MACQUARIE POWER INCOME FUND

ANNUAL INFORMATION FORM

For the Financial Year Ended December 31, 2004

March 21, 2005

EXPLANATORY NOTES

The information in this annual information form is stated as at December 31, 2004, unless otherwise indicated. In this annual information form, all references to "$" are to Canadian dollars. Please refer to the "Glossary" in this annual information form for the definitions of certain defined terms. In this annual information form, unless the context otherwise requires, references to the "Fund" include Macquarie Power Income Fund and /or its subsidiary entities.

Certain of the statements contained in this annual information form are forward-looking and reflect management's expectations regarding Fund's future growth, results of operations, performance and business based on information currently available to Macquarie Power Management Ltd. (the "Manager") and the Fund. These statements use forward-looking words, such as "anticipate", "continue", "expect", "may", "will", "estimate", "believe" or other similar words. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Although the Fund and the Manager believe that the expectations reflected in these forward-looking statements are reasonable, actual results may differ from those suggested by the forward-looking statements for various reasons, including risks associated with: plant performance, expiry of the Power Purchase Agreement, renewal of the Gas Purchase Agreement, potential expiry of the Lease, termination of the Energy Savings Agreement, fuel supply and transportation costs, contract performance, lack of diversification, expenses due to losses under Gas Swap Agreements, regulatory regime and government permits, short-term debt of Cardinal Power of Canada, L.P. ("Cardinal LP"), industry conditions, transmission of electricity, labour relations, capital resources, *force majeure*, leverage and restrictive covenants, fluctuation of distributions, dependence on the Manager, potential conflicts of interest and terrorist attacks. In addition, risks related to the structure of the Fund include: risks associated with investment eligibility, income tax matters, nature of Units, Unitholder liability, dilution of existing Unitholders, price fluctuations of the Units, distribution of securities on redemption or termination of the Fund, delays in distributions, reliance on Cardinal LP, rating of the Units, restrictions on certain Unitholders and liquidity of Units, restrictions on potential growth and undiversified and illiquid holding in Macquarie Power Income Trust ("MPT") (see "Risk Factors"). These forward-looking statements reflect the expectations of the Manager and the Fund as of the date of this annual information form and neither the Fund nor the Manager undertakes any obligation to publicly update or revise any forward-looking statements.

The Fund is not a trust company and is not registered under applicable legislation governing trust companies as it does not carry on or intend to carry on the business of a trust company. The units of the Fund ("Units") are not "deposits" within the meaning of the *Canada Deposit Insurance Corporation Act* (Canada) and are not insured under the provisions of that act or any other legislation.

Investments in the Fund are not deposits with or other liabilities of Macquarie Bank Limited or any entity in the Macquarie group and are subject to investment risk, including possible loss of capital invested. Neither the Manager, nor any member of the Macquarie group, guarantees the performance of the Fund, the repayment of capital or the payment of a particular rate of return on the Units.

STRUCTURE OF THE FUND

Macquarie Power Income Fund

The Fund is an unincorporated, open-ended, limited purpose trust established under the laws of the Province of Ontario on March 15, 2004 by a declaration of trust (as amended and restated as of April 16, 2004) (the "Fund Declaration of Trust"). The Fund is administered by its trustees (the "Trustees") and by the Manager pursuant to an administration agreement (the "Administration Agreement"). The Fund does not carry on any business directly, and its activities are currently limited to holding units and notes of MPT. MPT, in turn, holds common shares of Cardinal Power Inc. (the "General Partner") and holds a limited partnership interest in Cardinal LP. The principal and head office of the Fund is located at 121 King Street West, 8th Floor, Toronto, Ontario, Canada, M5H 3T9 (see "Description of the Fund").

Macquarie Power Income Trust

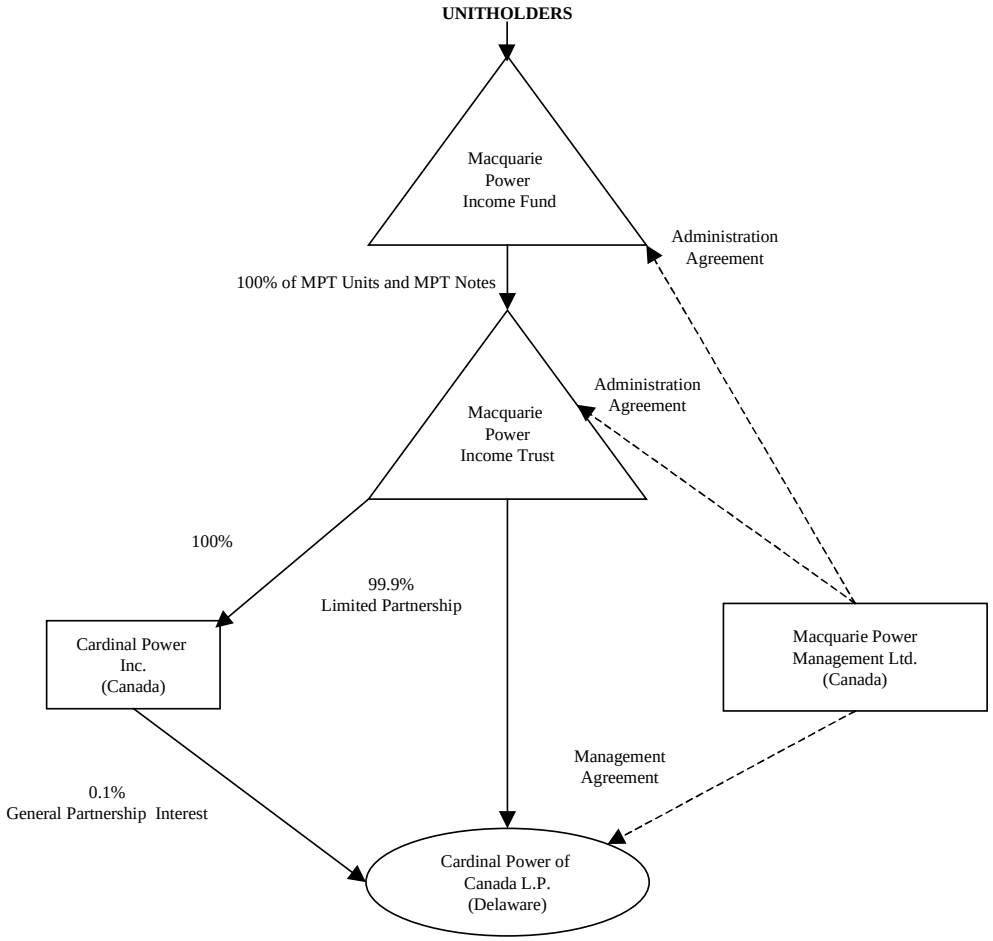
MPT is an unincorporated, open-ended, limited purpose trust established under the laws of the Province of Ontario on March 15, 2004 by a declaration of trust (as amended and restated as of April 16, 2004) (the "MPT Declaration of Trust"). MPT's activities are generally restricted to conducting the business of owning, operating and leasing assets and property in connection with the generation, production, transmission, distribution and purchase and sale of electricity and other forms of energy-related projects in Canada and the U.S. and engaging in all activities ancillary or incidental thereto (the "Business") with a focus on operating power generation facilities in Canada and the U.S. MPT may also engage in such other businesses or activities as approved by a majority of the trustees of MPT (the "MPT Trustees"), including a majority of the MPT Trustees independent of the Manager. Currently, MPT (a) holds a direct limited partnership interest in Cardinal LP; and (b) owns 100% of the voting equity of the General Partner. MPT is administered by the MPT Trustees and the Manager pursuant to the Administration Agreement (see "Description of MPT").

Cardinal Power of Canada, L.P.

Cardinal LP is a limited partnership established under the laws of the state of Delaware on August 1, 1992 by the first amended and restated agreement of limited partnership (as amended and restated as of April 15, 2004) (the "CLP Agreement") to develop, finance and exploit commercially its 156 MW combined cycle cogeneration plant fuelled by natural gas located in Cardinal, Ontario, as well as the related transmission line (collectively, the "Facility"). Cardinal LP's activities are generally restricted to conducting the Business and ancillary activities with a focus on operating power generation facilities in Canada and the U.S. (see "Description of Cardinal LP").

Intercorporate Relationships

The following chart illustrates the primary contractual and ownership relationships of the Fund with its principal subsidiary entities as at March 21, 2005 and indicates their respective jurisdictions of incorporation or organization:



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GENERAL DEVELOPMENT OF THE BUSINESS

History of the Fund

The Fund was established on March 15, 2004 with nominal capitalization. Prior to April 30, 2004, when the Fund completed its initial public offering (the "Initial Public Offering") of Units, it did not hold any material assets. Upon completion of the Initial Public Offering, through a series of investments, the Fund indirectly acquired Cardinal LP, which owned the Facility (see "– Acquisition of the Facility").

Fund Objective and Strategy

The Fund's objective is to produce stable and sustainable levels of cash for distributions to Unitholders on a monthly basis. When possible, the Fund and MPT intend to increase the amount of cash available for distributions to Unitholders by (i) pursuing additional investments and acquisitions in the Business, with a focus on operating power generation facilities in Canada and the U.S., and such other businesses or activities as may be approved from time to time by a majority of the Trustees (including a majority of the Trustees independent of the Manager), including investments and other direct and indirect rights in other forms of energy-related projects, utility projects and infrastructure projects, and (ii) improving the profitability of the existing assets of the Fund. While the Fund focuses on making additional investments in and acquisitions of operating power generation facilities, the Trustees are aware that potentially attractive investment and acquisition opportunities may emerge in other asset classes and intend to pursue such opportunities as they arise (see "Trustees, Management and Operations" and "Conflicts of Interest and Fiduciary Duties").

