

Ontario Energy Board
Preliminary Filing Requirements
For Applications under Section 86
Of the Ontario Energy Board Act, 1998

PART I: GENERAL MINIMUM FILING REQUIREMENTS

All applicants must complete and file the information requested in this Part.

1.1 Nature of the application

1.1.1	Please indicate the nature of the application:	Check Box
	For leave for a transmitter or distributor to sell, lease or otherwise dispose of all or substantially all of its transmission or distribution system (s. 86(1)(a)).	
	For leave for a transmitter or distributor to sell, lease or otherwise dispose of that part of its transmission or distribution system that is necessary in serving the public (s.86(1)(b)).	
	For leave to amalgamate with any other corporation (s. 86(1)(c)).	
	For leave to acquire voting securities that will exceed 20% of a distributor or transmitter (s. 86(2)(a)).	✓
	For leave to acquire control of a company that holds more than 20% of the voting securities of a transmitter or distributor (s. 86(2)(b)).	
1.1.2	In conjunction with this application, will a notice of proposal be given to the Board under Section 80 of the Act, concerning the intention of a transmitter or distributor (or its affiliate) to acquire an interest in or construct a generation facility in Ontario or to purchase shares in a generation facility in Ontario? If so, this application must be filed together with a completed "Preliminary Filing Requirements for a Notice of Proposal Under Sections 80 and 81 of the <i>Ontario Energy Board Act, 1998</i> ".	No
1.1.3	In conjunction with this application, will a notice of proposal be given to the Board under Section 81 of the Act, concerning the intention of a generator (or its affiliate) to acquire an interest in or construct a transmission or distribution facility in Ontario or to purchase shares in a transmission or distribution facility in Ontario? If so, this application must be filed together with a completed "Preliminary Filing Requirements for a Notice of Proposal Under Sections 80 and 81 of the <i>Ontario Energy Board Act, 1998</i> ".	No

1.2 Identification of the Parties

1.2.1 Applicant

Name of Applicant <i>The Corporation of the Town of Cochrane</i>	File No: (Board Use Only)
Address of Head Office <i>171 Fourth Avenue P.O. Box 490 Cochrane, ON P0L 1C0</i>	Telephone Number
	Facsimile Number
	E-mail Address

Name of Individual to Contact <i>Jean Pierre Ouellette</i>	Telephone Number <i>(705) 272-4361</i>
	Facsimile Number
	E-mail Address <i>jp.ouellette@town.cochrane.on.ca</i>

1.2.2 Other Parties to the Transaction

Name of Applicant <i>The Corporation of the Town of Iroquois Falls</i>	File No: (Board Use Only)
Address of Head Office <i>253 Main Street P.O. Box 230 Iroquois Falls, ON P0K 1G0</i>	Telephone Number
	Facsimile Number
	E-mail Address
Name of Individual to Contact <i>Michel Morrissette</i>	Telephone Number <i>(705) 232-2488</i>
	Facsimile Number
	E-mail Address <i>morrissm@iroquoisfalls.com</i>

1.2.3 Please attach a list of the officers, directors and shareholders of each of the parties to the proposed transaction.

Please see List of Directors and Officers [Tab 1].

Technically, each of the parties to the proposed transaction is a municipality, but the subject of the proposed transaction is two corporations: Northern Ontario Wires Inc. ("NOW"); and Northern Ontario Energy Inc. ("NOE").

The Town of Cochrane ("Cochrane") currently owns 67% of the shares of both NOW and NOE. The Town of Iroquois Falls ("Iroquois Falls") currently owns 33% of the shares of both NOW and NOE. Cochrane proposes to purchase Iroquois Falls' 33% share in both corporations.

1.2.4 Please attach a corporate chart describing the relationship between each of the parties to the proposed transaction and each of their respective affiliates.

A visual representation of the relationship between the two corporations is contained in the corporate chart [Tab 2].

1.3 Description of the Businesses of the Each of the Parties

- 1.3.1 Please attach a description of the business of each of the parties to the proposed transaction, including each of their affiliates engaged in, or providing goods or services to anyone engaged in, the generation, transmission, distribution or retailing of electricity ("Electricity Sector Affiliates").

Each of the parties to the proposed transaction is a municipality. NOW is a registered LDC. NOE was originally registered as an energy retailer, but it no longer has a retail license and no longer carries on this activity. Currently, its sole purpose is to provide street lighting, which does not require an OEB license.

- 1.3.2 Please attach a description of the geographic territory served by each of the parties to the proposed transaction, including each of their Electricity Sector Affiliates, if applicable.

NOW (i.e. the LDC) currently serves both towns, as well as the Town of Kapuskasing, and will continue to do so. NOE provides street lighting to the Town of Iroquois Falls.

- 1.3.3 Please attach a description of the customers, including the number of customers in each class, served by each of the parties to the proposed transaction.

This information is already on file with the Board and is not affected by the proposed transaction.

- 1.3.4 Please provide a description of the proposed geographic service area of each of the parties after completion of the proposed transaction.

The geographic service area after the completion of the proposed transaction will remain unchanged.

1.4 Description of the Proposed Transaction

- 1.4.1 Please attach a detailed description of the proposed transaction.

Please see Share Purchase Agreement [Tab 3].

- 1.4.2 Please attach the details of the consideration (e.g. cash, assets, shares) to be given and received by each of the parties to the proposed transaction.

Please see Share Purchase Agreement [Tab 3].

- 1.4.3 Please attach the financial statements (including balance sheet, income statement, and sources and uses of funds) of the parties to the proposed transaction for 2 complete years prior to the proposed transaction.

The LDC's (i.e. NOW's) financial records from 2006 and 2007 are already on file with the Board.

- 1.4.4 Please attach the pro forma financial statements of each of the parties reflecting completion of the proposed transaction for the first full year following the year of the transaction.

No change.

1.5 Other Information

- 1.5.1 Please provide copies of all annual reports, proxy circulars, prospectuses or other information filed with securities commissions or similar authorities or sent to shareholders for each of the parties to the proposed transaction and their affiliates within the past 2 years.

None.

- 1.5.2 Please list all legal documents (including those currently in draft form if not yet executed) to be used to implement the proposed transaction.

(i) *Share Purchase Agreement* [Tab 3]

(ii) *Closing Agenda* [Tab 4]

- 1.5.3 Please list all Board issued licences held by the parties and confirm that the parties will be in compliance with all licence, code and rule requirements both before and after the proposed transaction. If any of the parties will not be in compliance with all applicable licences, codes and rules after completion of the proposed transaction, please explain the reasons for such noncompliance.

(Note: any application for an exemption from a provision of a rule or code is subject to a separate application process.)

The LDC has one Board issued licence, licence no. ED-2003-0018 [Tab 5]. The LDC is now and will remain in compliance with all licence, code and rule requirements before and after the proposed transaction.

- 1.5.4 Please explain whether the proposed transaction will cause a change of control, of any of the transmission or distribution system assets, at any time, during or by the end of the transaction. If yes, please complete Part II.

There will be no change of control of any of the transmission or distribution system assets.

PART II: ADDITIONAL FILING REQUIREMENTS FOR CHANGE IN CONTROL

If the proposed transaction would result in a change in control of any of the parties to the proposed transaction, this Part must be completed.

Given that there will be no change in control of the LDC, we have submitted responses under this Part, not because it is obligatory, but rather, because we thought the information would be useful to the Board.

2.1 Consumer Protection

- 2.1.1 Please indicate the impact the proposed transaction will have on consumers with respect to prices and the adequacy, reliability and quality of electricity service.

The proposed transaction will have no impact on consumers.

- 2.1.2 Please describe the steps, including details of any capital expenditure plans that will be taken to ensure that operational safety and system integrity are maintained after completion of the proposed transaction.

After completion of the proposed transaction, the LDC's operational safety will be maintained and current staff will continue to operate. The LDC has no new capital expenditure plans, other than those already filed with the Board (if any).

- 2.1.3 Please provide details, including any capital expenditure plans, of how quality and reliability of service will be maintained after completion of the proposed transaction. Indicate where service centres will be located and expected response times.

No changes are planned following this application.

- 2.1.4 Please indicate whether the parties to the proposed transaction intend to undertake a rate harmonization process after the proposed transaction is completed. If yes, please provide a description of the plan.

No, the parties to the proposed transaction do not intend to undertake a rate harmonization process after the proposed transaction is completed.

- 2.1.5 Please identify all incremental costs that the parties to the proposed transaction expect to incur. These may include incremental transaction costs, (i.e., legal), incremental merged costs (i.e., employee severances) and incremental ongoing costs (i.e., purchase and maintenance of new IT systems). Please explain how the new utility plans to finance these costs.

There are no incremental costs that the parties to the proposed transaction expect to incur, with the exception of modest legal costs to complete the transaction.

- 2.1.6 Please describe the changes, if any, in distribution or transmission rate levels (as applicable) and the impact on the total bill that may result from the proposed transaction.

No changes will be made to rate levels.

- 2.1.7 Please provide details of the costs and benefits of the proposed transaction to the customers of the parties to the proposed transaction.

Costs and benefits to customers will remain unchanged.

2.2 Economic Efficiency

- 2.2.1 Please indicate the impact the proposed transaction will have on economic efficiency and cost effectiveness (in the distribution or transmission of electricity). Details on the impacts of the proposed transaction on economic efficiency and cost effectiveness should include, but are not limited to, impacts on administration support functions such as IT, accounting, and customer service.

Economic efficiency and cost effectiveness will remain unchanged by the proposed transaction, except that minor transportation savings are expected from having all board meetings and shareholder meetings in the Town of Cochrane.

2.3 Financial Viability

- 2.3.1 Please provide a valuation of any assets or shares that will be transferred in the proposed transaction. Provide details on how this value was determined, including any assumptions made about future rate levels.

The price of the sale has been negotiated by arm's length parties. Please see Share Purchase Agreement [Tab 3].

- 2.3.2 If the price paid as part of the proposed transaction is significantly more than the book value of the assets of the selling utility, please provide details as to why this price will not have an adverse affect on the economic viability of the acquiring utility.

The acquirer is not a utility but a municipality, and there will be no impact on the rates paid by customers of the LDC. Please see also the response to question 2.3.3. (below).

- 2.3.3 Please provide details of the financing of the proposed transaction.

The proposed transaction will be financed entirely from the financial resources of Cochrane. The money is currently being held in a bank account of Cochrane and will be forwarded to the vendor upon completion of the transaction.

At the Closing Time, the Purchaser will pay to Miller Thomson LLP, in trust, by certified cheque, bank draft or other means of immediately available funds, the full sale price, to be held on the terms and subject to the conditions of an escrow agreement.

As soon as possible after receipt of Board approval to the Transactions, Miller Thomson LLP will pay to the Vendor, by certified cheque, bank draft or other means of immediately available funds, the full sale price.

Please see section 2.3 of the Share Purchase Agreement [Tab 3].

- 2.3.4 Please outline the capital (debt /equity) structure, on an actual basis, of the parties to the proposed transaction prior to the transaction and on a pro forma basis after completion of the proposed transaction. In order to allow the Board to assess any potential impacts on the utility's financial viability, please include the terms associated with the debt structure of the utility as well as the utility's dividend policy after the completion of the proposed transaction. Please ensure that any debt covenants associated with the debt issue are also disclosed.

No change to the capital structure.

- 2.3.5 Please provide details of any potential liabilities associated with the proposed transaction in relation to public health and safety matters or environmental matters. These may be matters that have been identified in the audited financial statements or they may be matters that the parties have become aware of since the release of the most recently audited financial statements. If there are any preexisting potential liabilities regarding public health and safety matters or environmental matters for any party to the proposed transaction, provide details on how the parties propose to deal with those potential liabilities after the transaction is completed. Specify who will have on-going liability for the pre-existing potential liabilities:

Please see Article 7, entitled "Indemnification," of the Share Purchase Agreement [Tab 3].

2.4 Other

- 2.4.1 If the proposed transaction requires the approval of a parent company, municipal council or any other entity please provide a copy of appropriate resolutions indicating that all such parties have approved the proposed transaction.

Please see:

- (i) *Municipal Resolution of Cochrane [Tab 6]*
- (ii) *Municipal Resolution of Iroquois Falls [Tab 7]*
- (iii) *Board Resolution of NOW [Tab 8]*
- (iv) *Board Resolution of NOE [Tab 9]*

- 2.4.2 Please list all suits, actions, investigations, inquiries or proceedings by any government body, or other legal or administrative proceeding, except proceedings before the Board, that have been instituted or threatened against each of the parties to the proposed transaction or any of their respective affiliates.

None.

- 2.4.3 Regarding net metering thresholds, the Board will, absent exceptional circumstances, add together the kW threshold amounts allocated to the individual utilities and assign the sum to the new or remaining utility. Please indicate the current net metering thresholds of the utilities involved in the proposed transaction. Please also indicate if there are any special circumstances that may warrant the Board using a different methodology to determine the net metering threshold for the new or remaining utility.

N/A

- 2.4.4 Please provide the Board with any other information that is relevant to the application. When providing this additional information, please have due regard to the Board's objectives in relation to electricity.

None.

PART III: ADDITIONAL FILING REQUIREMENTS REGARDING LEASE TRANSACTIONS

If the proposed transaction involves a leasing arrangement, this Part must be completed.

- 3.1.1 In addition to the information provided in section 1.3.4, please identify separately any assets in the service area that are owned, from those assets that are encumbered by any means, e.g., subject to a lease or debt covenant.

N/A

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TAB 1

NORTHERN ONTARIO WIRES INC.

