

TERM SHEET

The purpose of this Term Sheet is to set forth certain understandings and agreements between the Municipality of West Perth (“**West Perth**”) and Erie Thames Power Corporation (“**Erie Thames**”) with respect to the merger transaction described herein (the “**Transaction**”).

1. Proposed Transaction. Erie Thames would acquire all of the issued and outstanding shares of West Perth Power Inc. (“**WPPI**”) from West Perth and West Perth would acquire the following shares in the capital stock of Erie Thames:
 - One Class A voting share affording its holder one (1) appointee to the Erie Thames’ Board of Directors and one vote at all meetings of shareholders; and
 - A proportionate number of Class B economic shares representing a value of \$1,693,000.00 for the purposes of determining share value (the “**WPPI Value**”), which equates to a relative ownership position in Erie Thames of 8.6% based on the valuations of WPPI and Erie Thames and its subsidiaries agreed to by the parties at a meeting on February 11, 2008. West Perth acknowledges that Erie Thames is concurrently negotiating with another potential shareholder in Erie Thames and West Perth agrees that the relative ownership position described above may decrease proportionately as a result in advance of completion of the transaction.

Upon completion of the share transfers described above, pursuant to the terms of this Term Sheet, WPPI will continue to operate as a separate corporation with the current name, corporate identity and distribution license for a period of up to five years or other maximum period if set by the Ontario Energy Board. Within the above period, WPPI will be amalgamated with Erie Thames Powerlines Corporation (“**ET Powerlines**”) and a rate harmonization plan will be established at that time.

2. WPPI Promissory Note. Upon completion of the Transaction and subject to Section 3, West Perth will have the option, at its sole discretion, to either redeem or maintain the promissory note dated January 1, 2002 that is currently in place between WPPI and West Perth (the “**Promissory Note**”), a copy of which is attached hereto.
3. Put Option. In addition to the consideration described in Section 1, Erie Thames agrees to enter into a separate agreement (the “**Put Option**”) with West Perth that allows West Perth the right, but not the obligation, to redeem its shares in Erie Thames (a) during a six (6) month period immediately preceding the 5th anniversary date of the closing of the Transaction or (b) upon the sale of WPPI or Erie Thames to a third party buyer, whichever occurs earlier, for a strike price of \$2,000,000.00 indexed by the 1-year T-Bill rate effective at the time of execution of the Put Option agreement, compounded annually to the date of exercise of the put option, less any dividends paid to West Perth by Erie Thames from the date of the Transaction to the date of exercise of the Put Option (the “**Strike Price**”). Erie Thames, ET Powerlines and its successors agree to indemnify West Perth for any transfer tax payable in connection with the payment of the Strike Price in the

event that the Put Option is exercised. In the event that West Perth exercises the Put Option, the Promissory Note, if outstanding, will be paid out at that time.

4. Definitive Agreements. The parties agree to use best efforts to negotiate and execute a definitive agreement to effect the Transaction upon the terms set forth in this Term Sheet (the “**Agreement**”) and pursuant to the timing described in Section 5. The parties agree that the Agreement will include standard conditions to Closing (the “**Conditions**”) including, by way of illustration and without limitation:

- Receipt of all consents, approvals, exemptions and authorizations necessary in order to complete the contemplated transactions including, without limitation, Ontario Energy Board approval of the transaction pursuant to sections 85 and 86 of the *Ontario Energy Board Act, 1998* (Ontario);
- Receipt of a satisfactory advance tax ruling from the Ministry of Finance (Ontario) regarding the applicability of transfer tax to the Transaction and the exercise of the Put Option;
- Satisfaction with the results of the due diligence investigation of the business, affairs and financial condition of WPPI and Erie Thames and its subsidiaries;
- No material adverse change will have occurred in the financial condition of WPPI subsequent to the date of the 2006 financial statements relied upon in arriving at the WPPI Valuation;
- Negotiation and execution of an agreement in respect of the Put Option and all other corollary agreements and documentation;
- Agreement between the parties regarding the terms for the use and occupation of the operations centre described in Section 9;
- Execution of the Erie Thames’ Shareholder Agreement by West Perth; and
- Final approval of the Agreement and related documentation by the parties’ municipal councils, shareholders and Board of Directors, as the case may be.

The Agreement will also contain such representations and warranties, covenants, events of default, buy out rights, indemnifications, and other terms and conditions as are typical and may be acceptable to the parties.

Erie Thames will be responsible for drafting and revising the Agreement and other legal documentation required in completing the Transaction.