History of the Facility

The Facility is a nominal net 156 MW, base load, combined cycle cogeneration plant, fuelled by natural gas, located in Cardinal, Ontario, which is approximately 45 kilometres east of Brockville on the St. Lawrence River. It includes the Cardinal Transmission Line, which connects the plant with the Hydro One Networks Inc. ("Hydro One") transmission grid. The Facility, one of the largest independent natural gas cogeneration power facilities in Ontario, was developed in the mid 1990s by Sithe Energies, Inc., an international independent natural gas cogeneration power producer.

The Facility commenced commercial operations in 1995 and is expected to have a useful life of approximately 20 years. Cardinal LP leases the majority of the property on which the Facility is located from Canada Starch Operating Company Ltd. ("CASCO") and owns the balance. Cardinal LP sells all of the electricity produced at the Facility (less the amount consumed in its operations) to the Ontario Electricity Finance Corporation ("OEFC"). Cardinal LP provides steam and compressed air to CASCO's corn refining plant, which is located adjacent to the Facility. Cardinal LP also provides heating steam to the Benson School, which is also located on land adjacent to the Facility.

The table below summarizes the five year historical performance of the Facility.

	2000	2001	2002	2003	2004	Five Year Average
Hours in year	8,784	8,760	8,760	8,760	8,784	N/A
Gross MWh	1,273,506	1,247,531	1,309,978	1,176,581	1,313,128	1,264,145
Net MWh	1,242,768	1,214,037	1,276,869	1,144,290	1,279,116	1,231,416
Forced Outage Hours	35	0	15	65	5	24
Forced Outage Factor[1]	0.4%	0.0%	0.2%	0.8%	0.1%	0.3%
Planned Outage Hours	634	148	149	227	168	265
Planned Outage Factor[2]	7.2%	1.7%	1.7%	2.6%	1.9%	3.0%
Fired Hours[3]	8,116	8,612	8,596	8,468	8,611	8,480
Plant Availability[4]	92.4%	98.3%	98.1%	97.5%	98%	96.9%
Plant Capacity Factor[5]	89.7%	89.1%	95.4%	84.6%	94.9%	90.7%
Peak Capacity Factor[6]	91.4%	97.6%	99.8%	96.9%	98.2%	96.8%
Steam Production (MMlbs)	660,692,500	668,567,100	706,628,000	710,105,107	691,434,300	687,485,641

Notes:

(1) This is a measure of the time a generating unit is unable to provide service due to a forced outage. It is expressed as a fraction equal to the hours the unit was unavailable due to forced outage divided by the total hours in the period.

(2) This is a measure of the time a generating unit is unable to provide service due to a planned outage. It is expressed as a fraction equal to the hours the unit was unavailable due to planned outage divided by the total hours in the period.

(3) This is a measure of the time a generating unit is in service, regardless of the capacity level that can be provided.

(4) This is a measure of the time a generating unit is capable of providing service, whether or not it is actually in service, regardless of the capacity level that can be provided. It is expressed as a fraction equal to the hours the unit was available divided by the total hours in the period.

(5) This is a measure of the amount of MWh generated by a generating unit compared to the total possible generation over the period. It is expressed as a fraction equal to the net generation expressed in MWh the unit was electronically connected to the grid divided by the maximum MWh the Facility could produce during the period.

(6) This is a measure of the amount of MWh generated by a generating unit during peak generating periods compared to total possible generation over the peak period. Peak generating periods are defined as 7 am to 11 pm daylight savings time on a business day. It is expressed as a fraction equal to the net generation expressed in MWh the unit was electronically connected to the grid during peak periods divided by the maximum MWh the Facility could produce during peak periods.

On November 11, 2003, prior to the establishment of the Fund, the Facility experienced a forced service outage due to a failure of one of its three active dielectric cables. The Facility is able to operate normally without this cable but the Manager believes that it is prudent to repair the failed cable, as it provides redundancy. At closing of the Initial Public Offering, provision was made to fund the repair of this equipment through the Transmission Line Escrow Account (see "– Acquisition of the Facility"). The Manager expects that this repair will be effected during 2005.

Acquisition of the Facility

Upon closing of the Initial Public Offering on April 30, 2004, the Fund completed its indirect acquisition of the Facility through the following steps: (i) the Fund used the gross proceeds from its issuance of Units pursuant to the Initial Public Offering to make an equity and debt investment in MPT; (ii) MPT used $211.7 million to subscribe for a limited partnership interest in Cardinal LP; (iii) Cardinal LP entered into the Credit Agreement providing for a $35 million non-revolving term loan facility and a $15 million revolving credit facility and drew $35 million under the term loan facility which, together with a portion of the Initial Public Offering proceeds, was used by Cardinal LP to repay the amount outstanding and the prepayment fees under a credit agreement made as of September 3, 1992 between, among others, Cardinal LP and a syndicate of lenders (the "Original Credit Agreement") (see "– Credit Agreement"); (iv) MPT capitalized the General Partner; (v) the General Partner used the proceeds of MPT's investment to subscribe for a partnership interest in Cardinal LP; and (vi) Cardinal LP used the proceeds of MPT's and the General Partner's investments to (a) pay the levelization account balance of $42.4 million under the Power Purchase Agreement (see "Narrative Description of the Business – Power Purchase Agreement"), (b) fund the general reserve account in the amount of $3 million, fund the major maintenance reserve account in the amount of $3 million and fund the capital expenditure reserve account in the amount of $1 million (see "Reserve Accounts"), (c) pay the expenses of the Initial Public Offering in the amount of approximately $17.6 million, (d) fund the Transmission Line Escrow Account in the amount of $150,000, (e) fund the Return of Capital Escrow Account in the amount of $2 million, and (f) return capital of approximately $42.7 million to Sithe Canadian Holdings Inc., Sithe Canada Ltd. (together, the "Original Limited Partners") and Cardinal Investors, Inc., the then general partner of Cardinal LP, on their withdrawal from Cardinal LP pursuant to the Investment Agreement (see "Material Contracts – Investment Agreement").

The $42.7 million return of capital paid at the closing of the Initial Public Offering to the Original Limited Partners and Cardinal Investors, Inc. was subsequently increased to $43.4 million to account for a post-closing adjustment contemplated under the Investment Agreement, including in light of the final determination of Cardinal LP's working capital as of the date of such closing. This adjustment was funded from amounts in the Return of Capital Escrow Account. Thereafter, the $1.3 million remaining in the Return of Capital Escrow Account was released to the Fund.

Credit Agreement

In connection with the Initial Public Offering, Cardinal LP entered into a credit agreement with, amongst others, TD Securities Inc. acting as lead arranger and book manager, a Canadian chartered bank affiliated with TD Securities Inc. acting as administrative agent and CIBC World Markets Inc. as syndication agent to provide credit facilities in the aggregate amount of $50 million, of which $35 million, together with a portion of the proceeds of the Initial Public Offering, was used at the closing of the Initial Public Offering to fully repay the amount outstanding and the prepayment fees under the Original Credit Agreement. The Credit Agreement is comprised of: (a) a $35 million non-revolving term loan facility (the "Term Facility") which matures on April 29, 2007 and which was fully

drawn at closing of the Initial Public Offering to repay the amount outstanding and the prepayment fees under the Original Credit Agreement; and (b) a separate $15 million revolving credit facility (the "Revolving Facility") to fund working capital, permitted capital expenditures, and in certain circumstances up to a maximum amount of $6 million outstanding at any one time, to fund distributions to Unitholders, which matures on April 28, 2005 (the "Revolving Facility Maturity Date"). No amounts were drawn on the Revolving Facility during 2004.

As of March 1, 2005, the amount outstanding under the Term Facility was $35 million and no amounts were outstanding under the Revolving Facility. The amount outstanding under the Term Facility must be permanently repaid using the net proceeds from all issues of debt (other than the Revolving Facility or permitted capital leases) and/or the net proceeds from asset dispositions by Cardinal LP in the amount of $250,000 or more in aggregate over the term of the Term Facility.

The interest rates on the Credit Agreement are variable and the actual rates are determined based on the ratio of consolidated total debt of Cardinal LP to the consolidated earnings before interest, income taxes, depreciation and amortization ("EBITDA") of Cardinal LP. Such rates range from 0.5% to 1.0% above the prime rate, as defined in the Credit Agreement, and from 1.5% to 2.0% above the bankers' acceptance rate with respect to bankers' acceptance, letters of credit or letters of guaranty. The Credit Agreement provides for customary representations and warranties, covenants (including financial covenants and financial ratios) and events of default. Among the covenants are limitations on change of control, indebtedness, investments, and, in certain circumstances, such as in the event of an actual or pending default or event of default, distributions to Unitholders. During 2004, interest rates payable on the Term Facility were fixed from time to time based on certain bankers' acceptance instruments of varying maturity dates, which provided savings in interest costs for the Fund as compared to the Manager's original expectations.

The obligations of Cardinal LP under the Credit Agreement are secured by a first-ranking lien on all present and future assets, undertakings and agreements of Cardinal LP. In addition, guarantees have been provided by MPT, the General Partner and each direct and indirect subsidiary of Cardinal LP supported by first-ranking liens on all present and future assets of such guarantors. Indebtedness owing under the Credit Agreement ranks senior to any other indebtedness of Cardinal LP and the guarantors.

Acquisition and Investment Strategy

The Fund may, where practical and economical, expand its operations by making additional investments and acquisitions related to the Business, with a focus on operating power generation facilities in Canada and the U.S., and as discussed above, such other businesses or activities as may be approved from time to time by a majority of the Trustees (including a majority of the Trustees independent of the Manager). The Fund will make additional investments or acquisitions only if the Fund believes that such acquisitions or investments will meet the Fund's acquisition and investment guidelines. Such investments or acquisitions may be financed by the issuance of Units, from the cash flows of the Fund or through indebtedness. It is expected that any future acquisition or investment will be made by the Fund through one or more of its direct or indirect subsidiaries.