Register of Directors – October 1, 2008

NAME	RESIDENCE ADDRESS	RES. CDN (Yes/No)	DATE APPOINTED	DATE RESIGNED
Douglas Alexander Theobald	456 11 th Avenue, P.O. Box 1371, Cochrane, Ontario, Canada, P0L 1C0	Yes	July 19, 2002	
William Daniel McIntyre	119 Devonshire Avenue, P.O. Box 681, Iroquois Falls, Ontario, Canada, P0K 1E0	Yes	November 1, 2000	
Denis Edmond Clement	300 13 th Avenue, P.O. Box 2235, Cochrane, Ontario, Canada, P0L 1C0	Yes	November 1, 2000	
Kenneth Douglas Graham	#1 Concession, Calvert Twp. P.O. Box 446, Iroquois Falls, Ontario, Canada, P0K 1G0	Yes	November 1, 2000	
Richard Gordon Amendola	179 11 th Avenue, Box 1884, Cochrane, Ontario, Canada, P0L 1C0	Yes	April 24, 2003	
Gilles Émilien Forget	Site 5, Box 9, R.R. #1, 1067 Cameron Avenue, Nellie Lake, Ontario, Canada, P0K 1G0	Yes	January 1, 2007	
Alan Spacek	7 Stewart Avenue, Kapuskasing, Ontario, Canada, P5N 1R9	Yes	January 1, 2007	
Lawrence Sydney Martin	361 10 th Avenue, P.O. Box 341, Cochrane, Ontario, Canada, P0L 1C0	Yes	January 1, 2004	

Iroquois Falls members are highlighted

Officers

NAME	TITLE	RESIDENCE ADDRESS
Douglas Alexander Theobald	Chief Executive Officer	456 11 th Avenue, P.O. Box 1371, Cochrane, Ontario, Canada, P0L 1C0
Monika Jane Malherbe	Chief Financial Officer	6 18 th Avenue P.O. Box 2349 Cochrane, Ontario P0L 1C0

NORTHERN ONTARIO ENERGY INC.

Register of Directors – October 1, 2008

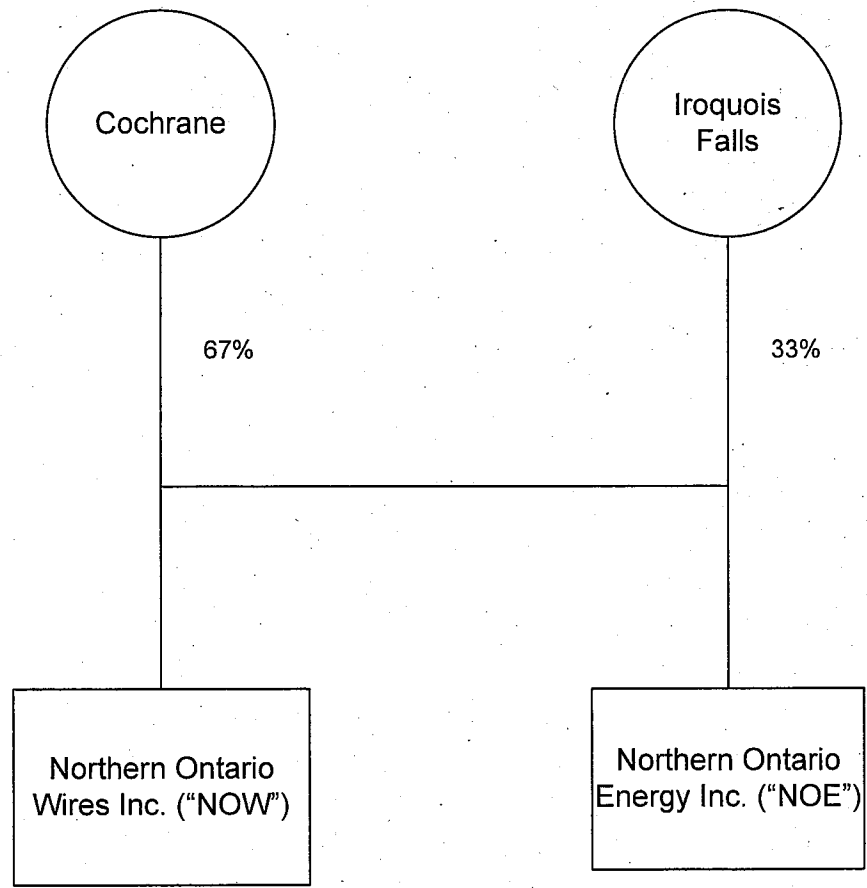
NAME	RESIDENCE ADDRESS	RES. CDN (Yes/No)	DATE APPOINTED	DATE RESIGNED
Douglas Alexander Theobald	456 11 th Avenue, P.O. Box 1371, Cochrane, Ontario, Canada, P0L 1C0	Yes	July 19, 2002	
Jean Luc Joseph Brousseau	354 8 th Street , P.O. Box 1328; Cochrane, Ontario, Canada, P0L 1C0	Yes	November 1, 2000	
James Gordon Maciejko	Lot 14, Concession 3, McCool Two, P.O. Box 417 Matheson, Ontario, Canada, P0K 1N0	Yes	November 1, 2000	

Iroquois Falls members are highlighted

Officers

NAME	TITLE	RESIDENCE ADDRESS
Douglas Alexander Theobald	Chief Executive Officer	456 11 th Avenue, P.O. Box 1371, Cochrane, Ontario, Canada, P0L 1C0
Monika Jane Malherbe	Chief Financial Officer	6 18 th Avenue P.O. Box 2349 Cochrane, Ontario P0L 1C0

TAB 2



TAB 3

SHARE PURCHASE AGREEMENT
BETWEEN
THE CORPORATION OF THE TOWN OF COCHRANE
AND
THE CORPORATION OF THE TOWN OF IROQUOIS FALLS

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SHARE PURCHASE AGREEMENT

THIS AGREEMENT made as of the 16th day of October, 2008.

BETWEEN:

THE CORPORATION OF THE TOWN OF COCHRANE, an
Ontario municipal corporation
(the "Purchaser")

and

**THE CORPORATION OF THE TOWN OF IROQUOIS
FALLS**, an Ontario municipal corporation
(the "Vendor")

RECITALS:

A. The authorized capital of each of the Corporation and NOE (as hereinafter defined) consists of an unlimited number of common shares of which 1,000 common shares have been duly issued and are outstanding as fully paid and non-assessable.

B. The Vendor is the registered and beneficial owner of three hundred and thirty (330) issued and outstanding common shares in the capital of each of the Corporation and NOE.

C. The Purchaser wishes to purchase and the Vendor wishes to sell such three hundred and thirty (330) issued and outstanding common shares in the capital of each of the Corporation and NOE on the terms and conditions herein contained.

NOW THEREFORE in consideration of the mutual covenants and agreements herein contained, it is agreed between the Parties as follows:

ARTICLE 1 INTERPRETATION

1.1 Definitions

In this Agreement and in the schedules hereto, the following terms and expressions will have the following meanings:

- (a) **"Agreement"** means this share purchase agreement and all instruments amending it; "hereof", "hereto" and "hereunder" and similar expressions mean and refer to this Agreement and not to any particular Article, Section, or other subdivision; "Article", "Section" or other subdivisions of this Agreement followed by a number means and refers to the specified Article, Section or other subdivision of this Agreement;
- (b) **"Business"** means the business carried on by the Corporation which primarily involves transmitting, distributing and retailing electricity and all operations

related thereto and the business carried on by NOE which primarily involves street lighting;

- (c) **"Business Day"** means any day other than a Saturday, a Sunday or a statutory holiday in the Province of Ontario or any other day on which the principal chartered banks located in the Town of Cochrane are not open for business during normal banking hours;
- (d) **"Claim"** has the meaning ascribed thereto in Section 7.3;
- (e) **"Closing"** means the completion of the Transactions pursuant to this Agreement at the Closing Time;
- (f) **"Closing Date"** means October 16, 2008 or such other date as the Parties may agree upon;
- (g) **"Closing Time"** means 10:00 a.m. in the Town of Cochrane on the Closing Date or such other time on the Closing Date as the Parties may agree upon as the time at which the Closing shall take place;
- (h) **"Consent"** means a license, permit, approval, consent, certificate, registration or authorization (including, without limitation, those made or issued by a Regulatory Authority, in respect of a Contract, or otherwise);
- (i) **"Contract"** means any agreement, understanding, indenture, contract, lease, deed of trust, license, option, instrument or other commitment, whether written or oral;
- (j) **"Corporation"** means Northern Ontario Wires Inc.;
- (k) **"Encumbrances"** means mortgages, charges, pledges, security interests, liens, encumbrances, actions, claims, demands and equities of any nature whatsoever or howsoever arising and any rights or privileges capable of becoming any of the foregoing;
- (l) **"GAAP"** means the generally accepted accounting principles so described and promulgated by the Canadian Institute of Chartered Accountants which are applicable as at the date on which any calculation made hereunder is to be effective or as at the date of any financial statements referred to herein, as the case maybe;
- (m) **"Indemnified Party"** has the meaning ascribed thereto in Section 7.3;
- (n) **"Indemnifying Party"** has the meaning ascribed thereto in Section 7.3;
- (o) **"Interim Period"** means the period from and including the date of this Agreement to and including the Closing Date;
- (p) **"Law"** or **"Laws"** means all requirements imposed by statutes, regulations, rules, ordinances, by-laws, decrees, codes, policies, judgments, orders, rulings,

decisions, approvals, notices, permits, guidelines or directives of any Regulatory Authority;

- (q) **"NOE"** means Northern Ontario Energy Inc.;
- (r) **"Parties"** means the Vendor, the Purchaser, and any other person that may become a party to this Agreement;
- (s) **"person"** includes any individual, corporation, partnership, firm, joint venture, syndicate, association, trust, government, governmental agency and any other form of entity or organization;
- (t) **"Purchase Price"** has the meaning ascribed thereto in Section 2.2;
- (u) **"Purchased Shares"** means three hundred and thirty (330) issued and outstanding common shares in the capital of each of the Corporation and NOE being sold by the Vendor and purchased by the Purchaser hereunder;
- (v) **"Regulatory Authority"** means any government, regulatory or administrative authority, agency, commission, utility or board (federal, provincial, municipal or local, domestic or foreign) having jurisdiction in the relevant circumstances and any person acting under the authority of any of the foregoing and any judicial, administrative or arbitral court, authority, tribunal or commission having jurisdiction in the relevant circumstances;
- (w) **"Release"** has the meaning ascribed thereto in Section 5.1.5(c);
- (x) **"Transactions"** means the purchase and sale of the Purchased Shares and all other transactions contemplated by this Agreement.

1.2 Currency

Unless otherwise indicated, all references to dollar amounts in this Agreement are expressed in Canadian currency.

1.3 Governing Law

This Agreement shall be governed by and construed and interpreted in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein. The Parties hereby irrevocably attorn to the non-exclusive jurisdiction of the courts of Ontario with respect to any matter arising under or related to this Agreement.

1.4 Interpretation Not Affected by 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.

1.5 Number and Gender

In this Agreement, unless the context otherwise requires, any reference to gender shall include both genders and words importing the singular number shall include the plural and vice-versa.

1.6 Time of Essence

Time shall be of the essence of every provision of this Agreement.

1.7 Severability

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 shall not affect the validity or enforceability of any other provision hereof.

1.8 Accounting Terms

All accounting terms not specifically defined in this Agreement shall be construed in accordance with GAAP.

1.9 Calculation of Time Periods

Where a time period is expressed herein to begin or end at, on or with a specified day, or to continue to or until a specified day, the time period includes that day. Where a time period is expressed herein to begin after or to be from a specified day, the time period does not include that day. Where anything is to be done within a time period expressed herein after, from or before a specified day, the time period does not include that day. If the last day of a time period is not a Business Day, the time period shall end on the next Business Day.

1.10 Statutory Instruments

Unless otherwise specifically provided in this Agreement, any reference in this Agreement to any Law shall be construed as a reference to such Law as amended or re-enacted from time to time or as a reference to any successor thereto.

1.11 Incorporation of Schedules

The following are the schedules attached to and incorporated by reference into this Agreement:

Schedule 2.3.1	Form of Escrow Agreement
Schedule 4.3.2	Board Member Qualifications
Schedule 5.1.4	Consents
Schedule 5.1.5(a)	Non-Competition Agreement
Schedule 5.1.5(c)	Release
Schedule 7.4.1	Arbitration Rules

ARTICLE 2 PURCHASE AND SALE

2.1 Purchased Shares

On the terms and subject to the fulfilment of the conditions hereof, the Vendor agrees to sell, assign and transfer to the Purchaser, and the Purchaser agrees to purchase from the Vendor at the Closing Time on the Closing Date, all of the Purchased Shares.

2.2 Purchase Price

The aggregate purchase price (the "Purchase Price") payable by the Purchaser to the Vendor for the Purchased Shares shall be one million (\$1,000,000) dollars.

2.3 Payment of Purchase Price

The Purchase Price shall be paid and satisfied as follows:

- 2.3.1. At the Closing Time, the Purchaser will pay to Miller Thomson LLP, in trust, by certified cheque, bank draft or other means of immediately available funds, the sum of one million (\$1,000,000) dollars, which sum shall be held in an interest bearing account on the terms and subject to the conditions of an escrow agreement in the form of the draft agreement attached hereto as Schedule 2.3.1.
- 2.3.2. As soon as possible after receipt of the approval of the Ontario Energy Board to the Transactions, Miller Thomson LLP will pay to the Vendor, by certified cheque, bank draft or other means of immediately available funds, one million (\$1,000,000) dollars, plus all interest earned thereon.

2.4 Allocation of Purchase Price

The Parties acknowledge and agree that nine hundred and ninety-nine thousand dollars (\$999,000) of the Purchase Price shall be allocated to the Purchased Shares of the Corporation and one thousand dollars (\$1,000) shall be allocated to the Purchased Shares of NOE.

ARTICLE 3 REPRESENTATIONS AND WARRANTIES

3.1 Representations and Warranties of the Vendor

The Vendor hereby makes the following representations and warranties to the Purchaser and acknowledges that the Purchaser is relying on such representations and warranties in entering into this Agreement and completing the Transactions:

3.1.1 *Incorporation and Existence of the Vendor.*

The Vendor is a corporation incorporated and existing under the laws of Ontario.

3.1.2 *Options.*

Except for the Purchaser's right hereunder, no person has any option, warrant, right, call, commitment, conversion right, right of exchange or other agreement or any right or privilege (whether by law, pre-emptive or contractual) capable of becoming an option, warrant, right, call, commitment, conversion right, right of exchange or other agreement for (i) the purchase from the Vendor of any of the Purchased Shares; (ii) the purchase, subscription, allotment or issuance of any unissued shares or securities of the Corporation or NOE; or (iii) other than in the ordinary course of the Business, the purchase or other acquisition from the Corporation or NOE of any of its undertaking, property or assets.