5. Timing. The parties agree to use best efforts to comply with the following timelines and milestones:

- March 31, 2008 or as soon thereafter – The parties will execute the Agreement containing the Conditions and other terms described in Section 4.
- The parties acknowledge that the closing of the Transaction, as reflected by the transfers of the shares described in Section 1, will not occur until the Conditions described in Section 4 are satisfied or waived by the respective parties. The parties

agree to use best efforts to satisfy the Conditions in a timely manner following the execution of the Agreement.

6. Transaction Costs. Upon closing of the Transaction, Erie Thames agrees to pay West Perth for its transaction costs not exceeding \$15,000.00 incurred by West Perth up to and including February 19, 2008 in connection with negotiating the terms set out herein. Following this date, all transaction costs incurred by West Perth over and above \$57,500, but not to exceed \$125,000, will be invoiced to and become payable by WPPI after the closing of the Transaction. For greater certainty, this Section will only become effective upon successful closing of the Transaction.
7. Treatment of Vehicles and Other Assets Leased from West Perth. Upon closing of the Transaction, WPPI will acquire from West Perth, upon payment of \$42,500.00 and applicable sales taxes, the vehicles and other assets and services currently rented, leased or otherwise provided by West Perth to WPPI in connection with servicing the WPPI service territory and customers. For greater certainty, these assets do not include the works yard referenced in Section 9.
8. Treatment of WPPI Employees. WPPI will employ the five (5) existing WPPI employees after the closing of the Transaction on their existing or better terms of employment including, but not limited to, salary, wages, benefits and location of employment. WPPI will be responsible for any liability or consequences in the event that it changes the terms of employment for a WPPI employee in contravention of the foregoing sentence.
9. Local Presence. After the closing of the Transaction, WPPI will maintain an operations centre at the works yard located in Mitchell, Ontario.
10. Service Quality Commitments. Service benchmarks (in the form the Ontario Energy Board's Service Quality Indicators) will be tabled in the Agreement and Erie Thames will commit to monitoring and meeting such benchmarks.
11. Management Contract. Unless extended by mutual agreement of the parties, Erie Thames agrees that RDI Consulting Inc. will continue to manage and operate WPPI until the completion of the Transaction, the discontinuation of negotiations or December 31, 2008, whichever occurs first.
12. Confidentiality and Exclusivity. The confidentiality and exclusivity provisions set forth in the Non-Disclosure and Exclusivity Agreement executed between the parties on May 31st, 2007 (the "NDA") shall continue to apply to each party, and the terms of this Term Sheet shall be deemed to be confidential information.
13. Binding Nature. This Term Sheet constitutes a legally binding commitment of the parties only with respect to the matters of confidentiality and exclusivity (as described in Section 12), and the undertakings to use best efforts to negotiate and execute the Agreement (as described in Section 4) and to meet the timelines (as described in Section 5).

14. General. All amounts referred to in this Term Sheet are expressed in Canadian dollars.

This Term Sheet and the Agreement will be interpreted and enforced in accordance with the laws of the Province of Ontario.

This Term Sheet may be executed in any number of counterparts, and all such counterparts taken together shall be deemed to constitute one and the same agreement.

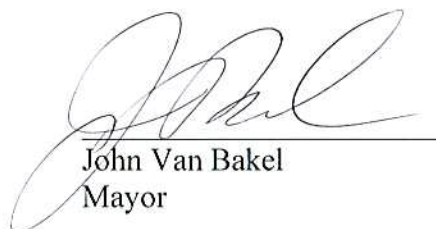
AGREED TO AND ACCEPTED this 6TH day of March, 2008.

Erie Thames Power Corporation

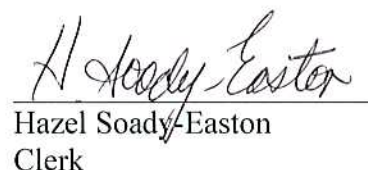


Jeff Pettit
President & CEO

Municipality of West Perth

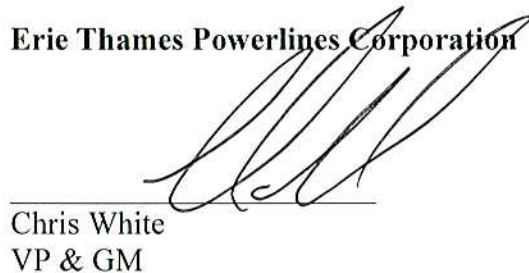


John Van Bakel
Mayor



Hazel Soady-Easton
Clerk

Erie Thames Powerlines Corporation



Chris White
VP & GM

West Perth Power Inc.



Barb MacLean
Chair of the Board