Acquisition and Investment Guidelines

The following guidelines are used in the review and evaluation of possible acquisitions and other investments:

- each acquisition or investment will be made only if the Fund believes that the acquisition or investment will result in an increase in Distributable Cash per Unit;

- each acquisition or investment will be reviewed and approved by the Trustees who are independent of the Manager;

- in the case of an acquisition of or investment in operating power generation facilities, facilities with long-term power purchase agreements with major electrical utilities or industrial users will be preferred; and, for facilities without such agreements, free market electricity price assumptions used in acquisition or investment evaluations will be obtained from a recognized independent source;

- in the case of an acquisition of or investment in an operating power generation facility, the acquisition or investment will be subject to prior due diligence and based on an independent engineer's report confirming the condition or development of the facility and the technical assumptions used in the acquisition or investment evaluation;

- in the case of an acquisition of or investment in an operating power generation facility, the expected useful life of the facility and associated structures will, with regular maintenance and upkeep, be long enough for an investment therein to conform with the Fund's objective of providing stable long-term distributions of Distributable Cash to Unitholders;

- in the case of acquisitions or investments other than an acquisition of or investment in an operating power generation facility, the terms and conditions upon which such acquisitions or investments will be made will be determined on a case-by-case basis by the Trustees who are independent of the Manager; and

- an acquisition or investment will not be made if it would result in the Fund losing its status as either a "unit trust" or "mutual fund trust" or holding excess "foreign property" under the *Income Tax Act* (Canada) (the "Tax Act").

All acquisitions or investments must be made in accordance with the Fund Declaration of Trust, MPT Declaration of Trust or the CLP Agreement, as applicable (see "Description of the Fund", "Description of MPT" and "Description of Cardinal LP").

NARRATIVE DESCRIPTION OF THE BUSINESS

Overview

The Facility is operated to produce a stable, predictable level of income based upon proven technology, contracted long-term electricity sales and long-term fuel supply. The Fund operates the Facility in a manner that maximizes revenues within existing contractual arrangements, while continually seeking to improve its profitability. Cardinal LP entered into the Gas Swap Agreements on April 29, 2004 to mitigate the effect of gas price fluctuations on the net proceeds which Cardinal LP receives for natural gas in excess of the Facility's requirements (see "– Gas Swap Agreements"). In addition to selling excess gas under the Gas Swap Agreements, Cardinal LP can curtail the production of electricity within certain parameters and sell the gas that would otherwise have been used to generate electricity in the spot market. Cardinal LP avails itself of this option when additional net income can be realized from this operating strategy.

The electricity generated by the Facility (less the amount consumed in its operations) is sold exclusively to OEFC at contracted rates under the Power Purchase Agreement (see "– Power Purchase Agreement"). The Power Purchase Agreement matures on December 31, 2013, but its term is automatically extended for successive one-year periods from year to year until terminated by either party on one year's prior written notice, at any time after expiration of the original term. Effectively, the earliest the Power Purchase Agreement may be terminated is December 31, 2014. The Facility operates as a self-scheduling generator. It is not dispatched by the Independent Market Operator in Ontario (renamed the Independent Electricity System Operator) ("IMO") in response to bids made into the IMO-administered market; instead the Facility self-schedules its output by advising the IMO of its expected output. Approximately 98.7% of the Facility's revenues are derived from the sale of electricity to OEFC.

The steam generated by the Facility is sold to CASCO at contracted rates under the terms of the Energy Savings Agreement (see "– Energy Savings Agreement"). The Energy Savings Agreement matures on January 31, 2015, but Cardinal LP has the unilateral right to extend the original term by a period of up to two years. Pursuant to the Energy Savings Agreement, the Facility provides all of the steam required by CASCO for its plant operations, up to a maximum of 723 million pounds per year. Steam sale revenues represent approximately 1.3% of the Facility's revenues. Cardinal LP is also under a continuing commitment to supply the steam necessary to meet the circulating hot water heating requirements of the adjacent Benson School.

Cardinal LP purchases the natural gas to operate the Facility under the Gas Purchase Agreement (see "– Gas Purchase Agreement"). The Facility is required to take a minimum volume of gas equivalent to 80% of the

contract maximum. Husky Energy Marketing Inc. ("Husky Marketing"), which supplies gas pursuant to the Gas Purchase Agreement, is entitled to financial compensation if the minimum volume of gas is not purchased by the Facility.

Cogeneration

As is typical with cogeneration plants, the Facility has a low heat to electricity ratio and produces significantly more electricity than steam for sale. A combustion turbine burning natural gas powers a generator that produces electricity. The hot exhaust gas from the combustion turbine is diverted into a heat recovery steam generator that produces high pressure steam. This steam is piped to a steam turbine which powers a second generator that produces more electricity. Some of the steam is diverted from the steam turbine to CASCO's plant and is used in its manufacturing process. This results in high efficiency and an effective use of energy.

Where both electrical and thermal energy are generated separately, typically one-third to one-half of the fuel's energy content is converted into useful energy output such as steam or electricity. The remainder is wasted energy, which escapes as unused heat. By producing electricity and steam simultaneously, cogeneration converts a higher proportion of the fuel's energy content. Depending on the degree of steam or useful heat utilization, 65% to 85% of the fuel's energy content is converted into useful energy output, which produces significant fuel savings over non-cogeneration technologies. Cogeneration systems predominantly use natural gas, a fuel source that emits less than half the greenhouse gas per unit of energy produced than the cleanest available thermal power station. Natural gas combustion results in virtually no atmospheric emissions of sulphur dioxide or small particulate matter, and far lower emissions of carbon monoxide, oxides of nitrogen ("NOx"), and greenhouse gases such as reactive hydrocarbons and carbon dioxide, than the combustion of other fossil fuels.

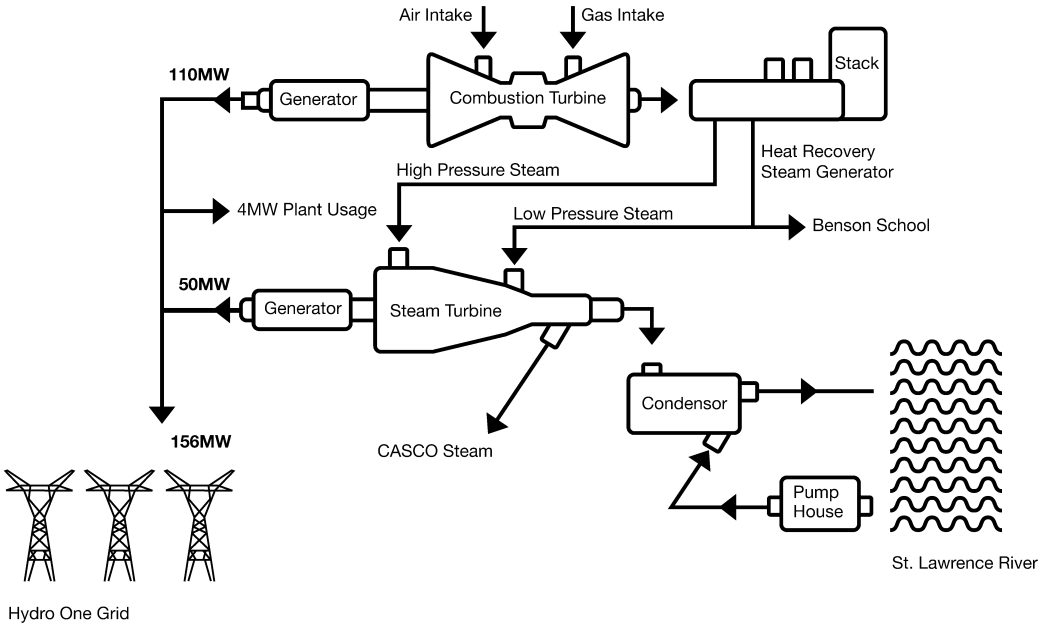
Plant Design and Equipment

The Facility is a combined cycle cogeneration station fuelled by natural gas. The Facility has a net rated capacity of 156 MW of electrical power. The Facility's powerhouse building houses the combustion turbine and generator, the heat recovery steam generator, the steam turbine and generator, the office and the control and electrical rooms.

Power generation is achieved using one Westinghouse combustion turbine generator operating in combined cycle with a Westinghouse steam turbine generator. The Facility incorporates the following major systems:

- one Westinghouse W501 D5 DLN combustion turbine generator capable of producing approximately 110 MW nominal at design conditions with natural gas;
- one heat recovery steam generator;
- one Westinghouse steam turbine generator having a nominal rating of 50 MW, and two uncontrolled extraction ports for host steam;
- a surface condenser receiving once-through cooling water from and discharging into the St. Lawrence River;
- the steam system equipment, including various pumps, super heaters, de-superheaters, deaerator and a boiler feedwater make-up system; and
- all necessary controls and auxiliary equipment to enable the plant to provide the energy it is obligated to deliver under the Power Purchase Agreement, the Energy Savings Agreement and the agreement with Benson School.

The following is a simplified schematic design of the Facility and its principal components:



The Facility is a combined cycle power plant consisting of one combustion turbine and generator, one heat recovery steam generator, and one steam turbine and generator. In the combustion turbine, ambient air is first drawn into a 19 stage air compressor. The high pressure air then enters 14 burners in which natural gas or fuel oil is combusted. The high temperature gas produced in the burners passes through a four-stage power turbine that drives both the compressor and an electric generator. The combustion turbine generator produces a nominal 110 MW of electrical power. The power produced by the combustion turbine can be increased by admitting steam to the combustors.

Hot gas leaving the combustion turbine passes through a heat recovery steam generator where steam is produced to drive a steam turbine. The heat recovery steam generator incorporates two pressure level ranges for steam generation. The high pressure steam production of the heat recovery steam generator is approximately 349,000 lb/hr of superheated steam at 1,110 psig, 945°F under a base load operating condition. Low pressure steam production is approximately 87,000 lb/hr of 78 psig, 404°F steam. After passing through the heat recovery steam generator, the cooled combustion gas enters the stack.