3.1.3 *Title to Purchased Shares.*

The Purchased Shares are owned by the Vendor as the registered and beneficial owner thereof with good and marketable title thereto, free and clear of all Encumbrances.

3.1.4 *Validity of Agreement.*

- (a) The Vendor has all necessary corporate power to own the Purchased Shares and to enter into and perform its obligations under this Agreement, and the Vendor has all necessary corporate power to enter into and perform its obligations under any other agreements or instruments to be delivered or given by it pursuant to this Agreement.
- (b) The Vendor's execution and delivery of, and performance of its obligations under, this Agreement and the consummation of the Transactions have been duly authorized by all necessary corporate action on the part of the Vendor and in accordance with the provisions of the *Municipal Act, 2001* and any procedural Bylaw of the Vendor.
- (c) This Agreement or any other agreements entered into pursuant to this Agreement to which the Vendor is a party constitute legal, valid and binding obligations of the Vendor, enforceable against the Vendor in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency and other laws affecting the rights of creditors generally and except that equitable remedies may be granted only in the discretion of a court of competent jurisdiction.

3.1.5 *No Violation.*

The execution and delivery of this Agreement by the Vendor, the consummation of the Transactions and the fulfilment by the Vendor of the terms, conditions and provisions hereof will not (with or without the giving of notice or lapse of time, or both):

- (a) contravene or violate or result in a breach or a default under or give rise to a right of termination, amendment or cancellation or the acceleration of any obligations of the Vendor, under:

- (i) any applicable Law;
 - (ii) any judgment, order, writ, injunction or decree of any Regulatory Authority having jurisdiction over the Vendor;
 - (iii) the articles, by-laws or any resolutions of the Council of the Vendor;
 - (iv) any Consent held by the Vendor, or necessary to the ownership of the Purchased Shares or the operation of the Business; or
 - (v) the provisions of any Contract to which the Vendor, is a party or by which it is, or any of its properties or assets are, bound; or
- (b) result in the creation or imposition of any Encumbrance on any of the Purchased Shares or any of the property or assets of the Corporation or NOE.

3.1.6 *Regulatory and Contractual Consents.*

- (a) There is no requirement to make any filing with, give any notice to or obtain any Consent from any Regulatory Authority as a condition to the lawful consummation of the Transactions, except for the approval of the Ontario Energy Board;
- (b) There is no requirement under any Contract to which the Vendor is a party or by which it is bound to make any filing with, give any notice to, or to obtain the Consent of, any party to such Contract relating to the Transactions.

3.1.7 *Brokers.*

The Vendor has not engaged any broker or other agent in connection with the Transactions and, accordingly, there is no commission, fee or other remuneration payable to any broker or agent who purports or may purport to act or have acted for the Vendor.

3.2 Representations and Warranties of the Purchaser

The Purchaser hereby makes the following representations and warranties to the Vendor and acknowledges that the Vendor is relying on such representations and warranties in entering into this Agreement and completing the Transactions:

3.2.1 *Incorporation and Existence.*

The Purchaser is a corporation incorporated and existing under the laws of Ontario.

3.2.2 *Validity of Agreement.*

- (a) The Purchaser has all necessary corporate power to own the Purchased Shares. The Purchaser has all necessary corporate power to enter into and perform its obligations under this Agreement and any other agreements or instruments to be delivered or given by it pursuant to this Agreement.

- (b) The execution, delivery and performance by the Purchaser of this Agreement and the consummation of the Transactions have been duly authorized by all necessary corporate action on the part of the Purchaser and in accordance with the provisions of the *Municipal Act*, 2001 and any procedural Bylaw of the Purchaser.
- (c) This Agreement or any other agreements entered into pursuant to this Agreement to which the Purchaser is a party constitute legal, valid and binding obligations of the Purchaser, enforceable against the Purchaser in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency and other laws affecting the rights of creditors generally and except that equitable remedies may be granted only in the discretion of a court of competent jurisdiction.

3.2.3 *No Violation.*

The execution and delivery of this Agreement by the Purchaser, the consummation of the Transactions and the fulfilment by the Purchaser of the terms, conditions and provisions hereof will not (with or without the giving of notice or lapse of time, or both):

- (a) contravene or violate or result in a breach or a default under or give rise to a right of termination, amendment or cancellation or the acceleration of any obligations of the Purchaser, under:
 - (i) any applicable Law;
 - (ii) any judgment, order, writ, injunction or decree of any Regulatory Authority having jurisdiction over the Purchaser;
 - (iii) the articles, by-laws or any resolutions of the Council of the Purchaser;
 - (iv) any Consent held by the Purchaser; or
 - (v) the provisions of any Contract to which the Purchaser is a party or by which it is, or any of its properties or assets are, bound.

3.2.4 *Brokers.*

The Purchaser has not engaged any broker or other agent in connection with the Transactions and, accordingly, there is no commission, fee or other remuneration payable to any broker or agent who purports or may purport to have acted for the Purchaser.

3.2.5 *Consents.*

There is no requirement for the Purchaser to make any filing with, give any notice to or obtain any Consent from any Regulatory Authority as a condition to the lawful consummation of the Transactions except for the approval of the Ontario Energy Board.

3.3 Survival of Covenants, Representations and Warranties of the Vendor

To the extent that they have not been fully performed at or prior to the Closing Time, the covenants, representations and warranties of the Vendor contained in this Agreement and any agreement, instrument, certificate or other document executed or delivered pursuant to this Agreement shall survive the Closing and shall continue for the benefit of the Purchaser for a period of three (3) years notwithstanding such Closing, nor any investigation made by or on behalf of the Purchaser or any knowledge of the Purchaser, except that:

- 3.3.1. the representations and warranties set out in Sections 3.1.1 to and including 3.1.3, and the corresponding representations and warranties set out in the certificates to be delivered pursuant to Section 5.1.1, shall survive the Closing and continue in full force and effect without limitation of time;
- 3.3.2. a claim for breach of any such representation or warranty, to be effective, must be asserted in writing on or prior to the applicable expiration time set out in this Section 3.3, provided that a claim for any breach of any of the representations and warranties contained in this Agreement or in any agreement, instrument, certificate or other document executed or delivered pursuant hereto involving fraud or fraudulent misrepresentations may be made at any time following the Closing Date, subject only to applicable limitation periods imposed by Law.

3.4 Survival of Covenants, Representations and Warranties of the Purchaser

To the extent that they have not been fully performed at or prior to the Closing Time, the covenants, representations and warranties of the Purchaser contained in this Agreement and in any agreement, instrument, certificate or other document delivered pursuant to this Agreement shall survive the Closing and shall continue for the benefit of the Vendor for a period of three (3) years notwithstanding such Closing, nor any investigation made by or on behalf of the Vendor or any knowledge of the Vendor, except that:

- 3.4.1. the representations and warranties set out in Sections 3.2.1 and 3.2.2, and the corresponding representations and warranties set out in the certificates to be delivered pursuant to Section 5.3.1, shall survive the Closing and shall continue in full force and effect without limitation of time; and
- 3.4.2. a claim for breach of any such representation or warranty, to be effective, must be asserted in writing on or prior to the applicable expiration time set out in this Section 3.4, provided that a claim for any breach of any of the representations and warranties contained in this Agreement or in any agreement, instrument, certificate or other document executed or delivered pursuant hereto involving fraud or fraudulent misrepresentations may be made at any time following the Closing Date, subject only to applicable limitation periods imposed by Law.

ARTICLE 4 COVENANTS

4.1 Conduct During Interim Period

During the Interim Period, without in any way limiting any other obligations of the Vendor and the Purchaser hereunder:

4.1.1 *Conduct Business in the Ordinary Course.*

The Vendor and the Purchaser shall cause the Corporation and NOE to conduct the Business and the operations and affairs of the Corporation and NOE only in the ordinary course of the Business consistent with past practice, and the Vendor and the Purchaser shall ensure that the Corporation and NOE shall not, without the prior written consent of the Vendor and the Purchaser, enter into any transaction or refrain from doing any action that would constitute a breach of any representation, warranty, covenant or other obligation of the Parties contained herein, and provided further that, without limiting the generality of the foregoing, the Vendor and the Purchaser shall cause the Corporation and NOE to ensure that none of the Corporation or NOE:

- (a) amends its articles, by-laws, constating documents or other organizational documents;
- (b) amalgamates, merges or consolidates with, or acquires all or substantially all the shares or assets of any person; or
- (c) transfers, leases, licenses, sells or otherwise disposes of any of its assets except for inventory, or permits any Encumbrance to attach to or affect any of its assets, other than in the ordinary course of the Business consistent with past practice.

4.1.2 *Regulatory Consents.*

The Vendor and the Purchaser shall use their respective best efforts to obtain as soon as practicable after the Closing Time the consent of the Ontario Energy Board.

4.1.3 *Corporate Action.*

The Purchaser and the Vendor shall take and cause the Corporation and NOE to take all necessary corporate action, steps and proceedings to approve or authorize, validly and effectively, the execution and delivery of this Agreement and the other agreements and documents contemplated hereby and to complete the transfer of the Purchased Shares to the Purchaser free and clear of all Encumbrances and to cause all necessary meetings of directors and shareholders of NOE and the Corporation to be held for such purpose.

4.1.4 *Exclusive Dealing.*

Neither the Vendor nor the Purchaser shall take any action, directly or indirectly, to encourage, initiate or engage in discussions or negotiations with, or provide any

information to any person, other than the Purchaser, concerning any purchase of any shares in the capital of the Corporation or NOE the material assets of the Corporation or NOE, a controlling interest in NOE or the Corporation or any merger, sale of substantial assets or similar transaction involving the Corporation, NOE or the Business, and the Parties shall ensure that the Corporation and NOE does not take any such action.

4.2 Satisfaction of Closing Conditions

The Vendor agrees to use its best efforts to ensure that the conditions set forth in Section 5.1, and the Purchaser agrees to use its best efforts to ensure that the conditions set forth in Section 5.3, are fulfilled at or prior to the Closing Time. Each of the Parties agrees use its best efforts to ensure that the conditions set forth in Section 5.5 are fulfilled at or prior to the Closing Time.

4.3 Post Closing Covenants

4.3.1 *Sale of the Corporation.*

The Purchaser agrees to pay to the Vendor thirty-three percent (33%) of the Net Proceeds (the "Vendor's Portion") received by the Purchaser arising from the completion of the sale of all or a part of the shares the Corporation or a sale of substantially all of the assets of the Corporation within three (3) years of the Closing Date, to the extent, if any, that the Vendor's Portion exceeds one million (\$1,000,000) dollars (or the pro-rata portion thereof to the extent that the sale is for a part of the shares of the Corporation). "Net Proceeds" means the aggregate consideration paid to the Purchaser by the buyer of the Corporation, net of all applicable taxes and all accounting, legal, broker or other costs incurred by the Purchaser in completing the sale. The amount that would be payable to the Vendor under this Section 4.3.1 is shown by the following example:

Aggregate Sale Price	\$ 6,000,000
Taxes	1,500,000
Broker and Other Costs	\$ <u>500,000</u>
	\$ 4,000,000
Vendor's Portion (33%)	<u>1,320,000</u>
Less	\$ <u>1,000,000</u>
Amount Payable to Vendor	\$ <u><u>320,000</u></u>

4.3.2 *Board Representation.*

So long as the Purchaser owns more than fifty percent (50%) of the issued and outstanding shares of the Corporation and provided that the Corporation continues to provide electricity services to the Town of Iroquois Falls, the Purchaser agrees to annually elect to the Board of Directors of the Corporation such nominee as may be designated in writing by the Municipal Council of the Vendor at least thirty (30) days prior to each annual meeting of the Corporation, provided such nominee:

- (a) consents in writing to act as a director of the Corporation in the prescribed form;
- (b) is not the Mayor or a Councillor of the Vendor or an employee of the Vendor; and
- (c) meets the qualifications sets forth in Schedule 4.3.2 hereof.

4.4 Existing Shareholders Agreement

The Parties acknowledge that the Shareholders Agreement dated as of November 1, 2000, as amended, among the Parties, the Corporation and NOE, shall terminate and cease to have any force or effect at the at the Closing Time on the Closing Date.

4.5 Conduct Until OEB Approval is Obtained

Until the approval of the Ontario Energy Board is obtained to the Transactions, the Purchaser shall cause the Corporation and NOE to conduct the Business and the operations and affairs of the Corporation and NOE only in the ordinary course of the Business consistent with past practice, and the Purchaser shall ensure that neither the Corporation nor NOE shall, without the prior written consent of the Vendor:

- (a) amends its articles, by-laws, constating documents or other organizational documents;
- (b) amalgamates, merges or consolidates with, or acquires all or substantially all the shares or assets of any person; or
- (c) transfers, leases, licenses, sells or otherwise disposes of any of its assets except for inventory, or permits any Encumbrance to attach to or affect any of its assets, other than in the ordinary course of the Business consistent with past practice.

ARTICLE 5 CONDITIONS OF CLOSING

5.1 Conditions for the Benefit of the Purchaser

The obligation of the Purchaser to complete the Transactions will be subject to the fulfilment of the following conditions at or prior to the Closing Time:

5.1.1 *Representations, Warranties and Covenants.*

The representations and warranties of the Vendor made in or pursuant to this Agreement shall be true and accurate at the Closing Time with the same force and effect as though such representations and warranties had been made as of the Closing Time. The Vendor shall have complied with all covenants and agreements herein agreed to be performed or caused to be performed by it at or prior to the Closing Time. In addition, the Vendor shall have delivered to the Purchaser a certificate confirming the foregoing. The receipt of such certificate and the completion of the Transactions shall not be deemed to constitute a waiver of any of the representations, warranties or covenants of the Vendor contained in this Agreement. Such

representations, warranties and covenants shall continue in full force and effect as provided in Section 3.3.

