

AMENDED FEBRUARY 13, 2007

THIS OPERATION AND MAINTENANCE SERVICES AGREEMENT (hereinafter referred to as the "Agreement") is entered into as of January 1, 2002.

B E T W E E N :

CHAPLEAU PUBLIC UTILITIES CORPORATION, a corporation incorporated pursuant to the provisions of the laws of Ontario, having its registered head office in the corporation of the Township of Chapleau in the District of Sudbury.

OF THE FIRST PART
(hereinafter referred to as the "**Corporation**").

-and-

CHAPLEAU ENERGY SERVICES CORPORATION, a corporation incorporated pursuant to the provisions of the laws of Ontario, having its registered head office in the corporation of the Township of Chapleau in the District of Sudbury.

OF THE SECOND PART
(hereinafter referred to as the "**Affiliate**").

WHEREAS:

- (1) The Corporation is an electricity distributor and transmitter;
- (2) Notwithstanding the articles of incorporation the Affiliate is a corporation incorporated to permit among other things, the sale of related services and is wholly owned by the same share holder as the corporation, and is in the business of providing staffing, operation and maintenance services to corporations and other entities operating electrical or telecommunications facilities;
- (3) The Corporation shares services or resources with the Affiliate, it shall do so in accordance with this Agreement; and
- (4) It is a condition precedent for the sharing of services or resources that the Corporation and the Affiliate enter into this Agreement pursuant to the *Affiliate Relationships Code for Electricity Distributors and Transmitters* effective April 1, 1999.

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained

herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, **IT IS AGREED:**

1.1 Service

The Affiliate will provide services to the Corporation in respect to the staffing operations and maintenance of the Corporation's operations in accordance with this Agreement comprising the Services, throughout the Term.

1.2 Duties and Responsibilities of the Affiliate

- (a) The Affiliate shall have the duties and responsibility during the Term to administer, operate and maintain the Corporation's operations, including without limitation providing the necessary staff to provide the Services to the Corporation. Without limiting the generality of the foregoing, the Affiliate shall have the following duties and responsibilities:
 - (i) to prepare an annual budget for the performance of the Services by the Affiliate and to submit such Operating and Maintenance Plan to the Corporation for its approval for the 2002 fiscal year by May 31, 2002 and for subsequent fiscal years at least 30 days prior to the beginning of each fiscal year;
 - (ii) to provide the services of trained and licensed (where applicable) Affiliate personnel to provide the Services to the Corporation and otherwise meet the Affiliate's obligation under this Agreement (the "Operations Staff");
 - (iii) to assist the Corporation in obtaining and maintaining and fulfilling all necessary permits, consents and permissions, or other regulatory requirements related to the Services, including any licensing requirements pursuant to the OEB act;
 - (iv) to use its reasonable efforts to secure and maintain from vendors, suppliers and subcontractors the best indemnities, warranties and guarantees as may be commercially available regarding all supplies, equipment and services purchased in relation to the Services, all of which shall be assigned to the Corporation, and assist the Corporation in preserving and enforcing such indemnities, warranties or guarantees;

- (v) to promptly notify the Corporation of:
- (1) any default hereunder;
 - (2) any condition or occurrence which is likely to result in a material difference in the Operating and Maintenance Expenses and/or the schedule of operations as projected in the Operating and Maintenance plan;
 - (3) any occurrence, accident, safety violation, lawsuit claim by any person which might reasonably be expected to result in an investigation or penalty under applicable laws or any material violation of any applicable laws; or
 - (4) any other event which might reasonably be expected to have a material adverse effect on the services;
- (b) it shall provide the staff and resources that are sufficient for the area serviced by the Affiliate;
- (c) it shall, where applicable, provide and maintain the quality of Service provided by the Affiliate at least equal to the service levels required by the Ontario Energy Board ("OEB") for the term of the Agreement and which are comparable to the service and reliability levels enjoyed by customers of the Corporation; and
- (d) it shall make all necessary filings and reports to the OEB with respect to the levels of services as the OEB may require from time to time.