The steam turbine has a ten-stage high pressure/intermediate pressure (“HP/IP”) section and a three-stage low pressure section in a single casting. High pressure steam from the heat recovery steam generator enters the HP/IP section at approximately 1,068 psig, 942°F. Low pressure steam is admitted to the low pressure section. The steam turbine drives a generator which produces up to a nominal 50 MW of electricity. Steam is extracted from two locations in the HP/IP section to supply process steam to the CASCO plant. Steam is supplied at 160 psig at flows from zero to 132,000 lb/hr. A small portion of the low pressure steam passes through a heat exchanger to provide space heating for Benson School.

The surface condenser condenses the exhaust steam from the steam turbine. The exhaust steam is condensed by temperature reduction using river water. The condenser is a horizontal tube design located below the steam turbine’s exhaust port. The condenser is designed to allow a full steam flow to bypass the steam turbine when a steam turbine trips or a start-up or shutdown condition exists. Condensate collected in the condenser is pumped to a deaerator. Feedwater for the heat recovery steam generator is pumped from the deaerator by the feedwater pump.

Water from the St. Lawrence River is used for cooling purposes and other plant processes. The raw water is filtered, treated and processed before being used. All processes are initiated and performed automatically.

Boiler chemical treatment consists of an oxygen scavenger and neutralizing amine net feed to the deaerators and phosphate blend to the boilers. All boiler chemicals are received and stored in bulk storage tanks provided by the vendor. Chemical addition is by metering pump to the deaerators and boilers.

The combustion turbine generator and steam turbine generator are operated to produce gross facility output of approximately 160 MW at 44°F with 156 MW of net power output after in-plant consumption. The combustion turbine generator and steam turbine generator each has a rated voltage of 13.8 kV and is connected to a 115 kV class switchgear by isolated phase and non-segregated bus ducts.

Electricity is generated by the Facility at 13.8 kV and stepped up to 115 kV by two main step-up transformers. The main combustion turbine transformer is a three-phase oil-filled, water-cooled transformer rated at 60 Hz, 145 MVA and 120/13.8kV. The steam turbine transformer is a three-phase, oil-filled, water-cooled transformer rated at 60 Hz, 65 MVA and 120/13.8 kV. These two main step-up transformers are located in a three-sided enclosure at the northwest corner of the powerhouse building. The transformers have a concrete containment pit as part of their foundations to hold any potential oil spills in the event of a transformer failure. Two auxiliary transformers are also provided to supply power to the Facility's auxiliary equipment.

A switchyard is located above the transformers in the main building. Five kV and 600 V switch gear and motor control centres are located indoors. The Cardinal Transmission Line delivers power to a remote switchyard adjacent to the 115 kV grid.

Power Purchase Agreement

The Power Purchase Agreement provides for the sale of electricity produced at the Facility to OEFC. The original term of the Power Purchase Agreement matures on December 31, 2013, but is thereafter automatically extended for successive one-year periods from year to year until terminated by either party, on one year's prior written notice, at any time after expiration of the original term. Effectively, the earliest the Power Purchase Agreement may be terminated is December 31, 2014. Under the Power Purchase Agreement, all electricity generated by the Facility, less the amount consumed in the operation of the Facility, is sold exclusively to OEFC. OEFC is required under the Power Purchase Agreement to supply the Facility's internal electricity requirements that cannot be generated by the Facility itself. OEFC is an agent of the Government of Ontario for all purposes and, accordingly, obligations of OEFC under the Power Purchase Agreement are obligations of the Government of Ontario.

The Facility, which is directly interconnected with Hydro One's transmission system, supplies electricity to the Hydro One grid on a continuous basis (24 hours a day, 365 days a year, except for planned and unplanned downtime).

Under the Power Purchase Agreement, OEFC is obligated to make monthly payments for electricity delivered. Higher rates are paid for electricity sold to OEFC during the winter than during the summer. The Facility is capable of producing more electricity in winter when the gas turbine attains its peak output as a result of lower ambient temperatures. Assuming base-load operations, the Facility's revenues from electricity sales are expected by Cardinal LP to continue to be greater during winter, and its gas requirements increase proportionately with its increased productivity during the winter. During the last three years, on average, proportionally more of the Facility's revenues were generated during the winter (October through March, inclusive) than during the summer (April through September, inclusive). In addition to the monthly payments for electricity delivered, capacity payments are due from OEFC for electricity delivered from 7:00 a.m. to 11:00 p.m. local time at the Facility on weekdays, excluding public holidays (the "On-peak Hours"), subject to the on-peak deliveries during the On-peak Hours exceeding 80% of the monthly target quantities, being the amount of energy predicted to be delivered, in respect of a given month, during the On-peak Hours (the "Target Quantities"). No capacity payment will be made for deliveries of electricity during the On-peak Hours of a given month in excess of the Target Quantities unless the delivery of such excess amount is approved or requested by OEFC or is due solely to local ambient effects. In 2004, revenue attributable to electricity sales accounted for approximately 64% of total revenue derived under the Power Purchase Agreement, with revenue attributable to capacity payments accounting for the remainder.

Payment rates under the Power Purchase Agreement escalate in accordance with the Direct Customer Rate ("DCR"), which rate is designed to recover the fully delivered cost of uninterruptible power at 100% load factor to customers directly connected to the Ontario transmission systems, and is established by OEFC from time to time. An

amendment to the Power Purchase Agreement, as renegotiated in early 2004, sets out in detail the method of calculation of the DCR and the method to be used to implement it each year. The renegotiation has not had an adverse impact on the revenues received by Cardinal LP under the Power Purchase Agreement or on the cost of gas under the Gas Purchase Agreement.

The monthly payments for electricity delivered under the Power Purchase Agreement are equal to the monthly electricity delivered during all hours, both On-peak Hours and off-peak hours, multiplied by the energy rates, Energy "A" and Energy "B". The Energy "A" rates vary with the greater of the DCR escalator and 4%. The Energy "B" rates vary with the greater of the DCR escalator and 0%. The capacity payment is based on the monthly energy delivered by the Facility during On-peak Hours, to a maximum of the Target Quantities. The capacity rate varies with the greater of the DCR escalator and 0%.

The provisions of the Power Purchase Agreement and of the Gas Purchase Agreement provide for fuel commodity cost protection through the alignment of rate escalators on both the revenue side and the cost side. Under the Gas Purchase Agreement, the commodity gas price increases at the greater of 2% and the preceding year DCR escalator while under the Power Purchase Agreement, the Energy "A" rate increases at the greater of 4% and the DCR escalator and both the Energy "B" rate and the capacity rate increase with the DCR escalator.

Revenue attributable to the Energy "A" rate in 2004 accounted for approximately 46% of total revenue in 2004 derived under the Power Purchase Agreement.

If the DCR escalator in any given year is 0% then the Energy "A" rate will increase at 4% over the prior year and the rate charged for the fuel under the Gas Purchase Agreement and the Gas Transportation Agreement will increase at 2% over the prior year. Over time, this will result in an increasing spread between the Energy "A" rate and the price charged for natural gas at a minimum DCR escalator of 0% on a relative basis.

Under the Power Purchase Agreement, the minimum annual DCR escalator is 0%. As the Energy "B" rates and capacity payment rates increase at the same rate as the DCR escalator, the Fund will benefit from any positive annual DCR escalation.

The Power Purchase Agreement incorporated a levelization formula that increased cash flow to Cardinal LP in the early years of the term of the Power Purchase Agreement, but decreased cash flow in the later years as the levelization account balance was reduced. Upon the closing of the Initial Public Offering, Cardinal LP paid to OEFC the outstanding balance of the levelization account and, as a result of this payment, the levelization formula ceased to apply (see "General Development of the Business – Acquisition of the Facility").

Operating standards and procedures for the Facility are prescribed in the Power Purchase Agreement as well as the Transmission Connection Agreement, which also covers technical operational matters. Each of OEFC and Cardinal LP has the right to request discontinuance of electricity supply in order to ensure system safety and security and to safeguard life or property. Such operating standards are customary in non-utility power generator ("NUG") power purchase agreements and are intended to maintain the integrity of the electrical power system.

Upon written notice to Cardinal LP, OEFC may terminate the Power Purchase Agreement if Cardinal LP fails to deliver electricity to OEFC for any 24 consecutive months, unless such failure is directed or authorized by OEFC or due to an event of *force majeure*. If Cardinal LP fails to perform any obligation under the Power Purchase Agreement, OEFC may give written notice to Cardinal LP that OEFC will discontinue its receipt of electricity from, or its supply of electricity to, Cardinal LP, if the unperformed obligation is not completely fulfilled within a reasonable period of time after receipt of the notice by Cardinal LP. If after OEFC has discontinued the receipt of electricity from, or its supply of electricity to, Cardinal LP by reason of the failure of Cardinal LP to perform any of its obligations under the Power Purchase Agreement, and Cardinal LP continues in default in respect of the unperformed obligation, OEFC may, at its option, deliver a written notice to Cardinal LP that unless the obligation is completely fulfilled or steps have been taken, with which OEFC agrees, to remedy the default within a reasonable specified period which shall not be less than seven days after receipt of that notice, the Power Purchase Agreement will be deemed terminated. Cardinal LP can sell, transfer or assign its interest in the Power Purchase Agreement, subject to receiving written consent from OEFC, which may not be unreasonably withheld.

Upon the expiration or termination of the Power Purchase Agreement with OEFC, assuming current market structure, Cardinal LP would have three primary options: (i) it could bid all of the power it produces into the

IMO-administered markets and receive the market price for it; (ii) it could enter into a bilateral power purchase contract with another counterparty to sell electricity at a negotiated price; or (iii) it could do a combination of both, bidding some power into the IMO-administered market and selling the rest under a bilateral contract with a counterparty. The attractiveness of one option over another will depend upon the relationship between short-term and long-term electricity prices in Ontario at the time.