5.1.2 *No Material Adverse Change.*

Except as has been specifically permitted in this Agreement, since the date of this Agreement there shall not have been:

- (a) any material adverse change in any of the assets, business, financial condition, earnings, results of operations or prospects of the Corporation that has, or threatens to have, a material adverse effect on the assets, business, financial condition, earnings, results of operations or prospects of the Corporation on a consolidated basis or which might materially adversely affect the ability of the Corporation to carry on the Business after the Closing substantially as such Business is being conducted upon the date hereof; or
- (b) any damage, destruction or loss, or other event, development or condition of any character (whether or not covered by insurance) which would have a material adverse effect on the assets, business, financial condition, earnings, results of operations or prospects of the Corporation on a consolidated basis.

5.1.3 *No Action to Restrain/No Adverse Law.*

No Law shall have been made, and no action or proceeding shall be pending or threatened, which is likely to result in an order, decision or ruling imposing any limitations or conditions which may have a material adverse effect on the Transactions, the right of the Purchaser to own the Purchased Shares, or the assets, business, financial condition, earnings, results of operations or prospects of the Corporation on a consolidated basis.

5.1.4 *Consents.*

All filings, notifications and Consents with, to or from Regulatory Authorities and third parties, including the parties to the material Contracts listed on Schedule 5.1.4, required to permit the change of ownership of the Purchased Shares contemplated hereby without resulting in the violation of or a default under or any termination, amendment or acceleration of any obligation under any licence, permit, lease, or material Contract affecting the Business or otherwise adversely affecting the Business, the Corporation or NOE, shall have been made, given or obtained on terms acceptable to the Purchaser acting reasonably.

5.1.5 *Deliveries.*

The Vendor shall have delivered to the Purchaser the following in form and substance satisfactory to the Purchaser:

- (a) non-competition agreement duly executed by the Vendor substantially in the form of the agreement attached as Schedule 5.1(5)(a);

- (b) duly executed resignations effective as at the Closing Time of each director and officer of the Corporation and NOE specified by the Purchaser;
- (c) releases from the Vendor and each of the individuals specified in Section 5.1.5(b) of all claims they may have against the Corporation or NOE substantially in the terms of the release attached as Schedule 5.1(5)(c);
- (d) all documentation and other evidence reasonably requested by the Purchaser in order to establish the due authorization and consummation of the Transactions, by the Vendor, including the taking of all corporate proceedings by the Council of the Vendor.

5.2 Waiver or Termination by the Purchaser

The conditions contained in Section 5.1 hereof are inserted for the exclusive benefit of the Purchaser and may be waived in whole or in part by the Purchaser at any time without prejudice to any of its rights of termination in the event of non-performance of any other condition in whole or in part. If any of the conditions contained in Section 5.1 hereof are not fulfilled or complied with by the time as herein provided, the Purchaser may, at or prior to the Closing Time, terminate this Agreement by notice in writing after such time required to the Vendor. In such event the Purchaser shall be released from all obligations hereunder (except as set out in Section 5.6) and, unless the condition or conditions which have not been fulfilled are reasonably capable of being fulfilled or caused to be fulfilled by the Vendor, then the Vendor shall also be released from all obligations hereunder (except as set out in Section 5.6).

5.3 Conditions for the Benefit of the Vendor

Notwithstanding anything herein contained, the obligations of the Vendor to complete the Transactions will be subject to the fulfilment of the following conditions at or prior to the Closing Time:

5.3.1 *Representations, Warranties and Covenants.*

The representations and warranties of the Purchaser made in or pursuant to this Agreement shall be true and accurate at the Closing Time with the same force and effect as though such representations and warranties had been made as of the Closing Time. The Purchaser shall have complied with all covenants and agreements herein agreed to be performed or caused to be performed by it at or prior to the Closing Time. In addition, the Purchaser shall have delivered to the Vendor a certificate confirming the foregoing. The receipt of such certificate and the completion of the Transactions shall not be deemed to constitute a waiver of any of the representations, warranties or covenants of the Purchaser contained in this Agreement. Such representations, warranties and covenants shall continue in full force and effect as provided in Section 3.4.

5.4 Waiver or Termination by the Vendor

The conditions contained in Section 5.3 hereof are inserted for the exclusive benefit of the Vendor and may be waived in whole or in part by the Vendor at any time without prejudice to

any of their rights of termination in the event of non-performance of any other condition in whole or in part. If any of the conditions contained in Section 5.3 hereof are not fulfilled or complied with by the time as herein provided, the Vendor may, at or prior to the Closing Time, terminate this Agreement by notice in writing after such time to the Purchaser. In such event the Vendor shall be released from all obligations hereunder (except as set out in Section 5.6) and, unless the condition or conditions which have not been fulfilled are reasonably capable of being fulfilled or caused to be fulfilled by the Purchaser, then the Purchaser shall also be released from all obligations hereunder (except as set out in Section 5.6).

5.5 Conditions Precedent

The purchase and sale of the Purchased Shares is subject to the following conditions to be fulfilled at or prior to the Closing Time, which conditions are true conditions precedent to the completion of the Transactions:

5.5.1 *No Legal Action.*

No action or proceeding shall be pending or threatened by any person to enjoin, restrict or prohibit any of the Transactions or the right of the Corporation to conduct the Business after Closing on substantially the same basis as heretofore conducted.

5.5.2 *Corporate Approvals.*

The Board of Directors of each of the Corporation and NOE shall have approved the transfer of the Purchased Shares to the Purchaser.

If any conditions precedent shall not have been fulfilled at or prior to the Closing Time, this Agreement shall be terminated and the Parties shall be released from all obligations hereunder, except as set out in Section 5.6.

5.6 Condition Subsequent

The purchase and sale of the Purchased Shares is subject to the following condition to be fulfilled after the Closing Time as more particularly described in the Escrow Agreement, namely the Ontario Energy Board shall have provided its approval of the Transactions.

5.7 Survival following Termination

In the event of termination of this Agreement at or prior to the Closing Time pursuant to Sections 5.2, 5.4 or 5.5, the provisions of Article 1, and Article 8 and Sections 5.2, 5.4 or 5.5 shall survive such termination indefinitely.

ARTICLE 6 CLOSING ARRANGEMENTS

6.1 Place of Closing

The Closing shall take place at the Closing Time.

6.2 Deliveries at the Closing

At the Closing Time, upon fulfillment of all the conditions set out in Article 5 that have not been waived in writing by the Purchaser or the Vendor, as applicable, the Vendor shall deliver to the Purchaser certificates evidencing all the Purchased Shares, duly endorsed in blank for transfer, the Vendor shall deliver such documents as are required or contemplated to be delivered by the Vendor pursuant to this Agreement, the Purchase Price shall be paid or delivered in the manner provided in Section 2.3, and the Purchaser shall deliver such documents as are required or contemplated to be delivered by the Purchaser pursuant to this Agreement.

ARTICLE 7 INDEMNIFICATION

7.1 Indemnification by the Vendor

Subject to Section 3.3, the Vendor shall indemnify and save the Purchaser harmless for and from:

- 7.1.1. Any loss, damages or deficiencies suffered by the Purchaser or by the Corporation or NOE 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 or document delivered pursuant to or contemplated by this Agreement;
- 7.1.2. Thirty-three percent (33%) of:
 - (a) all liabilities of each of the Corporation and NOE in respect of a period ending on or prior to December 31, 2007, other than liabilities provided for or disclosed in the 2007 audited financial statements of each of the Corporation and NOE, and
 - (b) all contingent or unknown liabilities which either of the Corporation or NOE becomes obligated to pay in respect of the period beginning on January 1, 2008 and ending at the Closing Time. For purposes hereof, contingent liabilities shall not include any liabilities arising in the normal course of business which have been accrued or provided for, or should have been accrued or provided for, in the books and accounts of each of the Corporation and NOE.
- 7.1.3. Thirty-three percent (33%) of any assessment or reassessment against either the Corporation or NOE for taxes (including interest and penalties thereon) for any period up to December 31, 2007, other than for the portion thereof provided for in the 2007 audited financial statements of each of the Corporation and NOE.
- 7.1.4. Thirty-three percent (33%) of any liabilities or costs incurred by the Corporation or NOE as a result of a breach of environmental laws and any clean-up or corrective action arising from such a breach of environmental laws to the extent that the breach arose from circumstances in existence on or prior to the Closing Date other than in respect of the portion thereof provided for in the books and accounts of the Corporation and/or NOE or in respect of breaches which the Corporation knows of, at the date hereof.

- 7.1.5. All claims, demands, costs and expenses, including legal fees, in respect of the foregoing.

Notwithstanding anything to the contrary contained in Sections 7.1.2, 7.1.3, 7.1.4 and 7.1.5, the Vendor shall have no obligation to indemnify under Sections 7.1.2, 7.1.3, 7.1.4 and 7.1.5:

- (a) unless the Claims in respect of which the Vendor has given an indemnity, in the aggregate, exceed \$33,000 and shall apply only in respect of such excess, or
- (b) for an amount in excess of the Purchase Price.

7.2 Indemnification by the Purchaser

Subject to Section 3.4, the Purchaser shall indemnify and save the Vendor harmless for and from:

- 7.2.1. any loss, damages or deficiencies 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 or document delivered pursuant to or contemplated by this Agreement; and
- 7.2.2. all claims, demands, costs and expenses, including legal fees, in respect of the foregoing.

7.3 Notice of Claim

A Party entitled to and seeking indemnification pursuant to the terms of this Agreement (the "Indemnified Party") shall promptly give written notice to the Party or Parties, as applicable, responsible for indemnifying the Indemnified Party (the "Indemnifying Party") of any claim for indemnification pursuant to Sections 7.1 or 7.2 (a "Claim", which term shall include more than one Claim). Such notice shall specify whether the Claim arises as a result of a claim by a person against the Indemnified Party (a "Third Party Claim") or whether the Claim does not so arise (a "Direct Claim"), and shall also specify with reasonable particularity (to the extent that the information is available):

- 7.3.1. the factual basis for the Claim; and
- 7.3.2. the amount of the Claim, or, if any amount is not then determinable, an approximate and reasonable estimate of the likely amount of the Claim.

7.4 Procedure for Indemnification

7.4.1 *Direct Claims.*

With respect to Direct Claims, following receipt of notice from the Indemnified Party of a Claim, the Indemnifying Party shall have 30 days to make such investigation of the Claim as the Indemnifying Party considers necessary or desirable. For the purpose of such investigation, the Indemnified Party shall make available to the Indemnifying Party the information relied upon by the Indemnified Party to substantiate the Claim. If the Indemnified Party and the Indemnifying Party agree at or prior to the expiration

of such 30 day period (or any mutually agreed upon extension thereof) to the validity and amount of such Claim, the Indemnifying Party shall immediately pay to the Indemnified Party the full agreed upon amount of the Claim.

If the Indemnified Party and the Indemnifying Party do not agree within such period (or any mutually agreed upon extension thereof), the Indemnified Party and the Indemnifying Party agree that the dispute shall be submitted to arbitration pursuant to the Arbitration Act, 1991 (Ontario). Such dispute shall not be made the subject matter of an action in a court by either the Indemnified Party or the Indemnifying Party unless the dispute has first been submitted to arbitration and finally determined in accordance with the provisions of Schedule 7.4.1. Any such action commenced thereafter shall only be for judgment in accordance with the decision of the arbitrators and the costs incidental to the action. In any such action the decision of the arbitrators shall be conclusively deemed to determine the rights and liabilities as between the Parties to the arbitration in respect of the matter in dispute.

7.4.2 *Third Party Claims.*

- (a) With respect to any Third Party Claim not provided for in Section 7.4.2(b) hereof, the Indemnifying Party shall have the right, at its own expense, to participate in or assume control of the negotiation, settlement or defence of such Third Party Claim and, in such event, the Indemnifying Party shall reimburse the Indemnified Party for all the Indemnified Party's out-of-pocket expenses incurred as a result of such participation or assumption. If the Indemnifying Party elects to assume such control, the Indemnified Party shall cooperate with the Indemnifying Party, shall have the right to participate in the negotiation, settlement or defence of such Third Party Claim at its own expense and shall have the right to disagree on reasonable grounds with the selection and retention of counsel, in which case counsel satisfactory to the Indemnifying Party and the Indemnified Party shall be retained by the Indemnifying Party. If the Indemnifying Party, having elected to assume such control, thereafter fails to defend any such Third Party Claim within a reasonable time, the Indemnified Party shall be entitled to assume such control and the Indemnifying Party shall be bound by the results obtained by the Indemnified Party with respect to such Third Party Claim.
- (b) With respect to any Third Party Claim relating to Sections 7.1.2, 7.1.3 or 7.1.4 hereof, the Vendor shall have the right, at its own expense, to participate in the negotiation, settlement or defence of such Third Party Claim.

7.5 **General Indemnification Rules**

The obligations of the Indemnifying Party to indemnify the Indemnified Party in respect of Claims shall also be subject to the following:

- 7.5.1. Any Claim arising as a result of a breach of a representation or warranty shall be made not later than the date on which, pursuant to Sections 3.3 and 3.4, such representation and warranty terminated;

- 7.5.2. In the event that any Third Party Claim is of a nature such that the Indemnified Party is required by applicable law to make a payment to any person (a "Third Party") with respect to such Third Party Claim before the completion of settlement negotiations or related legal proceedings, the Indemnified Party may make such payment and the Indemnifying Party shall, forthwith after demand by the Indemnified Party, reimburse the Indemnified Party for any such payment. If the amount of any liability of the Indemnified Party under the Third Party Claim in respect of which such a payment was made, as finally determined, is less than the amount which was paid by the Indemnifying Party to the Indemnified Party, the Indemnified Party shall, forthwith after receipt of the difference from the Third Party, pay the amount of such difference to the Indemnifying Party;
- 7.5.3. Except in the circumstance contemplated by Section 7.5.4, and whether or not the Indemnifying Party assumes control of the negotiation, settlement or defence of any Third Party Claim, the Indemnified Party shall not negotiate, settle, compromise or pay any Third Party Claim except with the prior written consent of the Indemnifying Party (which consent shall not be unreasonably withheld);
- 7.5.4. The Indemnified Party shall not permit any right of appeal in respect of any Third Party Claim to terminate without giving the Indemnifying Party notice thereof and an opportunity to contest such Third Party Claim;
- 7.5.5. The Indemnified Party and the Indemnifying Party shall cooperate fully with each other with respect to Third Party Claims and shall keep each other fully advised with respect thereto (including supplying copies of all relevant documentation promptly as it becomes available); and
- 7.5.6. Notwithstanding Section 7.4.2, the Indemnifying Party shall not settle any Third Party Claim or conduct any related legal or administrative proceeding in a manner which would, in the opinion of the Indemnified Party, acting reasonably, have a material adverse impact on the Indemnified Party.