1.3 Failure to Maintain Service Levels

In the event the Affiliate fails to maintain Service at levels referred to in Section 1.1 during the term of this Agreement:

- (a) the Corporation shall be entitled to retain a qualified professional to review and analyse all records and reports of the Affiliate to determine proper service levels are being met; and

- (b) the Corporation and the Affiliate shall meet to discuss remediation and agree, acting reasonably, on the appropriate course of action to be taken by the Affiliate.

1.4 Appointment of Risk

In the case of any actions that may arise during the course of this Agreement, each of the Corporation and the Affiliate shall:

- (a) indemnify, defend and save harmless the other from all fines, suits, proceedings, liabilities, losses, damages, costs, expenses, claims, demands or actions of any nature or kind whatsoever caused directly or indirectly related to its assets or operations which are the subject of this Agreement through a failure of either party to fully its obligations under this Agreement;
- (b) be individually responsible for all liability which results from:
 - a. the operations of the Corporation or the Affiliate; or
 - b. any products, goods or materials brought onto the property or used by the Corporation or the Affiliate.

2. Conduct of Work

In connection with the terms of this Agreement, each of the Corporation and the Affiliate shall ensure:

- (a) their respective employees, agents, contractors and subcontractors are duly qualified under any applicable federal and provincial laws; and
- (b) that all work performed by their respective employees, agents, contractors and subcontractors are in compliance with any applicable federal and provincial laws.

3. Pricing

- (a) where the Corporation provides the Service or shares a resource with the Affiliate, the Corporation shall ensure that the sale price is no less than the fair market value of the service or resource;
- (b) in obtaining a Service or resource from the Affiliate, the Corporation shall pay no more than the fair market value of the service or resource, and
- (c) where a fair market value is not available for any Service or resource, the cost-based price of producing the service or resource shall be used.
- (d) Cost-based price shall be determined by allocating the actual cost of the Service or shared resource to the Affiliate and the Corporation. The allocation of cost shall be based upon direct labour hours utilized by the Affiliate and the Corporation, as calculated quarterly.
- (e) To assist in the cash flow of the Affiliate, the Corporation shall advance on a monthly basis, the estimate cost of those shared Services or resources.
- (f) Once the direct labour hours have been apportioned for a quarter, the actual cost of services and shared resources shall be allocated between the Affiliate and the Corporation.
- (g) It is agreed by the Corporation and the Affiliate, that the above cost allocation formula will be reviewed on a semi-annual basis. Amendments of the formula will be made as determined appropriate by mutual agreement of the Affiliate and the Corporation.

4. Confidentiality

In connection with terms of this Agreement, the Affiliate shall execute and deliver in favour of the Corporation a confidentiality agreement substantially in the form attached hereto as Schedule A and be bound by such an agreement as a condition of undertaking the activities referred to in this Agreement.

5. Dispute Resolution

- (a) Any dispute, controversy or claim arising out of or in connection with, or relating to, this Agreement, or the performance, breach or validity thereof, shall be settled by arbitration. Either party may initiate arbitration within a reasonable time after such dispute, controversy or claim has arisen by delivering a written demand for arbitration upon the other Party. The arbitration shall be conducted in accordance with the Arbitration Act. The arbitration shall take place in Chapleau, Ontario, and shall be conducted in English.
- (b) The arbitration shall be conducted by a single arbitrator having no financial or personal interest in the business affairs of either of the Parties. The arbitrator shall be appointed jointly by agreement of the Parties, failing which an arbitrator shall be appointed by application to the Superior Court of Ontario, in Sudbury.
- (c) Absent agreement or an award in the arbitration to the contrary, the arbitrations fees and expenses shall be paid by the Parties jointly, and
- (d) The arbitral award shall be in writing, stating the reasons for the award and be final and binding on the Parties with no rights of appeal. The award may include an award of costs, including reasonable legal fees and disbursements and fees and expenses of the arbitrator. Judgment upon the award may be entered by any court having jurisdiction thereof or having jurisdiction over the Parties or their assets.
- (e) Confidentiality of Arbitration – The arbitration shall be kept confidential and the existence of the proceedings and any element of it (including but not limited to any pleadings, briefs or other documents submitted and exchanged, and testimony or other oral submission and any awards) shall not be disclosed beyond the arbitrator, the Parties, their counsel and any other person necessary to the conduct of the proceedings, except as may be lawfully required in judicial proceedings relating to the arbitration or otherwise.