Gas Purchase Agreement

The Gas Purchase Agreement was originally entered into with Husky Oil Operations Ltd., and subsequently assigned to Husky Marketing by an assignment and novation agreement dated as of December 15, 2001. The Gas Purchase Agreement provides for the supply of natural gas to the Facility. Under the Gas Purchase Agreement, Cardinal LP is required to purchase certain minimum volumes of gas (the "Minimum Volumes") equivalent to 80% of the contract maximum, subject to financial compensation to Husky Marketing for any shortfall in purchasing the Minimum Volumes. Cardinal LP is prohibited from purchasing natural gas for the Facility from any other party unless Husky Marketing fails to deliver in accordance with the terms prescribed under the Gas Purchase Agreement. The Gas Purchase Agreement expires on May 1, 2015. The obligations of Husky Marketing under the Gas Purchase Agreement are guaranteed by its parent company, Husky Energy Inc.

The natural gas supplied to the Facility pursuant to the Gas Purchase Agreement originates from Husky Oil Operations Ltd.'s reserves in Alberta. Natural gas is transported from Alberta across Canada to the immediate vicinity of the Facility through a natural gas pipeline system owned and operated by TransCanada Pipelines Limited ("TCPL"), and from TCPL's system to the Facility by Union Gas Limited ("Union"). Husky Marketing is responsible under the Gas Purchase Agreement for transportation of the gas to the interconnection with Union.

Notwithstanding Cardinal LP's obligation to purchase the Minimum Volumes under the Gas Purchase Agreement, pursuant to an amending agreement dated November 1, 1994 (the "Gas Mitigation Agreement"), Cardinal LP may, from time to time, elect to purchase less than such Minimum Volumes and, where this election is made, the difference between the Minimum Volumes and the amount it actually elects to purchase is sold by Husky Marketing to third parties, provided a certain floor price can be met. Cardinal LP currently sells excess natural gas through the Gas Mitigation Agreement with Husky Marketing. The sales amount from excess volumes are shared between Husky Marketing and Cardinal LP based on a formula set out in the Gas Mitigation Agreement. The formula provides that Husky Marketing first receives payment for the variable costs at delivery and other adjustments. Husky Marketing receives an additional marketing fee prior to Cardinal LP receiving an amount equal to the total fixed costs of delivery. This amount effectively represents a reimbursement for transportation costs otherwise paid by Cardinal LP. To the extent there is any remaining income from the sale of excess gas, it is split equally between Husky Marketing and Cardinal LP.

Under the terms of the Power Purchase Agreement, OEFC may, subject to certain limits, in each year during 600 summer off-peak hours, limit its acceptance of electricity to 80% of the average output for the month in which such curtailment takes place. The gas that would, if not for the curtailment, be used to generate electricity can be sold under the terms of the Gas Mitigation Agreement. Since 2000, the Facility has availed itself of this option on numerous occasions when the market price of gas reached levels that allowed the Facility to generate additional net income.

The price of natural gas delivered under the Gas Purchase Agreement is tied to the DCR, with a guaranteed minimum 2% per annum escalator. The Gas Purchase Agreement does not entitle the gas supplier to renegotiate or arbitrate the price payable under the Gas Purchase Agreement. Upon written notice, Husky Marketing may terminate the Gas Purchase Agreement for reasons of (i) failure by Cardinal LP to make payments not in dispute after 30 days following the receipt of a written notice requesting that such payment be made; (ii) Cardinal LP becoming subject to a bankruptcy or similar proceeding; or (iii) failure by Cardinal LP to accept delivery of any natural gas for a period of 180 consecutive days for any reason other than *force majeure* or a failure of Husky Marketing to deliver such natural gas.

Gas Swap Agreements

Cardinal LP entered into five Gas Swap Agreements with a Canadian chartered bank (the "Counterparty") on April 29, 2004. The Gas Swap Agreements are intended to mitigate the effect of gas price fluctuations on the net proceeds which Cardinal LP receives for natural gas under the Gas Purchase Agreement that is in excess of the

natural gas requirements of the Facility producing at full load. Each Gas Swap Agreement addresses a different consecutive calendar year, between 2004 and 2008. The majority of excess natural gas is available during the summer operating months (April to October, inclusive). Under the Gas Swap Agreements, Cardinal LP receives payments from the Counterparty of a fixed price per million Btus for 62,402 million Btus in each of the summer months over the five-year period addressed by the agreements. For the first three years, Cardinal LP pays the Counterparty the published price for natural gas at a regional hub (Dawn, Ontario). For the final two years, Cardinal LP will pay the Counterparty the New York Mercantile Exchange last day settlement price for the applicable month for an equivalent volume of natural gas. The Gas Swap Agreements are denominated in Canadian dollars. Cardinal LP has implemented a swap management program, with the ability to periodically rebalance the monthly quantities swapped under the Gas Swap Agreements, to more closely match the excess natural gas available for resale at the Facility.

Energy Savings Agreement

The Energy Savings Agreement provides for: (i) the sale by Cardinal LP to CASCO of steam produced at the Facility, (ii) the return of condensate to the Facility, and (iii) the supply to CASCO of compressed air also produced at the Facility at no charge.

The CASCO plant is Canada's largest corn mill plant and is located adjacent to the Facility. It processes more than 1,000 tons of corn per day, producing syrups (for beer, soft drinks, ice cream and bread) and starch for a variety of industries (including food, fine paper, wall board and textiles).

The Energy Savings Agreement matures on January 31, 2015 and provides that by January 31, 2014, the parties will start negotiations with respect to a renewal term. There is no limitation on the permitted time period for a renewal term. During those negotiations, either party can decide not to renew the Energy Savings Agreement. In the event that CASCO makes such determination, Cardinal LP has the unilateral right to extend the original term to a date no later than January 31, 2017 (the "Extension Period"). In the event Cardinal LP exercises this right to extend the Energy Savings Agreement through the Extension Period, the price of steam payable by CASCO to Cardinal LP during the Extension Period will be reduced by 50% of the price of steam otherwise payable under the Energy Savings Agreement. The Facility provides all the steam required for the operations of the CASCO plant at a price per thousand pounds of steam that is less than the cost of producing such steam. The Fund believes that the Energy Savings Agreement is currently advantageous to CASCO when compared to other alternative sources of steam and compressed air.

The Facility provides up to a maximum of 723 million pounds of steam per year, at an average of 82,500 pounds of steam per hour. The steam that is supplied is required to be supplied at a specified level of pressure and at food grade quality to meet CASCO's process requirements. The Energy Savings Agreement provides for liquidated damages if, other than as a result of an event of *force majeure*, the supply of steam or compressed air is interrupted or the pressure at which such steam is delivered is below the level of pressure stipulated in the Energy Savings Agreement, and, as a result, CASCO experiences a material interruption of its manufacturing operations. The liquidated damages are equal to $14,000 plus $50.00 per minute for each minute the interruption continues beyond the first 15 minutes. However, if during such an interruption to CASCO's manufacturing operations CASCO elects to exercise its right to produce steam or compressed air itself or acquire the same from a third party, Cardinal LP is obligated to reimburse CASCO for the reasonable mobilization expenses paid to such third party and, during such period of alternative supply, liquidated damages accrue at a rate of $15.00 per minute as opposed to the $50.00 per minute rate discussed above. All items of liquidated damages under the Energy Savings Agreement are indexed annually from the date of the Energy Savings Agreement in accordance with a formula based on the Consumer Price Index — All Canada (All Items).

The Facility has an auxiliary boiler capable of supplying the full amount of steam required to be supplied under the Energy Savings Agreement.

The price of steam supplied under the Energy Savings Agreement was $1.35 per 1,000 pounds of steam delivered in 1993, and has increased annually since 1993 in accordance with a formula based on the Consumer Price Index – All Canada (All Items), and currently is $1.49 per 1,000 pounds. The revenues Cardinal LP receives for the steam it supplies to CASCO under the Energy Savings Agreement amount to approximately 1.3% of its annual revenues.

CASCO may terminate the Energy Savings Agreement if (i) Cardinal LP defaults in the performance of a material condition, covenant, or obligation, or gives a materially erroneous representation or warranty, under the Energy Savings Agreement, the Lease or the line use and transfer agreement ("LUTA"); or (ii) Cardinal LP becomes subject to bankruptcy or similar proceedings and its lender does not assume its obligations under the Energy Savings Agreement. CASCO and Cardinal LP may terminate the Energy Savings Agreement upon not less than 60 days' prior written notice if an event of *force majeure* has occurred that will prevent either party from performing its obligations under the Energy Savings Agreement for more than twelve months.

Site Ownership and Easements

Cardinal LP leases from CASCO a portion of the site on which the Facility is located. Under the Lease, Cardinal LP pays nominal rent but is responsible for all the costs and expenses associated with the upkeep of the leased land. The leased land represents the largest portion of the site on which the Facility is located.

The Lease expires concurrently with the Energy Savings Agreement, including any extension thereof. The Energy Savings Agreement currently expires on January 31, 2015, but can be extended by mutual agreement. In the event that Cardinal LP avails itself of its unilateral right to extend the original term of the Energy Savings Agreement to January 31, 2017 (which may occur only if CASCO determines not to extend the Energy Savings Agreement), the Lease will also expire on January 31, 2017. However, if the Energy Savings Agreement is terminated (i) by Cardinal LP prior to October 31, 2015 because of a default of CASCO under the Energy Savings Agreement; (ii) by Cardinal LP because of the financial condition of CASCO as provided in the Energy Savings Agreement; or (iii) by Cardinal LP or CASCO as a result of an event of *force majeure* which prevents CASCO from performing its obligations under the Energy Savings Agreement, then the Lease may, at the option of Cardinal LP, be continued until a further date no later than December 31, 2020 (see "– Energy Savings Agreement"). Unless amended, the Lease provides that the term of the Lease cannot extend beyond December 31, 2030. At the expiration of the term of the Lease, Cardinal LP is responsible for dismantling and removing all improvements on the leased land and restoring the leased land to its condition prior to the commencement of the term of the Lease. Pursuant to the terms of the Lease, Cardinal LP owns all buildings, facilities, equipment and improvements which it brings onto the leased land and these leasehold improvements do not constitute fixtures regardless of the manner in which they may be affixed to the leased land.