ARTICLE 8

GENERAL

8.1 Notice

- 8.1.1. Any notice or other communication required or permitted to be given hereunder shall be in writing and shall be delivered in person, transmitted by facsimile or similar means of recorded electronic communication or sent by registered mail, charges prepaid, addressed as follows:

- (a) if to the Vendor:

The Corporation of the Town of Iroquois Falls
Town of Iroquois Falls
253 Main Street
P.O. Box 230
Iroquois Falls, ON P0K 1G0

Attention: Michel Morrisette

Fax No.: ●

(b) if to the Purchaser:

The Corporation of the Town of Cochrane

171 Fourth Avenue

P.O. Box 490

Cochrane, ON P0L 1C0

Attention: Jean-Pierre Ouellette

Fax No.: ●

8.1.2. Any such notice or other communication shall be deemed to have been given and received on the day on which it was delivered or transmitted (or, if such day is not a Business Day, on the next following Business Day) or, if mailed, on the third Business Day following the date of mailing; provided, however, that if at the time of mailing or within three Business Days thereafter there is or occurs a labour dispute or other event that might reasonably be expected to disrupt the delivery of documents by mail, any notice or other communication hereunder shall be delivered or transmitted by means of recorded electronic communication as aforesaid.

8.1.3. Any Party may at any time change its address for service from time to time by giving notice to the other Parties in accordance with this Section 8.1.

8.2 Public Announcements and Disclosure.

The Parties shall consult with each other before issuing any press release or making any other public announcement with respect to this Agreement or the Transactions and, except as required by any applicable Law, no Party shall issue any such press release or make any such public announcement without the prior written consent of the others, which consent shall not be unreasonably withheld or delayed.

8.3 Assignment.

Neither the Vendor nor the Purchaser may assign its rights under this Agreement.

8.4 Best Efforts.

The Parties acknowledge and agree that, for all purposes of this Agreement, an obligation on the part of any Party to use its "best efforts" to obtain any waiver, Consent or other document shall not require such Party to make any payment to any person for the purpose of procuring the same, other than payments for amounts due and payable to such person, payments for incidental expenses incurred by such person and payments required by any applicable law or regulation.

8.5 Expenses.

Unless otherwise provided herein, each of the Vendor and the Purchaser shall 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 Transactions. Notwithstanding the foregoing, the Vendor and the Purchaser shall share on a fifty/fifty (50/50) basis the fees and expenses of Miller Thomson LLP relating to the negotiation and settlement of this Agreement and the completion of the Transactions. In the event of termination of this Agreement, the obligation of each Party under this Section 8.5 shall remain in effect.

8.6 Further Assurances.

Each of the Parties shall promptly do, make, execute, deliver, or cause to be done, made, executed or delivered, all such further acts, documents and things as the other Parties hereto may reasonably require from time to time after Closing at the expense of the requesting Party for the purpose of giving effect to this Agreement and shall 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.

8.7 Entire Agreement.

This Agreement, including all Schedules attached hereto, constitutes the entire agreement between the Parties with respect to the subject matter hereof and supersedes all prior agreements, understandings, negotiations and discussions, whether written or oral. There are no conditions, covenants, agreements, representations, warranties or other provisions, express or implied, collateral, statutory or otherwise, relating to the subject matter hereof except as herein provided. No reliance is placed by any Party hereto on any warranty, representation, opinion, advice or assertion of fact made by any Party hereto or its Councillors, officers, employees or agents, to any other Party hereto or its directors, officers, employees or agents, except to the extent that the same has been reduced to writing and included in this Agreement.

8.8 Waiver, Amendment.

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

8.9 Rights Cumulative.

The rights and remedies of the Parties hereunder are cumulative and not alternative.

8.10 Counterparts.

This Agreement may be executed in counterparts, each of which shall constitute an original and all of which taken together shall constitute one and the same instrument.

IN WITNESS WHEREOF this Agreement has been executed by the Parties.

**THE CORPORATION OF THE TOWN
OF COCHRANE**

Per: _____

Title

MAYOR

Per: _____

Title

CAO

I/We have the authority to bind the corporation

**THE CORPORATION OF THE TOWN
OF IROQUOIS FALLS**

Per: _____

Title

MAYOR

Per: _____

Title

I/We have the authority to bind the corporation

MICHEL MORRISSETTE
Clerk Administrator

SCHEDULE 2.3.1

ESCROW AGREEMENT

THE CORPORATION OF THE TOWN OF COCHRANE, an
Ontario municipal corporation;

(hereinafter called the "**Purchaser**")

OF THE FIRST PART

- and -

**THE CORPORATION OF THE TOWN OF IROQUOIS
FALLS**, an Ontario municipal corporation;

(hereinafter called the "**Vendor**")

OF THE SECOND PART

- and -

MILLER THOMSON LLP, a partnership of lawyers;

(hereinafter sometimes called the "**Escrow Agent**")

OF THE THIRD PART

FOR GOOD AND VALUABLE CONSIDERATION now paid by each of the parties hereto to each of the other parties hereto, the receipt and sufficiency of which is hereby acknowledged, it is hereby agreed by the parties hereto as follows:

1. This Agreement relates to the closing of the purchase and sale transaction involving the purchase by the Purchaser of three hundred and thirty (330) issued common shares of each of Northern Ontario Wires Inc., and Northern Ontario Energy Inc., from the Vendor pursuant to a share purchase agreement of even date herewith between the Vendor and the Purchaser (the "Share Purchase Agreement").
2. The parties hereto acknowledge and agree that they have delivered certain documents and executed certain agreements on the date hereof and the Purchaser has paid the Purchase Price (as defined in the Share Purchase Agreement) with the understanding and agreement that the transaction contemplated by the Share Purchase Agreement be closed in escrow and that the documents and Purchase Price payment tabled at closing on the date hereof and referred to in the list of closing documents attached hereto as Schedule "A" be held in escrow by Miller Thomson LLP until escrow is terminated as hereinafter provided. Miller Thomson LLP is directed by the Vendor and the Purchaser to invest the

Purchase Price payment in an interest bearing deposit account with a Canadian Chartered Bank. Upon termination of the escrow pursuant to Section 7(a) hereof, the interest earned on such deposit shall be paid to the Vendor. Upon termination of the escrow pursuant to Section 7(b) hereof, the interest earned on such deposit shall be paid to the Purchaser.

3. The parties hereto further acknowledge and agree that the escrow shall be terminated and deliveries and transaction completed upon the Purchaser being satisfied, acting reasonably, that the following condition has been met, namely:
 - (a) the approval of the Ontario Energy Board required in connection with the completion of the transaction contemplated by the Share Purchase Agreement shall have been obtained.
4. The parties hereto further acknowledge and agree that the escrow shall be terminated and deliveries and transaction completed upon the Vendor being satisfied, acting reasonably, that the following conditions have been met, namely:
 - (a) the Purchase Price payment as provided for in Section 2.3 of the Share Purchase Agreement has been made by the Purchaser and is being held in escrow by Miller Thomson LLP pursuant to this Agreement until escrow is terminated as hereinafter provided;
 - (b) the approval of the Ontario Energy Board required in connection with the completion of the transaction contemplated by the Share Purchase Agreement shall have been obtained.
5. The parties hereto acknowledge and agree that the Purchaser reserves the right, in its sole discretion, at any time, to waive any of the foregoing conditions in Section 3 hereof, in whole or in part, without prejudice to any of its rights of termination in the event of non-performance of any other condition in whole or in part and to terminate the escrow.
6. The parties hereto acknowledge and agree that the Vendor reserves the right, in its sole discretion, at any time, to waive any of the foregoing conditions in Section 4 hereof, in whole or in part, without prejudice to any of its rights of termination in the event of non-performance of any other condition in whole or in part and to terminate the escrow.
7. The parties hereto acknowledge and agree that the escrow contemplated herein:
 - (a) shall be terminated upon the Purchaser being satisfied, acting reasonably, that the condition set forth in Section 3 hereof has been met, and upon the Vendor being satisfied, acting reasonably, that the conditions set forth in Section 4 hereof have been met, whereupon the documents and Purchase Price (and interest earned thereon) held in escrow by Miller Thomson LLP will be delivered to the parties to whom they are to be delivered and, in such event, each party hereto shall be released from all obligations under this Agreement; or
 - (b) unless terminated earlier by the Purchaser or the Vendor in accordance with the terms outlined above, shall be terminated at 4:00 p.m. on February 16, 2009

(unless such date is amended to an earlier or later date as agreed to by the parties) and the purchase and sale transaction contemplated herein shall not be completed and the Purchase Price (and interest earned thereon) and the documents referred to in Section 2 above and otherwise contemplated herein shall be forthwith returned by Miller Thomson LLP to the parties from whom they were delivered and in such event each party hereto shall be released from all obligations under this Agreement and the Share Purchase Agreement and the Vendor and the Purchaser shall take all such actions as may be required to re-establish the Vendor's ownership of the Purchased Shares (as defined in the Share Purchase Agreement) and to re-elect the Vendor's nominees to the Board of Directors of Northern Ontario Wires Inc. and Northern Ontario Energy Inc.

8. In taking any action hereunder, the Escrow Agent shall in no event be liable for any act performed or omitted to be performed by it hereunder in the absence of gross negligence or wilful misconduct in breach of the terms of this Agreement and it shall be under no obligation to institute or to defend any action, suit or legal proceeding in connection herewith or to take any other action likely to involve it in expense unless first indemnified to its satisfaction by the party or parties that desire it to take such action.
9. Any dispute between the Vendor and the Purchaser under or relating in any way to the interpretation or implementation of any of the provisions of this Agreement which the Vendor and the Purchaser are unable to resolve themselves shall be submitted to and resolved by arbitration as provided for in Section 7.4.1 of the Share Purchase Agreement.
10. It is understood and agreed that should any dispute arise with respect to this Agreement or the delivery, ownership, right of possession and/or disposition of the items held in escrow or should any claim be made upon the Escrow Agent or the funds held in escrow by a third party, the Escrow Agent shall be entitled (at its sole option and election) to institute interpleader proceedings or any other appropriate judicial proceedings in any court of competent jurisdiction to determine the rights of the parties. Should interpleader proceedings or other judicial proceedings be instituted, or should the Escrow Agent become involved in litigation in any matter whatsoever on account of this Agreement, the non-prevailing party or parties, their successors and assigns shall pay the Escrow Agent its reasonable legal fees and any other disbursements, expenses, loss, costs or damages in connection with or resulting from such litigation. The items held in escrow by the Escrow Agent shall be delivered by the Escrow Agent to the court in which the event the Escrow Agent shall be released from any further obligations and liabilities hereunder. The Vendor and the Purchaser shall bear all costs of such proceedings equally.

11. This Agreement may be executed in several counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

DATED this 16th day of October, 2008.

**THE CORPORATION OF THE TOWN
OF COCHRANE**

Per: _____

Title

Per: _____

Title

I/We have the authority to bind the corporation

**THE CORPORATION OF THE TOWN
OF IROQUOIS FALLS**

Per: _____

Title

Per: _____

Title

I/We have the authority to bind the corporation

MILLER THOMSON LLP

Per: _____

Michael Pace, Partner

I/We have the authority to bind the corporation

SCHEDULE 4.3.2

BOARD MEMBER QUALIFICATIONS

In nominating an individual, from time to time, for election to the board of directors of Northern Ontario Wires Inc. ("NOW"), the Corporation of the Town of Iroquois Falls will give due regard to the qualification of candidates, including experience or knowledge with respect to:

- (a) public utilities commissions or boards of other corporations
- (b) corporate finance and financial services
- (c) corporate governance
- (d) market development
- (e) system operation and management
- (f) urban energy industries
- (g) information services
- (h) engineering
- (i) public policy issues and laws relating to NOW, and its affiliates, and the electricity industry generally
- (j) environmental matters, labour relations and occupational health and safety issues

No nominee designated by the Corporation of the Town of Iroquois Falls shall be the Mayor or a Councillor of the Corporation of the Town of Iroquois Falls or an employee of the Corporation of the Town of Iroquois Falls.

A designated nominee must be a resident of the Town of Iroquois Falls and a customer of NOW.

SCHEDULE 5.1.4

CONSENTS

None

SCHEDULE 5.1.5(a)

NON- COMPETITION AND NON-SOLICITATION AGREEMENT

THIS AGREEMENT made as of this 16th day of October, 2008.