6. Applicable Law

This agreement shall be constructed, interpreted and enforced in accordance with, and the respective rights and obligations of the parties shall be governed by, the laws of the Province of Ontario and the federal laws of Canada applicable therein, and each party irrevocably and unconditionally submits to the non-exclusive jurisdiction of the court of such province and all court competent to hear appeals therefrom.

7. Severability

If any provision of this Agreement is determined by a court of competent jurisdiction to be invalid, illegal or unenforceable in any respect, such determination shall not impair or affect the validity, legality or enforceability of the remaining provisions hereof, and each provision is hereby declared to be separate, severable and distinct.

8. Amendments and Waivers

No amendment or waiver of any provision of this Agreement shall be binding unless consented to in writing. No waiver of any provision of this Agreement shall constitute a waiver of any other provision, nor shall any waiver constitute a continuing waiver otherwise provided.

9. Term

The term of this Agreement shall commence upon the date of execution hereto for a period of two (2) years. The Corporation shall have a right in its sole discretion to renew this Agreement no later than six (6) months from the end of the term for an additional period of two (2) years.

10. Time of the Essence

Time shall be of the essence.

11. Counterparts

This Agreement may be executed in two or more counterparts, each of which shall be deemed to be an original and all of which together shall constitute one and the same agreement.

IN WITNESS WHEREOF this Agreement has been executed by the Parties as of the date first above written

Signed, sealed and delivered in the presence of:

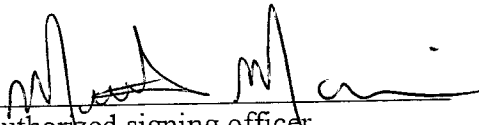
Per: Chapleau Public Utilities Corporation



Authorized signing officer

I have authority to bind the Corporation

Per: Chapleau Public Utilities Corporation



Authorized signing officer

I have authority to bind the Corporation

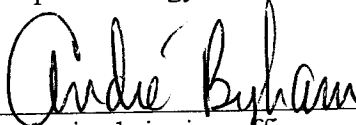
Per: ~~Chapleau Energy Services Corporation~~



~~Authorized signing officer~~

~~I have authority to bind the Corporation~~

Per: Chapleau Energy Services Corporation



Authorized signing officer

I have authority to bind the Corporation

Schedule A

Confidentiality Arrangements. Pursuant to the Affiliate Relationships Code, the Parties hereby agree to establish and maintain the following confidentiality arrangements:

1. The Corporation shall not release to the Affiliate confidential information relating to a consumer, retailer or generator without the consent of that consumer, retailer, or generator.
2. The Corporation shall not disclose confidential information to the Affiliate without the consent in writing of the consumer, retailer or generator, as the case may be, except where confidential information is required to be disclosed:
 - For billing or market operation purposes;
 - For law enforcement purposes;
 - For the purpose of complying with a legal requirement; or
 - For the processing of past due accounts of the consumer which have been passed to a debt collection agency.
3. Confidential information may be disclosed where the information has been sufficiently aggregated such that any individual consumer, retailer, or generator's information cannot reasonable be identified. If such information is aggregated it must be disclosed on a non-discriminatory basis to any party requesting the information.