In order to connect the Facility to the Hydro One transmission grid north of Highway 401, Cardinal LP has secured easements and crossing agreements, which allowed it to construct the Cardinal Transmission Line. Cardinal LP owns a small remote switching station adjacent to the Hydro One transmission grid to facilitate the interconnection with the Hydro One transmission grid.

Line Use and Transfer Agreement

The LUTA sets out the terms on which Cardinal LP is required to operate, maintain and repair the Cardinal Transmission Line. The Cardinal Transmission Line is the only source of electricity to the Facility and to the CASCO plant. At times when the Facility is experiencing an outage, CASCO receives its electricity from the IMO-administered market by way of the Cardinal Transmission Line. Given that the Cardinal Transmission Line is the only source of power for the CASCO plant, the LUTA provides that, upon termination of the Lease, ownership of the Cardinal Transmission Line and all related assets necessary for the ongoing delivery of electricity along the Cardinal Transmission Line (including all easements and crossing agreements, supporting structures, poles, wires and underground cable, and the remote switching station at the interconnect with the Hydro One transmission grid) will immediately be transferred to CASCO unless CASCO elects not to take a transfer of the property. The LUTA expires simultaneously with the Lease.

Transmission Connection Agreement

Cardinal LP's connection to the Hydro One transmission system is governed by the Transmission Connection Agreement. The Transmission Connection Agreement establishes certain minimum testing, operational and maintenance standards for each of Hydro One and Cardinal LP in respect of operation of the transmission system and Cardinal LP's connection thereto. In addition, the Transmission Connection Agreement establishes the terms and conditions pursuant to which Cardinal LP may disconnect from, and reconnect to, the Hydro One transmission system. The Transmission Connection Agreement remains in full force and effect until terminated by either party on at least six months' prior written notice.

Operating Plant Service Agreement

Siemens Westinghouse Power Corporation ("SWPC") and Cardinal LP entered into an Operating Plant Service Agreement dated January 14, 2004 that has a three-year term. In the Operating Plant Service Agreement, Cardinal LP agreed to purchase exclusively from SWPC major equipment components to support scheduled and unscheduled outages to Cardinal LP's Westinghouse 501D5 combustion turbine. In fulfilling its obligations under the Operating Plant Service Agreement, SWPC is required to take prompt action following any outage to the combustion turbine so as to minimize any associated downtime. Cardinal LP is relieved of the exclusivity obligation in the event of an unplanned outage only if SWPC fails to deliver major components within Cardinal LP's deadlines and Cardinal LP has a valid bid from a vendor that complied with such deadlines.

Gas Transportation Agreement

The Gas Transportation Agreement, which expires on October 31, 2014, provides for the transportation of natural gas purchased by Cardinal LP to the interconnection between the TCPL pipeline and the Union pipeline near Cardinal, Ontario. Natural gas is transported from the interconnection of the Union pipeline and the TCPL pipeline to the Facility pursuant to the Union Agreement between Cardinal LP and Union. Pursuant to an amendment to the Gas Purchase Agreement, Husky Marketing assumed responsibility for ensuring the transportation of the maximum daily quantities of natural gas Cardinal LP purchases under the Gas Purchase Agreement to the interconnection with the Union pipeline near Cardinal, Ontario. Cardinal LP reimburses Husky Marketing for the demand charges and commodity charges it incurs with respect to such transportation. In addition to the foregoing, Cardinal LP is required to pay a fuel gas charge for the natural gas actually consumed as transportation fuel to transport the natural gas. The fuel gas charge is tied to the DCR in the same manner as the commodity charges under the Gas Purchase Agreement.

The Gas Purchase Agreement provides that, if it is terminated prior to termination of the Gas Transportation Agreement, Husky Marketing will reassign the Gas Transportation Agreement to Cardinal LP.

The Union Agreement had an initial term of one year, from November 1, 2003 to October 31, 2004, and is thereafter automatically renewed for successive one-year terms. Renewal will continue unless notice to terminate is delivered by either party, such notice to be delivered at least three months' prior to the expiration of the then current term. The Union Agreement provides as well for a balancing arrangement of any natural gas received at the interconnection of the TCPL pipeline and the Union pipeline but not taken or required by Cardinal LP at the Facility.

Environmental Matters

The Facility and its operations are subject to a complex and increasingly stringent environmental, health and safety regulatory regime, including federal, provincial, municipal and local laws, statutes, regulations, by-laws, common law, licences, permits and other approvals, government directions and orders, government guidelines and policies, and other requirements governing or relating to, among other things: air emissions; taking of water and discharges into water; the storage, handling, use, transportation and distribution of dangerous goods and hazardous and residual material, such as chemicals; the prevention of releases of hazardous materials into the environment; the prevention, presence and remediation of hazardous materials in soil and ground water, both on and off site; and workers health and safety issues ("Environmental, Health and Safety Laws"). The Facility is managed in a manner designed to maintain compliance with Environmental, Health and Safety Laws including air approvals and water permits that allow water to be taken from the St. Lawrence River and cooling water to be discharged back into the St. Lawrence River and the Fund believes the Facility and operations are in compliance in all material respects to permit the Facility to operate at full capacity.

On December 17, 2002, the Government of Canada ratified the Kyoto Protocol to the United Nations Framework Convention on Climate Change (the "Kyoto Protocol"). The Kyoto Protocol calls for Canada to reduce its greenhouse gas emissions to 6% below 1990 levels by 2012. New federal and provincial climate control initiatives including new legislation are expected to affect the operation of all industries in Canada. Although the impact of the Kyoto Protocol cannot be fully determined at this point, the Fund believes that the overall impact on the Facility's operations should be minimal. This is so particularly because the Facility is a natural gas combined cycle cogeneration plant, which is expected to have a lower greenhouse gas emission rate per unit of output compared to certain other power plants.

The Facility will be subject to a NOx cap and trade program pursuant to Ontario legislation currently in force. The program provides that each of the facilities regulated under the legislation will receive a cap (or maximum yearly emission compliance limit) which may be achieved by traditional source emission control and reduction methods or by trading NOx allowances. The cap and trade program will take effect in 2006. For 2004, the Facility received 890 tonnes of NOx allowances based on actual NOx emissions for 2002 of 303 tonnes based on a 95.4% capacity factor. The Fund believes that the NOx allowances (which will be gradually reduced over time) are expected to be more than adequate to cover existing and future operations provided production continues at close to full capacity. If a NOx allowance market develops, the excess allowance allocation could represent a future revenue stream for Cardinal LP. The regulation through which the NOx cap and trade program is being implemented (Ontario Regulation 397/01) requires that regulated facilities put in place Continuous Emission Monitors ("CEMS") or Director approved Predictive Emission Monitors ("PEMS") by December 31, 2003.

In the fall of 2003, the Facility applied to the Ministry of the Environment ("MOE") for permission to install and operate PEMS. The MOE provided a response letter on October 14, 2003 requesting additional information and sent further letters on November 26th and 27th seeking additional information and noting that compliance was required by December 31, 2003. While Cardinal LP believed it had a good case for approval of PEMS, the Facility did not have in place a Director approved PEMS by December 31, 2003. Consequently, the Facility was not in compliance with the requirements of Ontario Regulation 397/01 during a period of 68 days during 2004. In order to provide certainty and limit exposure to any potential MOE prosecution, Cardinal LP requested that the MOE issue an order pursuant to Section 157 of Ontario's *Environmental Protection Act* ("Order"). The Order, issued by the MOE on March 9, 2004, provided that the Facility should carry out a number of tests and analyses to demonstrate the case for retaining the PEMS approach. In the event that the Director determined that PEMS was not at least as accurate, the Order required the Facility to complete the installation, testing and commencement of operation of CEMS prior to February 28, 2005. The Order was intended to have the effect of providing sufficient time to ensure that an accurate emissions estimate mechanism was utilized and would statute bar the MOE from bringing a prosecution for non-compliance related to the period during which the Order was outstanding, provided that the terms and conditions of the Order were fully complied with. However, the Order does not prevent the MOE from bringing an enforcement action for the period between January 1, 2004 and the date the Order was issued, although Cardinal LP believes such enforcement action is not likely. If the MOE commences an enforcement action for any non-compliance, there is a possibility of penalties, which (while there is a theoretical possibility of fines in the amount of $100,000 per day), would not, in Cardinal LP's view, be likely to exceed fines in the amount of $25,000 to $50,000 in aggregate and a similar amount for related legal fees (see "Risk Factors").

After the closing of the Initial Public Offering, Cardinal LP decided to implement CEMS at the Facility. The installation and commissioning of CEMS was completed at the end of December 2004 and the CEMS are currently undergoing their final acceptance tests. Cardinal LP is awaiting final approval from MOE. The costs of commissioning and installing CEMS was approximately $200,000, and this amount was drawn from the capital expenditure reserve account (see "Reserve Accounts").

The operation of the Facility involves, and any future acquisitions and other interests may involve, both environmental and social responsibilities. In late 2004 the Fund adopted an environmental and social responsibility management policy (the "Policy"), which, in general, aims to ensure compliance by the Fund with applicable laws and regulations. The Fund's ongoing environmental and social responsibilities are managed as follows:

- *Asset acquisition due diligence* – Environmental and social responsibilities are considered by the Fund during the due diligence process in its review and evaluation of possible acquisitions. Where regulatory obligations exist, the Fund views such obligations as minimum standards for environmental and social responsibility management post-acquisition. The Policy outlines the key steps to be taken during the due diligence phase, including engaging an appropriate environmental expert to identify issues and obligations relating to any investment.