BETWEEN:

THE CORPORATION OF THE TOWN OF IROQUOIS FALLS, an Ontario municipal corporation,

(hereinafter referred to as the "**Covenantor**")

- and -

THE CORPORATION OF THE TOWN OF COCHRANE, an Ontario municipal corporation,

(hereinafter referred to as the "**Purchaser**")

WHEREAS:

D. Pursuant to the terms of the Purchase Agreement (as defined below), the Purchaser purchased the Covenantor's shares in the capital of the Corporation (as defined below) and the Covenantor agreed to enter into this Agreement;

E. The Covenantor will benefit from the transactions contemplated by the provisions of the Purchase Agreement;

NOW THEREFORE THIS AGREEMENT WITNESSETH that in consideration of the premises and the sum of ten (\$10.00) dollars and other good and valuable consideration, the receipt and sufficiency of which the Covenantor hereby acknowledges the Covenantor covenants and agrees with the Purchaser as follows:

12. Definitions

- (a) "**Affiliates**" has the meaning given to it in the *Ontario Business Corporation Act*;
- (b) "**Agreement**" means this Non-Competition and Non-Solicitation Agreement including amendments, if any, from time to time;
- (c) "**Business**" means the business currently and heretofore carried on by the Corporation and/or NOE;
- (d) "**Confidential Information**" includes, but is not limited to, the following which is held or used by the Corporation or its Affiliates in its business, and is not generally known to others engaged in similar businesses or activities as those of the Corporation or its Affiliates, and which is owned by, licensed to, assigned to, or belongs, legally or otherwise, to the Corporation or its Affiliates, or in which the Corporation or its Affiliates have a proprietary interest, including that which

has been provided to the Corporation or its Affiliates by a third party and which that party reasonably expects will be kept confidential by the Corporation or its Affiliates, regardless of whether it is in tangible or intangible form:

- (i) Any information regarding the Corporation or its Affiliates' past, present, contemplated and future business and business activities as it relates to the provision of the Corporation or its Affiliates' past, present, contemplated and future services, including strategies, costs, contractual terms with suppliers, financial information and statements, performance data, and the manner in which the Corporation or its Affiliates conducts its business;
 - (ii) Information relating to past or present clients of the Corporation or its Affiliates, or prospective clients of the Corporation or its Affiliates with whom it has had direct business contact, including contact information such as names of employees, numbers, addresses, and personal likes and dislikes;
 - (iii) Any intellectual property, whatever its nature and form;
 - (iv) Any information provided or made available to the Covenantor related to maintaining the security of the Corporation or its Affiliates' business activities including user names, security or access codes, passwords, or personal identification numbers;
 - (v) Lists of the Corporation or its Affiliates' employees, or service providers;
 - (vi) Personal Information and Personal Health Information as defined in any applicable privacy legislation related to the Corporation or its Affiliates' clients and employees; and/or
 - (vii) Any information identified to the Covenantor by the Corporation or its Affiliates as being confidential, or that which a reasonable person, in good faith and good conscience, would understand to be confidential.
- (e) **"Corporation"** means Northern Ontario Wires Inc., a corporation duly incorporated under the laws of the Province of Ontario;
 - (f) **"Covenant"** means the covenants contained in Section 14 hereof;
 - (g) **"Entities"** means NOE, the Purchaser, the Corporation and their respective Affiliates;
 - (h) **"NOE"** means Northern Ontario Energy Inc.
 - (i) **"Person"** means an individual, a firm, a corporation, a trust, a syndicate, a partnership, an association, a joint venture and every other legal or business entity whatsoever;

- (j) **"Purchase Agreement"** means the Share Purchase Agreement made as of the 16th day of October, 2008 by and between the Covenantor and the Purchaser;

13. Confidential Information

The Covenantor acknowledges that it has been involved in the Business as a shareholder. The Covenantor further acknowledges that it has knowledge of and has acquired Confidential Information, the disclosure of any of which to competitors of the Corporation would be highly detrimental to the Business and to the best interests of the Purchaser and the Corporation. The Covenantor further acknowledges and agrees that the right to maintain the Confidential Information confidential constitutes a proprietary right which the Purchaser and the Corporation are entitled to protect. Accordingly, the Covenantor covenants and agrees with the Purchaser and the Corporation that it will not disclose any Confidential Information to any Person, nor shall it use the Confidential Information for any purpose at any time, except that the foregoing restriction on the disclosure or use of the Confidential Information shall not apply to:

- (a) the disclosure or use of any Confidential Information which is in the public domain at the time of such disclosure or use other than through a breach by the Covenantor of this Agreement;
- (b) any disclosure required by any applicable law or any regulatory authority or stock exchange having jurisdiction;
- (c) any disclosure made to any court or arbitrator in connection with any dispute arising under the Purchase Agreement, this Agreement or any of the other agreements or instruments executed pursuant to the Purchase Agreement, or required by law; or
- (d) any Confidential Information which the Covenantor is compelled by law to disclose, in which case the Covenantor agrees to provide the Purchaser and the Corporation with reasonable prior notice of any such disclosure and, if requested by the Purchaser or the Corporation, shall permit and cooperate with the Purchaser and the Corporation in any effort by it to obtain from a court of competent jurisdiction an order protecting such Confidential Information.

14. Non-Competition and Non-Solicitation

The Covenantor acknowledges and agrees that the Covenantor shall not, without the prior written consent of the Corporation and the Purchaser, either directly or indirectly, individually or in partnership, jointly or in conjunction with any other natural or legal person including a partnership, association, syndicate, company or corporation, in any capacity whatsoever, including as agent, shareholder or consultant, for the period of thirty-six (36) months following the date that the Convenantor ceases to be a shareholder of the Corporation or its Affiliates:

- (a) have contact with, solicit or accept any business from, or the patronage of, or render any service to, contract or attempt to contract with any person with whom the Covenantor dealt directly as a representative of the Corporation or its Affiliates in respect of the Business and/or who is then either a client of the Corporation or its Affiliates or a prospective client of the Corporation or its

Affiliates with whom the Corporation or its Affiliates then has business dealings or has had any business dealings during the twelve (12) month period immediately preceding the date upon which the Covenantor ceases to be an employee of the Corporation; or

- (b) offer employment to, endeavour to entice away from the Corporation or its Affiliates, or interfere in any way with the employment or engagement of any person employed or engaged by the Corporation or its Affiliates on the last day of the Covenantor's shareholding in the Corporation, irrespective of whether such person would commit any breach of their contract with the Corporation or its Affiliates by altering or ending their relationship with the Corporation or its Affiliates, save and except any person employed or engaged by the Corporation or its Affiliates in an exclusively clerical position; provided that the placement of advertisements for employment in newspapers or other media shall not be considered to be a breach of this paragraph; or
- (c) carry on or be engaged in or concerned with or have any ownership or other interest in, or advise, lend money to, guarantee the debts or obligations of, or permit the Covenantor's name or any part thereof to be used or employed by or associated with, any Person or Persons engaged in or concerned with or interested in any business that competes with the Business carried on anywhere in the Province of Ontario.

15. Exception to Non-Competition

Notwithstanding anything else herein contained the Covenantor shall not be precluded from acquiring, directly or indirectly, securities of an issuer of a class which are publicly traded on any stock exchange or over the counter if those securities represent not more than two (2%) per cent of the issued and outstanding securities of that class issued by the issuer.

16. Invalidity

In the event that any portion of the Covenant or the application thereof to any circumstance shall be held to be invalid or unenforceable to any extent, the remainder of the Covenant and its application to any circumstance other than that to which it has been held to be invalid or unenforceable shall not be affected thereby and shall be valid and enforceable to the fullest extent permitted by law, it being the intent of this provision that if the Covenant is found to be unreasonable to any extent by a Court of competent jurisdiction, adjudicating upon the validity of the Covenant, whether as to the scope of the restriction, the area of the restriction or the duration of the restriction, then the restriction shall be reduced to that which is in fact declared reasonable by such Court, or by a subsequent Court of competent jurisdiction requested to make such a declaration. The parties request and grant to each Court the authority to reduce the term, the scope or the geographic area of the Covenant to that which that Court considers reasonable, rather than declaring same to be invalid. If any other covenant or provision herein is determined to be invalid or unenforceable to any extent it shall not be deemed to affect or impair the validity of any other covenant or provision herein.

17. Acknowledgement

Notwithstanding the provisions of Section 16 hereof, the Covenantor acknowledges and agrees that the Covenant is reasonable in all respects and is enforceable against it according to its terms. The Covenantor acknowledges and agrees that the existence of any claim or cause of action by the Covenantor or any other Person against the Purchaser under the Purchase Agreement or otherwise shall not constitute a defence to the enforcement by the Purchaser of the Covenant and agreements of the Covenantor hereunder.

18. Equitable Relief

The Covenantor acknowledges:

- (a) having been advised by the Purchaser that the provisions of Section 13 and Section 14 hereof are of significant value to the Purchaser and the Corporation; and
- (b) that this agreement is necessary for the protection of legitimate business interests of the Purchaser and the Corporation arising from the purchase of the shares pursuant to the Purchase Agreement.

The Covenantor further acknowledges and agrees that damages may not be an adequate remedy for the Purchaser, the Corporation or the Corporation, as the case may be, in the event of breach of the provisions of Section 13 or Section 14 and accordingly, neither the Purchaser nor the Corporation, shall be restricted to seeking damages only but shall be entitled to injunctive or other equitable relief in the event of breach of the provisions of Section 13 or Section 14.

19. Third Party Beneficiary

All of the Purchaser's benefits arising pursuant to this Agreement shall also accrue to the Corporation and the provisions of this Agreement shall enure to the benefit of and be enforceable by the Corporation and be binding on the Covenantor notwithstanding that the Corporation is not a party or signatory hereto.

20. Additional Rights

The Covenantor acknowledges and agrees that its obligations under this Agreement are in addition to and not in substitution for its obligations at common law with respect to the subject matter hereof and nothing herein shall affect or impair the otherwise lawful rights of any of the Purchaser or the Corporation at any time hereafter from enforcing any of their rights relative to the subject matter hereof.

21. Further Assurances

The parties hereto and each of them do hereby covenant and agree to do such things and execute such further documents, agreements and assurances as may be necessary or advisable from time to time in order to carry out the terms and conditions of this Agreement in accordance with their true intent.

22. Amendments

This Agreement may be altered or amended in any of its provisions when any such changes are reduced to writing and signed by the parties hereto, but not otherwise.

23. Entire Agreement

This Agreement constitutes the entire agreement between the parties relating to the subject matter hereof and supersedes all prior and contemporaneous agreements, understandings, negotiations and discussions of the parties, whether oral or written, relating to the subject matter hereof.

24. Governing Law

This Agreement shall be governed by the laws of the Province of Ontario and the parties hereto irrevocably submit and attorn to the jurisdiction of the courts of the Province of Ontario. The parties agree that any litigation between the parties which arises pursuant to or in connection with this Agreement, or any of its provisions, shall be referred to the courts in the Province of Ontario and shall not be referred to the courts of any other jurisdiction.

25. Assignment

This Agreement may be assigned by the Purchaser.

26. Counterparts

This Agreement may be executed in counterparts, each of which shall constitute an original and all of which taken together shall constitute one and the same instrument.

27. Singular, Plural and Gender

Wherever the singular, plural, masculine, feminine or neuter is used throughout this Agreement the same shall be construed as meaning the singular, plural, masculine, feminine, neuter, body politic or body corporate where the facts or context so requires.

28. Enurement

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

IN WITNESS WHEREOF the parties have executed this Agreement all on the day and year first above written.

**THE CORPORATION OF THE TOWN
OF COCHRANE**

By: _____

Name:

Title:

I/We have the authority to bind the corporation

**THE CORPORATION OF THE TOWN
OF IROQUOIS FALLS**

By: _____

Name:

Title:

I/We have the authority to bind the corporation

SCHEDULE 5.1.5(c)

FORM OF RELEASE

TO: THE CORPORATION OF THE TOWN OF COCHRANE

AND TO: NORTHERN ONTARIO WIRES INC. (the "Corporation")

RE: Share purchase agreement dated as of October 16, 2008 between The Corporation of the Town of Cochrane (the "**Purchaser**") and The Corporation of the Town of Iroquois Falls (the "**Vendor**") whereby the Vendor agreed to sell and the Purchaser agreed to purchase, the 330 issued and outstanding common shares in the capital stock of each of the Corporation and Northern Ontario Energy Inc. owned by the Vendor (the "**Purchase Agreement**")

For valuable consideration, the receipt and sufficiency of which is hereby acknowledged by the undersigned releasor (the "**Releasor**"), the Releasor hereby absolutely and unconditionally:

remises, releases and forever discharges the Corporation and its affiliates and the Purchaser together with each of their respective directors, officers, members, shareholders and employees (the "**Releasees**") from any and all claims for losses, costs, expenses, interest, damages, obligations and liabilities (including, without limitation, reasonable legal fees and disbursements) paid, payable, incurred or suffered by the Releasor or for which the Releasor may be or become liable, and any and all actions, contracts, covenants, whether express or implied, indemnities, demands, suits and proceedings, for or in respect of any such claims of every nature and kind whatsoever, whether statutory or otherwise, which the Releasor may have had, now has or hereafter can, shall or may have for or by reason of any cause, matter or thing existing up to the present time and arising out of or in connection with, related to, caused or occasioned by, or resulting from the relationship of the Releasor to the Corporation as a shareholder provided, however, that this release shall not extend to or release the Releasees from any of their continuing obligations, if any, to the Releasor pursuant to or arising out of the Purchase Agreement or pursuant to any document, instrument or agreement executed by the Releasees, or any of them, pursuant to the Purchase Agreement or in connection with the completion of the transactions of purchase and sale therein contemplated.

The Releasor further covenants and agrees not to join, assist, aid, or act in concert in any manner whatsoever with any other person, firm or corporation in the making of any claim or demand or in the bringing of any proceeding or action in any manner whatsoever against the Releasees, or to make any claim or take any proceedings against any person or entity who might claim contribution or indemnity from the Releasees, in each case in respect of the matters and claims hereby released.

29. The provisions of this release shall enure to the benefit of the successors and assigns of the Releasees and shall be binding upon the successors and assigns of the Releasor.
30. The Releasor acknowledges having had an opportunity to review this release with the benefit of independent legal advice and acknowledges that the Releasor understands all of the terms contained herein.

31. This release shall governed by and construed in accordance with the internal laws of the Province of Ontario, without regard for any conflict of law provision of that jurisdiction or any jurisdiction. Each party submits and attorns to the exclusive jurisdiction of the courts of the Province of Ontario in any action or proceeding arising out of or relating to this release.

DATED the 16th day of October, 2008.

**THE CORPORATION OF THE TOWN
OF IROQUOIS FALLS**

By: _____

Title

SCHEDULE 7.4.1

ARBITRATION

(a) Any dispute between the parties hereto, which relates to the validity, construction, meaning, performance or effect of Article 7 of this Agreement or the rights and liabilities of the parties hereto or any matter arising out of or connected with Article 7 of this Agreement shall be subject to binding arbitration pursuant to the *Arbitration Act*, 1991 (Ontario) (the "Act") as it may be amended from time to time and shall not be the subject of any court action or appeal.

(b) The party desiring arbitration shall nominate one arbitrator and shall notify the other party hereto of such nomination. Such notice shall set forth a brief description of the matters submitted for arbitration and, if appropriate, the Section hereof pursuant to which such matter is so submitted. Such other party to the dispute shall within 10 days after receiving such notice nominate an arbitrator and the two arbitrators shall then select a Chair of the arbitral tribunal to act jointly with them. If the said arbitrators shall be unable to agree in the selection of such Chair, the Ontario Superior Court of Justice shall appoint such Chair as provided in the Act.

