substantial losses is provided through the opportunity to apply for recovery for those losses through distribution rate adjustments in future years, if approved by the regulator. Additionally, regulation provides for certain customers to provide security deposits for a prescribed period of period to mitigate collection loss.

The Company is not exposed to a significant concentration of credit risk within any customer segment or individual customer.

b) Fair Values

The fair values of the Company's financial assets and liabilities approximate their book values unless otherwise disclosed.

c) Interest Rate Risk

The Company is subject to the risks associated with debt financing, including the risk that existing indebtedness secured by the property may not be refinanced or that the terms of such refinancing may not be as favourable as the terms of existing indebtedness. The Company does not use any hedging instruments to mitigate its risk.

16. Comparative Figures

Certain comparative figures have been reclassified to conform with the statement presentation adopted in the current year.