- *Ongoing management* – The Fund's ability to control or influence environmental and social responsibility management relating to an investment differs based on its level of investment and the regulatory framework within which such investment operates. The Fund exerts influence through its representation on the Board of Trustees of MPT. In particular, by requiring regular board reporting, the Fund can monitor compliance with environmental requirements and identify environmental and social responsibility issues on a timely basis.

- *Stakeholder reporting* – The Policy recognizes the importance of environmental and social responsibility management by requiring the Fund to report annually to Unitholders regarding environmental and social responsibility management, including a summary of the Policy and key responsibilities, and a statement on the regulatory compliance of the applicable assets during the reporting period.

Permits

The Ontario Energy Board ("OEB") granted Electricity Generation Licenses dated October 20, 2003 and October 16, 2003, respectively, to Cardinal LP and to the previous plant operator which were valid until March 31, 2023. The OEB replaced such licences on August 6, 2004 with a single licence to Cardinal LP, which licence is retroactive from October 20, 2003 and valid until October 19, 2023. On November 13, 2001, the IMO granted Cardinal LP an authorization to operate as a market participant. A decision of the OEB concerning the relationship between CASCO and Hydro One necessitated that Cardinal LP apply for a transmission licence or seek an exemption from the obligation to obtain such license. On March 8, 2004, the OEB granted Cardinal LP an exemption from obtaining a transmission licence and related requirements. Instead, Cardinal LP is required to administer a transmission cost pass-through arrangement between CASCO and Hydro One.

Insurance

The Fund has arranged and maintains ''all risks'' property and machinery breakdown insurance, business interruption, automobile insurance and liability insurance, including sudden and accidental pollution coverage, with rated insurers on and in respect of the assets and operations of Cardinal LP, in a form and for limits generally consistent with the insurance currently in effect with respect to such assets and operations and with coverages and in amounts that are consistent for comparable operations and services, including the generation and transmission of electrical power.

The Facility has approximately $24 million of liability insurance under a general third party liability policy and several umbrella liability policies. The property insurance coverage provides all-risk coverage for the replacement cost of the Facility up to a limit of approximately $173 million and the business interruption insurance provides coverage up to a limit of approximately $44 million. There is a deductible of $250,000 for general losses and a deductible of $500,000 for losses resulting from a machinery breakdown. The business interruption coverage is generally subject to a deductible of 45 days and to a deductible of 60 days in the case of machinery breakdown and will reimburse all the profits lost while damage to the Facility is repaired as well as paying continuing expenses such as rent payments, interest and gas transportation fixed charges.

Major Maintenance and Capital Expenditures

Maintenance expenditures are made to replace or add to capital assets required to maintain the Facility's current output capacity. Assets subject to major maintenance consist of the combustion turbine, the steam turbine, the combustion turbine generator and the steam turbine generator. A combustion turbine overhaul is required every 8,000 hours, at which time the parts used in such combustion turbine are removed for repair or replacement. A hot gas path inspection is performed after every 24,000 hours of operations, when most of the combustion and turbine component sections are replaced with new or repaired components. After every 48,000 hours of operations, a major inspection of the combustion turbine is performed and involves a total overhaul of the combustion turbine, including the air compression section. For the steam turbine, a valve and steam chest inspection is carried out for every 24,000 hours of operations and, for every 48,000 hours of operations, a major inspection is performed. The electrical generators for the combustion and steam turbines are subject to a minor inspection every 24,000 hours and to a major inspection every 48,000 hours.

Facility outages required to perform major maintenance items, such as turbine overhaul, hot section refurbishment, steam turbine overhauls and combustion and steam electrical generators are, to the greatest extent possible, scheduled with OEFC and IMO approval under the Power Purchase Agreement.

A major maintenance reserve account with an initial cash balance of $3 million has been established by Cardinal LP. An amount equal to $2.3 million per year is allocated to the major maintenance reserve account for the inspection and maintenance of the combustion turbine, the combustion turbine generator and the steam turbine generator. A capital expenditure reserve account was established by Cardinal LP at closing of the Initial Public

Offering using $1 million from the net proceeds of the Initial Public Offering. An amount equal to $0.4 million per year is allocated to the capital expenditure reserve account. It is expected that disbursements for major maintenance and capital expenditures will be funded from these reserves.

POWER INDUSTRY OVERVIEW

Independent Power Generation and North American Supply Outlook

Historically, the North American electricity industry was characterized by vertically integrated monopolies. During the late 1980s, several jurisdictions began a process of restructuring by moving away from vertically integrated monopolies towards more competitive market models. Rapid growth in electricity demand, environmental concerns, increasing electricity rates, technological advances and other concerns prompted government policies to encourage the supply of electricity from independent power producers.

In the independent power generation sector, electricity is generated from a number of sources, including water, natural gas, coal, waste products such as biomass (*e.g.*, waste wood from forest products operations) and landfill gas, geothermal sources, such as heat or steam, the sun, and wind.

Ontario Power Industry

Regulatory Environment

During the 1980s, some provinces, notably, Québec, British Columbia, Alberta, Ontario, Nova Scotia and Newfoundland, began actively seeking investment in new generation from independent power producers. Under those arrangements, independent power producers typically entered into long-term power purchase agreements with government agencies at defined rates providing a cash flow stream to the independent power producers reflecting the projected long-term value of the capacity and electricity to the purchasing utility. During the late 1980s, changing technology, such as improvements in combined cycle cogeneration systems, the commercial availability of low-cost, smaller scale electricity generating equipment fuelled by natural gas, and favourable natural gas prices resulted in changes to the economics of electricity generation favouring smaller, more efficient generating units that could be built in a shorter time frame and at less cost than large central generating stations. During the same period, Ontario Hydro, with the support of the Ontario Ministry of Energy, developed policies to encourage the addition of new generating capacity by independent power producers. In connection with this policy initiative, Ontario Hydro entered into approximately 90 long-term power purchase agreements with NUGs located in Ontario. These power purchase agreements, which expire on various dates until 2048, represent approximately 1,700 megawatts of generating capacity and account for about 6% to 8% of the generating capacity available to meet Ontario's energy requirements.

In November 1995, the Government of Ontario appointed the Advisory Committee on Competition in Ontario's Electricity System (the "Advisory Committee") to investigate and assess options for phasing competition into Ontario's electricity industry. Acting on many of the recommendations in the Advisory Committee's report and the principles contained in the government's November 1997 White Paper on the electricity sector, the Ontario legislature passed the *Energy Competition Act, 1998*, which, in turn, enacted two pieces of legislation necessary to create a legislative framework for a restructured Ontario electricity market — the *Electricity Act, 1998* and the *Ontario Energy Board Act, 1998* ("OEB Act"). The *Electricity Act, 1998* restructured Ontario Hydro's integrated electricity businesses into the following five separate corporations effective April 1, 1999: (i) Ontario Power Generation ("OPG"), which assumed the electricity generation, wholesale energy and ancillary services businesses, (ii) Hydro One, which assumed the transmission, rural distribution and retail energy services businesses, (iii) the IMO, which was formed to act as an independent electricity system operator responsible for dispatching generation, to direct the operations of the Ontario transmission grid and to act as an independent administrator of the energy and ancillary services markets, (iv) the Electrical Safety Authority, which was established to carry out electrical equipment and electrical wiring installation inspection functions, and (v) the OEFC.

OEFC is the legal continuation of Ontario Hydro and an agent of the Province of Ontario. OEFC is responsible for servicing and retiring Ontario Hydro's outstanding debt and other obligations. In addition, OEFC administers the NUG contracts previously entered into by Ontario Hydro with independent power producers.

On May 1, 2002, Ontario's wholesale and retail electricity markets opened to competition and the obligation of transmitters and distributors to provide non-discriminatory open access to their systems came into force. With open access, generators can sell power to counter-parties under bilateral contracts or bid their power into the IMO-administered markets and receive the market-clearing price. Pursuant to the IMO Market Rules, the IMO schedules and dispatches dispatchable generators and settles the purchase and sale of energy and ancillary services made through the IMO-administered markets.

Following the opening of Ontario's wholesale and retail markets, Ontario experienced high levels of demand for electricity during July, August and September 2002, with resulting increases in the wholesale price of electricity and the incurring of significant costs for imported power. Reacting to public concerns over electricity prices, the Progressive Conservative government passed the *Electricity Pricing, Conservation and Supply Act, 2002* on December 9, 2002, which introduced, among other things, an energy price freeze at 4.3 cents per kWh until at least May 1, 2006 in favour of consumers who consume less than 250,000 kWhs of electricity in a year and of certain other "designated consumers". On December 18, 2003, the newly-elected Liberal government enacted the *Ontario Energy Board Amendment Act, 2003* changing the electricity price cap for residential consumers effective April 1, 2004 to 4.7 cents per kWh for the first 750 kWh consumed in any month and 5.5 cents per kWh for any consumption above that level. The interim arrangement was to have remained in place until no later than May 1, 2005 by which time the Ontario Energy Board was directed to develop and implement a new pricing mechanism for residential consumers. Subsequently the Ontario Government passed Bill 100 which further restructured the industry in Ontario and established the Ontario Energy Authority which has the task of ensuring the adequacy of electricity supply for the Province.

On December 9, 2004, the Ontario Legislature passed the *Electricity Restructuring Act 2004* (the "ERA") which further restructured the electricity industry in Ontario and established the Ontario Power Authority ("OPA") which is to oversee and facilitate electricity supply adequacy and conservation for the Province. The OPA has the task of procuring new electricity supply, transmission, demand management and conservation either by competition or by contract when necessary. The ERA also transferred powers previously within the ambit of the IMO to the OPA, including medium and long-term electricity forecasting and planning. Similarly, the ERA significantly altered the scope of the Ontario Energy Board's responsibilities by leaving the Ontario Energy Board with the following two of its seven responsibilities set out in the OEB Act: to protect the interests of consumers so that consumers have access to quality electricity that is reliable, adequate and economical, and secondly, to support the generation, transmission, distribution, sale and conservation of electricity that is cost-effective. The ERA concurrently expanded the Ontario Energy Board's role by empowering it to approve the integrated power system plans and procurement processes developed by the OPA.