(c) The arbitration shall take place in the Town of Cochrane. The decision of a majority of the arbitrators shall be binding upon the parties both in respect of procedure and the conduct of the parties during the proceedings and the final determination of the issues therein. The arbitrators shall, after hearing any evidence and representations that the parties may submit, make their decision and reduce the same to writing and deliver one copy thereof to each of the parties hereto. The parties hereby acknowledge and agree that any decision of the arbitrator shall be binding upon the parties.

(d) If the party receiving the notice of the nomination of an arbitrator by the party desiring arbitration fails to nominate an arbitrator, then the Ontario Superior Court of Justice shall appoint such arbitrator as provided in the Act;

(e) Notwithstanding the foregoing, any arbitration may be carried out by a single arbitrator if the parties hereto so agree, in which event the provisions of this Schedule shall apply, *mutatas mutandis*;

(f) The costs of the reference and award are in the discretion of the arbitrators who may direct to and by whom and in what manner those costs or any part thereof shall be paid.

TAB 4

THE CORPORATION OF THE TOWN OF COCHRANE
(the "Purchaser")

**PURCHASE OF THE SHARES OF
NORTHERN ONTARIO WIRES INC. ("NOW")
AND NORTHERN ONTARIO ENERGY INC. ("NOE")
OWNED BY THE CORPORATION OF THE TOWN OF IROQUOIS FALLS**
(the "Vendor")

CLOSING AGENDA

Closing Date: October 16, 2008 (the "Closing Date")

DEFINITIONS AND ABBREVIATIONS

For the purposes of Closing Agenda the following terms shall have the following meanings:

"Share Purchase Agreement" means the share purchase agreement made as of the 16th day of October, 2008 between the Vendor and the Purchaser;

All other capitalized terms contained herein and not otherwise defined shall have the respective meanings ascribed to them in the Share Purchase Agreement. Unless otherwise noted, all references to Sections and Schedules herein are to the relevant Sections and Schedules, as applicable, of the Share Purchase Agreement.

All of the documents referred to in this Closing Agenda to be delivered at closing shall be delivered and held in escrow by Miller Thomson LLP pursuant to the terms of the Escrow Agreement referred to below.

DELIVERY

In the delivery column of this Closing Agenda, the following terms shall have the following meanings:

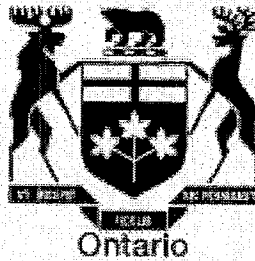
"Standard" means delivery of one original of the relevant document to each of the Purchaser, the Vendor and Miller Thomson LLP (three (3) originals in total).

No.	Description of Document	Responsibility	Delivery
1.	Share Purchase Agreement	Miller Thomson	
2.	Escrow Agreement	Miller Thomson	
3.	Non-Competition and Non-Solicitation Agreement	Miller Thomson	

No.	Description of Document	Responsibility	Delivery
4.	Release from Vendor	Miller Thomson	
5.	Copy of Ontario Energy Board Application	Miller Thomson	
6.	Resolution of the directors of NOW authorizing the transfer of the Purchased Shares	Miller Thomson	
7.	Resolution of the directors of NOE authorizing the transfer of the Purchased Shares	Miller Thomson	
8.	Bylaw of the Purchaser authorizing the execution and delivery of the Share Purchase Agreement and any other agreements to which it is a party	Purchaser	
9.	Bylaw of the Vendor authorizing the execution and delivery of the Purchase Agreement and any other agreements to which it is a party	Vendor	
10.	Bringdown Certificate of the Purchaser	Miller Thomson	
11.	Bringdown Certificate of the Vender	Miller Thomson	
12.	Share certificate of NOW registered in the name of the Vendor for 330 common shares, with a duly executed share transfer power in favour of the Purchaser	Miller Thomson	
13.	Share certificate of NOE registered in the name of the Vendor for 330 common shares, with a duly executed share transfer power in favour of the Purchaser	Miller Thomson	
14.	Receipt of the Purchaser for the share certificates referred to in items 13 and 14 above	Purchaser	
15.	The issuance of new share certificate of NOW registered in the name of the Purchaser, representing 330 common shares in the capital of NOW	Miller Thomson	

No.	Description of Document	Responsibility	Delivery
16.	The issuance of new share certificate of NOE registered in the name of the Purchaser, representing 330 common shares in the capital of NOE	Miller Thomson	
17.	Direction from the Vendor to the Purchaser regarding wire transfer instructions for the Purchase Price to Miller Thomson LLP	Vendor	
18.	Wire transfer payable to Miller Thomson LLP in trust in the amount of \$1,000,000 as contemplated by the Escrow Agreement	Purchaser	
19.	Resignations of William Daniel McIntyre, Kenneth Douglas Graham, and Gilles Émilien Forget as directors of NOW	Miller Thomson	
20.	Releases of William Daniel McIntyre, Kenneth Douglas Graham, and Gilles Émilien Forget in favour of NOW	Miller Thomson	
21.	Resignation of James Gordon Maciejko as director of NOE	Miller Thomson	
22.	Release of James Gordon Maciejko in favour of NOE	Miller Thomson	
Post-Closing Items			
23.	Filing of Form 1 in regards to above-noted item 19	Miller Thomson	
24.	Filing of Form 1 in regards to above-noted item 21	Miller Thomson	

TAB 5



Electricity Distribution Licence

ED-2003-0018

Northern Ontario Wires Inc.

Valid Until
December 17, 2023

A handwritten signature in cursive script, reading "M.C. Garner".

Mark C. Garner
Secretary
Ontario Energy Board

Date of Issuance: December 18, 2003

Ontario Energy Board
P.O. Box 2319
2300 Yonge Street
26th. Floor
Toronto, ON M4P 1E4

Commission de l'Énergie de l'Ontario
C.P. 2319
2300, rue Yonge
26e étage
Toronto ON M4P 1E4

1 **Definitions**

In this Licence:

“**Accounting Procedures Handbook**” means the handbook, approved by the Board which specifies the accounting records, accounting principles and accounting separation standards to be followed by the Licensee;

“**Act**” means the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, Schedule B;

“**Affiliate Relationships Code for Electricity Distributors and Transmitters**” means the code, approved by the Board which, among other things, establishes the standards and conditions for the interaction between electricity distributors or transmitters and their respective affiliated companies;

“**distribution services**” means services related to the distribution of electricity and the services the Board has required distributors to carry out, including the sales of electricity to consumers under section 29 of the Act, for which a charge or rate has been established in the Rate Order;

“**Distribution System Code**” means the code approved by the Board which, among other things, establishes the obligations of the distributor with respect to the services and terms of service to be offered to customers and retailers and provides minimum, technical operating standards of distribution systems;

“**Electricity Act**” means the *Electricity Act, 1998*, S.O. 1998, c. 15, Schedule A;

“**Licensee**” means: Northern Ontario Wires Inc.;

“**Market Rules**” means the rules made under section 32 of the Electricity Act;

“**Performance Standards**” means the performance targets for the distribution and connection activities of the Licensee as established by the Board in accordance with section 83 of the Act;

“**Rate Order**” means an Order or Orders of the Board establishing rates the Licensee is permitted to charge;

“**regulation**” means a regulation made under the Act or the Electricity Act;

14
"Retail Settlement Code" means the code approved by the Board which, among other things, establishes a distributor's obligations and responsibilities associated with financial settlement among retailers and consumers and provides for tracking and facilitating consumer transfers among competitive retailers;

15
"service area" with respect to a distributor, means the area in which the distributor is authorized by its licence to distribute electricity;

16
"Standard Supply Service Code" means the code approved by the Board which, among other things, establishes the minimum conditions that a distributor must meet in carrying out its obligations to sell electricity under section 29 of the Electricity Act;

17
"wholesaler" means a person that purchases electricity or ancillary services in the IMO-administered markets or directly from a generator or, a person who sells electricity or ancillary services through the IMO-administered markets or directly to another person other than a consumer.

2 Interpretation 18

2.1 In this Licence words and phrases shall have the meaning ascribed to them in the Act or the Electricity Act. Words or phrases importing the singular shall include the plural and vice versa. Headings are for convenience only and shall not affect the interpretation of the licence. Any reference to a document or a provision of a document includes an amendment or supplement to, or a replacement of, that document or that provision of that document. In the computation of time under this licence where there is a reference to a number of days between two events, they shall be counted by excluding the day on which the first event happens and including the day on which the second event happens and where the time for doing an act expires on a holiday, the act may be done on the next day. 19

3 Authorization 20

3.1 The Licensee is authorized, under Part V of the Act and subject to the terms and conditions set out in this Licence: 21

- a) to own and operate a distribution system in the service area described in Schedule 1 of this Licence; 22
- b) to retail electricity for the purposes of fulfilling its obligation under section 29 of the Electricity Act in the manner specified in Schedule 2 of this Licence; and 23
- c) to act as a wholesaler for the purposes of fulfilling its obligations under the Retail Settlement Code or under section 29 of the Electricity Act. 24

4	Obligation to Comply with Legislation, Regulations and Market Rules	25
4.1	The Licensee shall comply with all applicable provisions of the Act and the Electricity Act and regulations under these Acts except where the Licensee has been exempted from such compliance by regulation.	26
4.2	The Licensee shall comply with all applicable Market Rules.	27
5	Obligation to Comply with Codes	28
5.1	The Licensee shall at all times comply with the following Codes (collectively the "Codes") approved by the Board, except where the Licensee has been specifically exempted from such compliance by the Board. Any exemptions granted to the licensee are set out in Schedule 3 of this Licence. The following Codes apply to this Licence:	29
a)	the Affiliate Relationships Code for Electricity Distributors and Transmitters;	30
b)	the Distribution System Code;	31
c)	the Retail Settlement Code; and	32
d)	the Standard Supply Service Code.	33
5.2	The Licensee shall:	34
a)	make a copy of the Codes available for inspection by members of the public at its head office and regional offices during normal business hours; and	35
b)	provide a copy of the Codes to any person who requests it. The Licensee may impose a fair and reasonable charge for the cost of providing copies.	36
6	Obligation to Provide Non-discriminatory Access	37
6.1	The Licensee shall, upon the request of a consumer, generator or retailer, provide such consumer, generator or retailer with access to the Licensee's distribution system and shall convey electricity on behalf of such consumer, generator or retailer in accordance with the terms of this Licence.	38
7	Obligation to Connect	39
7.1	The Licensee shall connect a building to its distribution system if:	40

- a) the building lies along any of the lines of the distributor's distribution system; and 41
- b) the owner, occupant or other person in charge of the building requests the connection in writing. 42
- 7.2 The Licensee shall make an offer to connect a building to its distribution system if: 43
- a) the building is within the Licensee's service area as described in Schedule 1; and 44
- b) the owner, occupant or other person in charge of the building requests the connection in writing. 45
- 7.3 The terms of such connection or offer to connect shall be fair and reasonable and made in accordance with the Distribution System Code, and the Licensee's Rate Order as approved by the Board. 46
- 7.4 The Licensee shall not refuse to connect or refuse to make an offer to connect unless it is permitted to do so by the Act or a regulation or any Codes to which the Licensee is obligated to comply with as a condition of this Licence. 47
- 8 Obligation to Sell Electricity** 48
- 8.1 The Licensee shall fulfill its obligation under section 29 of the Electricity Act to sell electricity in accordance with the requirements established in the Standard Supply Service Code, the Retail Settlement Code and the Licensee's Rate Order as approved by the Board. 49
- 9 Obligation to Maintain System Integrity** 50
- 9.1 The Licensee shall maintain its distribution system in accordance with the standards established in the Distribution System Code and Market Rules, and have regard to any other recognized industry operating or planning standards adopted by the Board. 51
- 10 Market Power Mitigation Rebates** 52
- 10.1 The Licensee shall comply with the pass through of Ontario Power Generation rebate conditions set out in Appendix A of this Licence. 53

11	Distribution Rates	54
11.1	The Licensee shall not charge for connection to the distribution system, the distribution of electricity or the retailing of electricity to meet its obligation under section 29 of the Electricity Act except in accordance with a Rate Order of the Board.	55
12	Separation of Business Activities	56
12.1	The Licensee shall keep financial records associated with distributing electricity separate from its financial records associated with transmitting electricity or other activities in accordance with the Accounting Procedures Handbook and as otherwise required by the Board.	57
13	Expansion of Distribution System	58
13.1	The Licensee shall not construct, expand or reinforce an electricity distribution system or make an interconnection except in accordance with the Act and Regulations, the Distribution System Code and applicable provisions of the Market Rules.	59
13.2	In order to ensure and maintain system integrity or reliable and adequate capacity and supply of electricity, the Board may order the Licensee to expand or reinforce its distribution system in accordance with Market Rules and the Distribution System Code, or in such a manner as the Board may determine.	60
14	Provision of Information to the Board	61
14.1	The Licensee shall maintain records of and provide, in the manner and form determined by the Board, such information as the Board may require from time to time.	62
14.2	Without limiting the generality of condition 14.1 the Licensee shall notify the Board of any material change in circumstances that adversely affects or is likely to adversely affect the business, operations or assets of the Licensee as soon as practicable, but in any event no more than twenty (20) days past the date upon which such change occurs.	63
14.3	The licensee shall inform the Board as soon as possible of any material changes to the service agreement with Cochrane Public Utilities Commission (the "Service Agreement").	64
14.4	If either party to the Service Agreement provides notice of its intention to exercise a right to terminate or discontinue any services under the services agreement, the Licensee shall:	65
a)	Immediately notify the Board in writing of the notice; and	66

- b) provide a plan to the Board as soon as possible, but no later than ten (10) days after the receipt of the notice, as to how the affected distribution services will be maintained in compliance with the terms of this licence. 67
- 14.5 In the event of termination of the Service Agreement for any reason, the Licensee shall: 68
- a) ensure there is no interruption of distribution services to the consumers as a result of the termination, 69
- b) notify the Board of the name of the new company that will provide the distribution services, and 70
- c) file with the Board the distribution services agreement with the new company. 71
- 15 Restrictions on Provision of Information 72**
- 15.1 The Licensee shall not use information regarding a consumer, retailer, wholesaler or generator obtained for one purpose for any other purpose without the written consent of the consumer, retailer, wholesaler or generator. 73
- 15.2 The Licensee shall not disclose information regarding a consumer, retailer, wholesaler or generator to any other party without the written consent of the consumer, retailer, wholesaler or generator, except where such information is required to be disclosed: 74
- a) to comply with any legislative or regulatory requirements, including the conditions of this Licence; 75
- b) for billing, settlement or market operations purposes; 76
- c) for law enforcement purposes; or 77
- d) to a debt collection agency for the processing of past due accounts of the consumer, retailer, wholesaler or generator. 78
- 15.3 The Licensee may disclose information regarding consumers, retailers, wholesalers or generators where the information has been sufficiently aggregated such that their particular information cannot reasonably be identified. 79
- 15.4 The Licensee shall inform consumers, retailers, wholesalers and generators of the conditions under which their information may be released to a third party without their consent. 80

- 15.5 If the Licensee discloses information under this section, the Licensee shall ensure that the information provided will not be used for any other purpose except the purpose for which it was disclosed. 81
- 16 Customer Complaint and Dispute Resolution** 82
- 16.1 The Licensee shall: 83
- a) have a process for resolving disputes with customers that deals with disputes in a fair, reasonable and timely manner; 84
 - b) publish information which will make its customers aware of and help them to use its dispute resolution process; 85
 - c) make a copy of the dispute resolution process available for inspection by members of the public at each of the Licensee's premises during normal business hours; 86
 - d) give or send free of charge a copy of the process to any person who reasonably requests it; and 87
 - e) subscribe to and refer unresolved complaints to an independent third party complaints resolution service provider selected by the Board. This condition will become effective on a date to be determined by the Board. The Board will provide reasonable notice to the Licensee of the date this condition becomes effective. 88
- 17 Term of Licence** 89
- 17.1 This Licence shall take effect on December 18, 2003 and expire on December 17, 2023. The term of this Licence may be extended by the Board. 90
- 18 Fees and Assessments** 91
- 18.1 The Licensee shall pay all fees charged and amounts assessed by the Board. 92
- 19 Communication** 93
- 19.1 The Licensee shall designate a person that will act as a primary contact with the Board on matters related to this Licence. The Licensee shall notify the Board promptly should the contact details change. 94
- 19.2 All official communication relating to this Licence shall be in writing. 95

19.3 All written communication is to be regarded as having been given by the sender and received by the addressee: 96

- a) when delivered in person to the addressee by hand, by registered mail or by courier; 97
- b) ten (10) business days after the date of posting if the communication is sent by regular mail; and 98
- c) when received by facsimile transmission by the addressee, according to the sender's transmission report. 99

20 Copies of the Licence 100

20.1 The Licensee shall: 101

- a) make a copy of this Licence available for inspection by members of the public at its head office and regional offices during normal business hours; and 102
- b) provide a copy of the Licence to any person who requests it. The Licensee may impose a fair and reasonable charge for the cost of providing copies. 103

SCHEDULE 1 DEFINITION OF DISTRIBUTION SERVICE AREA

This Schedule specifies the area in which the Licensee is authorized to distribute and sell electricity in accordance with condition 8.1 of this Licence.

1. The former Town of Cochrane as of December 31, 1999 described by:

North: Eighth Street/Chalmers Subdivision

East: North Road

South: Highway 11

West: Western Avenue

2. The former town of Iroquois Falls as of December 31, 1997 described by:

North: Anson Drive/Abitibi River

East: Detroyes Avenue

West: Ambridge Drive/Tank Road/Leroux Street

3. The Town of Kapuskasing as of September 11, 2001.

North: Mateeve Avenue

East: Cherry Street

South: Highway 11

West: Kapuskasing Airport

SCHEDULE 2 PROVISION OF STANDARD SUPPLY SERVICE

120

This Schedule specifies the manner in which the Licensee is authorized to retail electricity for the purposes of fulfilling its obligation under section 29 of the Electricity Act.

121

The Licensee is authorized to retail electricity directly to consumers within its service area in accordance with condition 8.1 of this Licence, any applicable exemptions to this Licence, and at the rates set out in the Rate Orders.

122

SCHEDULE 3 LIST OF CODE EXEMPTIONS

123

This Schedule specifies any specific Code requirements from which the Licensee has been exempted.

124

The Licensee is exempt from the requirements of section 2.5.3 of the Standard Supply Service Code with respect to the price for small volume/residential consumers, subject to the Licensee offering an equal billing plan as described in its application for exemption from Fixed Reference Price, and meeting all other undertakings and material representations contained in the application and the materials filed in connection with it.

125

APPENDIX A MARKET POWER MITIGATION REBATES

1 Definitions and Interpretation

In this Licence,

“embedded distributor” means a distributor who is not a market participant and to whom a host distributor distributes electricity;

“embedded generator” means a generator who is not a market participant and whose generation facility is connected to a distribution system of a distributor, but does not include a generator who consumes more electricity than it generates;

“host distributor” means a distributor who is a market participant and who distributes electricity to another distributor who is not a market participant.

In this Licence, a reference to the payment of a rebate amount by the IMO includes interim payments made by the IMO.

2 Information Given to IMO

a Prior to the payment of a rebate amount by the IMO to a distributor, the distributor shall provide the IMO, in the form specified by the IMO and before the expiry of the period specified by the IMO, with information in respect of the volumes of electricity withdrawn by the distributor from the IMO-controlled grid during the rebate period and distributed by the distributor in the distributor's service area to:

i consumers served by a retailer where a service transaction request as defined in the Retail Settlement Code has been implemented; and

ii consumers other than consumers referred to in clause (i) who are not receiving the fixed price under sections 79.4 and 79.5 of the *Ontario Energy Board Act, 1998*.

b Prior to the payment of a rebate amount by the IMO to a distributor which relates to electricity consumed in the service area of an embedded distributor, the embedded distributor shall provide the host distributor, in the form specified by the IMO and before the expiry of the period specified in the Retail Settlement Code, with the volumes of electricity distributed during the rebate period by the embedded distributor's host distributor to the embedded distributor net of any electricity distributed to the embedded distributor which is attributable to embedded generation and distributed by the embedded distributor in the embedded distributor's service area to:

- i consumers served by a retailer where a service transaction request as defined in the Retail Settlement Code has been implemented; and 138
- ii consumers other than consumers referred to in clause (i) who are not receiving the fixed price under sections 79.4 and 79.5 of the *Ontario Energy Board Act, 1998*. 139
- c Prior to the payment of a rebate amount by the IMO to a distributor which relates to electricity consumed in the service area of an embedded distributor, the host distributor shall provide the IMO, in the form specified by the IMO and before the expiry of the period specified by the IMO, with the information provided to the host distributor by the embedded distributor in accordance with section 2. 140

The IMO may issue instructions or directions providing for any information to be given under this section. The IMO shall rely on the information provided to it by distributors and there shall be no opportunity to correct any such information or provide any additional information and all amounts paid shall be final and binding and not subject to any adjustment. 141

For the purposes of attributing electricity distributed to an embedded distributor to embedded generation, the volume of electricity distributed by a host distributor to an embedded distributor shall be deemed to consist of electricity withdrawn from the IMO-controlled grid or supplied to the host distributor by an embedded generator in the same proportion as the total volume of electricity withdrawn from the IMO-controlled grid by the distributor in the rebate period bears to the total volume of electricity supplied to the distributor by embedded generators during the rebate period. 142

3 Pass Through of Rebate 143

A distributor shall promptly pass through, with the next regular bill or settlement statement after the rebate amount is received, any rebate received from the IMO, together with interest at the Prime Rate, calculated and accrued daily, on such amount from the date of receipt, to: 144

- a retailers who serve one or more consumers in the distributor's service area where a service transaction request as defined in the Retail Settlement Code has been implemented; 145
- b consumers who are not receiving the fixed price under sections 79.4 and 79.5 of the *Ontario Energy Board Act, 1998* and who are not served by a retailer where a service transaction request as defined in the Retail Settlement Code has been implemented; and 146
- c embedded distributors to whom the distributor distributes electricity. 147

The amounts paid out to the recipients listed above shall be based on energy consumed and calculated in accordance with the rules set out in the Retail Settlement Code. These payments may be made by way of set off at the option of the distributor. 148

If requested in writing by OPGI, the distributor shall ensure that all rebates are identified as coming from OPGI in the following form on or with each applicable bill or settlement statement:

"ONTARIO POWER GENERATION INC. rebate"

Any rebate amount which cannot be distributed as provided above or which is returned by a retailer to the distributor in accordance with its licence shall be promptly returned to the host distributor or IMO as applicable, together with interest at the Prime Rate, calculated and accrued daily, on such amount from the date of receipt.

Nothing shall preclude an agreement whereby a consumer assigns the benefit of a rebate payment to a retailer or another party.

Pending pass-through or return to the IMO of any rebate received, the distributor shall hold the funds received in trust for the beneficiaries thereof in a segregated account.

TAB 6

THE CORPORATION OF THE TOWN OF COCHRANE

BY-LAW NUMBER 550-2008

BEING A BY-LAW TO AUTHORIZE THE EXECUTION
OF A SHARE PURCHASE AGREEMENT BETWEEN
THE CORPORATION OF THE TOWN OF COCHRANE
AND THE CORPORATION OF THE TOWN OF
IROQUOIS FALLS FOR THE SALE OF IROQUOIS
FALLS NOW/NOE SHARES

WHEREAS the Corporation of the Town of Iroquois Falls is desirous to sell its
330 shares in Northern Ontario Wires Inc. and Northern Ontario Energy Inc.;

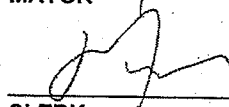
AND WHEREAS the Corporation of the Town of Cochrane deems it expedient
and desirable to purchase the noted shares, to form 100% ^{owner} ~~member~~ship of NOW and
NOE;;

NOW THEREFORE the Municipal Council of the Corporation of the Town of
Cochrane enacts as follows:

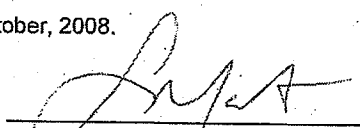
1. **THAT** the Share Purchase Agreement among the Town of Cochrane, the
other municipality and corporations, in substantially the form attached
hereto as Schedule "A", forming part of this by-law is hereby authorized and
approved.
2. **THAT** the Mayor and Clerk are hereby authorized and directed, for and on
behalf of the Corporation of the Town of Cochrane, to execute and deliver
the Share Purchase Agreement with such alterations, additions and
amendments thereto as they may approve, the execution of the main
documents by such individuals being conclusive evidence of such approval
and to do all such acts and things and to execute and deliver all such other
documents, instruments and writings as may be necessary or desirable to
give effect to the provisions of this by-law and the main documents.

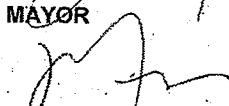
READ a first and second time this 14th day of October, 2008.


MAYOR


CLERK

READ a third and final time this 14th day of October, 2008.


MAYOR


CLERK

TAB 7

THE CORPORATION OF THE TOWN OF IROQUOIS FALLS

BY-LAW NO. 3018/08

"Being a By-Law to authorize the execution of a share purchase agreement between The Corporation of the Town of Iroquois Falls and The Corporation of the Town of Cochrane for the sale of Iroquois Falls' NOW / NOE shares."

WHEREAS

The Corporation of the Town of Iroquois Falls is desirous to sell its 330 shares in Northern Ontario Wires Inc. and Northern Ontario Energy Inc. to the Town of Cochrane.

NOW THEREFORE, THE COUNCIL OF THE CORPORATION OF THE TOWN OF IROQUOIS FALLS ENACTS AS FOLLOWS:

1. That the Share Purchase Agreement among the Town, the other municipality and corporations, in substantially the form attached hereto as Schedule "A", forming part of this by-law is hereby authorized and approved.
2. That the Mayor and Clerk are hereby authorized and directed, for and on behalf of the Corporation of the Town of Iroquois Falls, to execute and deliver the Share Purchase Agreement with such alterations, additions and amendments thereto as they may approve, the execution of the main documents by such individuals being conclusive evidence of such approval and to do all such acts and things and to execute and deliver all such other documents, instruments and writings as may be necessary or desirable to give effect to the provisions of this by-law and the main documents.

Read a **FIRST** and **SECOND** time this 9th day of October 2008.

Read a **THIRD** time and passed this 9th day of October 2008.

GILLES FORGET

SIGNED: _____

MAYOR

MICHEL MORRISSETTE

SIGNED: _____

CLERK ADMINISTRATOR

Certified True Copy of
By-Law No. 3018/08

Clerk

TAB 8

**CERTIFIED COPY OF A
RESOLUTION OF THE BOARD OF DIRECTORS
OF**

**NORTHERN ONTARIO WIRES INC.
(the "Corporation")**

RESOLUTION NO. 2008-27

TRANSFER OF SHARES

RESOLVED that the following transfer of shares in the capital of the Corporation is hereby approved:

Transferor	Transferee	No. and Class of Shares
The Corporation Of the Town Of Iroquois Falls	The Corporation of the Town of Cochrane	330 Common Shares

CERTIFIED to be a true copy of a resolution of the Directors of the Corporation passed at a meeting held on October 16, 2008, which resolution is in full force and effect unamended as at the date hereof.

DATED the 16th day of October, 2008



Name: Monika Malherbe
Title: Chief Financial Officer

TAB 9

**CERTIFIED COPY OF A
RESOLUTION OF THE BOARD OF DIRECTORS
OF
NORTHERN ONTARIO ENERGY INC.
(the "Corporation")**

RESOLUTION No. 2008-01

TRANSFER OF SHARES

RESOLVED that the following transfer of shares in the capital of the Corporation is hereby approved:

Transferor	Transferee	No. and Class of Shares
The Corporation Of the Town Of Iroquois Falls	The Corporation of the Town of Cochrane	330 Common Shares

CERTIFIED to be a true copy of a resolution of the Directors of the Corporation passed at a meeting held on October 16, 2008, which resolution is in full force and effect unamended as at the date hereof.

DATED the 16th day of October, 2008



Name: Monika Malherbe
Title: Chief Financial Officer