Ontario Market Supply Situation

In its March 2003 10-Year Outlook, the IMO warned of the aging of Ontario's generation resources. Indeed, up to 20% of existing generation resources are expected to be retired from service or require substantial refurbishment over the next decade, with another 20% in the subsequent five years. In January 2004, the Electricity Conservation & Supply Task Force (the "Task Force") published a report outlining the current state of the Ontario electricity market. The report noted the following: Ontario faces a looming electricity supply shortfall in the years ahead as coal-fired generation is taken out of service and existing nuclear plants approach the end of their planned operating lives. Current projections suggest that, without new supply and substantial conservation efforts, Ontario could have insufficient power to meet its peak requirements by 2006 and that by 2014, the province would have only half the generation capacity it needs to ensure adequate and reliable electricity service. Following the publication of the Task Force's report, Ontario's Energy Minister proceeded with two Requests for Proposals ("RFP") for electricity capacity. The first RFP was issued April 28, 2004 and sought proposals to build 300 megawatts of new renewable energy capacity. On November 24, 2004, the Liberal Government announced that it had chosen 10 proponents from the 41 submissions to build an aggregate of 395 megawatts of new renewable capacity from varying sources such as wind, landfill gas and hydro-electric. The second RFP issued on September 13, 2004, sought 2,500 megawatts of electricity capacity or electricity conservation measures to replace the coal-fired generation plants currently generating electricity in Ontario. The Energy Minister has announced that 33 proposals representing 8,268 megawatts of generation have been received.

Competitive Structure

Responsibility for the legacy of NUG contracts entered into by Ontario Hydro remains with OEFC. Since NUG contracts involve the purchase by OEFC of most of the output of a NUG at prices calculated in accordance with the power purchase agreement between the NUG and OEFC, most NUGs are treated as transitional scheduling generators under the IMO Market Rules. As such, NUGs effectively self-schedule their energy supply into the IMO-administered markets; they operate independently of dispatch instructions from the IMO, instead providing the IMO with a schedule of the energy they intend to produce and convey into the IMO-controlled grid. The NUGs are paid for such energy by OEFC at the prices contained in their power purchase agreements. The IMO Market Rules permit cogeneration NUGs to re-register as dispatchable generation facilities, self-scheduling facilities or intermittent generation facilities.

OPG is the dominant generator of electricity in the Province of Ontario, presently controlling approximately 70% of existing generation capacity. Although OPG's generator licence contains conditions requiring it to transfer effective control over portions of its output, political events since the passage of the *Electricity Pricing, Conservation and Supply Act, 2002* in December 2002 have made it difficult to ascertain whether the Government of Ontario remains committed to these decontrol targets. The current Liberal government's election platform contained a promise that it would not sell any public generating stations. In view of that promise, the Task Force concluded that the current OPG Market Power Mitigation Agreement could not be effectively implemented. However, the Power Purchase Agreement requires Cardinal LP to sell and OEFC to purchase all electricity from the Facility at fixed rates subject to certain escalators. Accordingly, any changes in the structure of the generation market in Ontario, including whether or not OPG is directed to continue its decontrol initiatives, should not affect the electrical sales revenues of the Facility over the term of the Power Purchase Agreement.

U.S. Power Industry

The electric power industry is one of the largest industries in the U.S., with an estimated end-user market of nearly $250 billion of electricity sales in 2002 based on information published by the Energy Information Administration of the U.S. Department of Energy. Historically, the power generation industry in the U.S. has been characterized by electric utility monopolies selling under regulated rates. However, industry trends and legislative and administrative initiatives have introduced competition into components of the electricity industry, creating markets where load-serving entities and end-users may purchase electricity from a variety of suppliers, including independent power producers, power marketers, regulated public utilities and others. For the past decade, the power industry has been undergoing deregulation at the wholesale level allowing generators to sell directly to the load-serving entities, such as public utilities, municipalities and electric cooperatives. Although industry trends and regulatory initiatives aimed at further deregulation have slowed, sectors of the power industry continue to move to competitive markets.

The North American Electric Reliability Council estimates that in the U.S. peak (summer) net electric demand in 2002 totaled approximately 686,399 MW, while summer generating capacity in 2002 totaled approximately 834,770 MW, creating a peak summer reserve margin of 148,371 MW, or 17.8%. Some regions have margins well in excess of the 15% to 20% target range, while other regions remain short of ideal reserve margins. The estimated 148,371 MW of reserve margin in 2002 compares to an estimated 121,049 MW in 2001. The increase was due in large part to the start-up of new gas-fired power plants. The U.S. market consists of regional electric markets, not all of which are effectively inter-connected, so reserve margins vary from region to region.

According to a November 2003 report from Standard & Poor's (the "S&P Report"), the U.S. power industry has experienced a continued decline in credit quality, an unprecedented number of bankruptcies, and a blackout of historic proportion. The years of 2002 and 2003 were marked by a decrease in power prices in many power markets as the industry was confronted with an over-supply of power generating capacity caused by an increased level of highly leveraged investments in non-regulated power generating assets, coupled with a declining economy. Supply increased drastically (with new merchant plants financed on a short-term basis), while the economic slowdown reduced power demand. This resulted in an industry-wide decrease in credit ratings of generating companies and has constrained their access to capital markets.

According to the S&P Report, in 2003, the number of S&P credit rating downgrades in the power energy industry far outpaced the number of upgrades, with the downgrade to upgrade ratio exceeding 10:1. The average credit rating for the electric utility sector is firmly in the "BBB" category, down from the "A" category three years

ago. Prospects for credit quality remain challenging, as indicated by S&P ratings outlooks, 40% of which are negative.

The Manager believes that credit concerns have affected the sector's strategic business plans, forcing some companies to liquidate assets in order to improve their balance sheets. This situation has presented acquisition opportunities for less affected power companies. Restructuring has produced a resurgence of merger and acquisition transactions in the power generation sector. The Manager believes that the merger and acquisition activity in the power generation sector over the next several years will be characterized by continued divestiture activity and focused acquisitions aimed at restructuring portfolios.

DESCRIPTION OF THE FUND

General

The Fund is an unincorporated, open-ended, limited purpose trust established under the laws of the Province of Ontario pursuant to the Fund Declaration of Trust. The Fund qualifies as a "mutual fund trust" for the purposes of the Tax Act. The Fund's objective is to produce stable and sustainable levels of cash for distributions to Unitholders on a monthly basis. When possible, the Fund intends to increase the amount of cash available for distributions to Unitholders by (i) pursuing additional investments and acquisitions in the Business, with a focus on operating power generation facilities in Canada and the U.S., and such other businesses or activities as may be approved from time to time by a majority of the Trustees (including a majority of the Trustees independent of the Manager), and (ii) improving the profitability of the existing assets of the Fund.

The following is a summary of the material attributes and characteristics of the Units and certain provisions of the Fund Declaration of Trust, which summary does not purport to be complete and is subject to and qualified in its entirety by the full text of the Fund Declaration of Trust. Reference should be made to the Fund Declaration of Trust for a complete description of the Units and the full text of its provisions (see "Material Contracts").

Activities of the Fund

The Fund Declaration of Trust provides that the Fund is restricted to:

(i) investing in and otherwise dealing with securities issued by MPT and the securities of any other person involved directly or indirectly in the Business or in such other business or activity as may be approved by a majority of the Trustees (including a majority of the Trustees independent of the Manager, acting as administrator);

(ii) temporarily holding cash in interest-bearing accounts, short-term government debt or short-term investment grade corporate debt for the purposes of paying the expenses and liabilities of the Fund, paying amounts payable by the Fund in connection with the redemption of any Units or other securities of the Fund and making distributions to Unitholders;

(iii) issuing Units or securities convertible into Units (i) for cash, (ii) in satisfaction of any non-cash distribution, (iii) in order to acquire securities, or (iv) pursuant to any distribution reinvestment plans, incentive option plans or other compensation plans, if any, established by the Fund;

(iv) issuing debt securities or otherwise borrowing or encumbering the assets of the Fund;

(v) guaranteeing the payment of any indebtedness, liability or obligation of MPT and its Affiliates, or the performance of any obligation of MPT and its Affiliates, and mortgaging, pledging, charging, granting a security interest in or otherwise encumbering all or any part of its assets as security for such

guarantee, and subordinating its rights under the MPT Notes to other indebtedness;

(vi) disposing of any part of the assets of the Fund;

(vii) issuing or redeeming rights and Units pursuant to any unitholder rights plan adopted by the Fund;

(viii) repurchasing securities issued by the Fund;

(ix) satisfying the obligations, liabilities or indebtedness of the Fund; and

(x) undertaking all other usual and customary actions for the conduct of the activities of the Fund in the ordinary course as are approved by the Trustees from time to time, or as are contemplated by the Fund Declaration of Trust;

provided the Fund will not undertake any activity, take any action, omit to take any action or make any investment that would result in the Fund not being considered a "mutual fund trust" for purposes of the Tax Act, or would result in the Units being treated as "foreign property" for the purposes of the Tax Act.

Units

An unlimited number of Units may be issued pursuant to the Fund Declaration of Trust. Each Unit is transferable and represents an equal undivided beneficial interest in any distributions from the Fund, whether of net income, net realized capital gains (other than net realized capital gains distributed to redeeming Unitholders) or other amounts, and in the net assets of the Fund in the event of the termination or winding-up of the Fund.

All Units are of the same class with equal rights and privileges. Each Unit entitles the holders thereof to one vote for each whole Unit held at all meetings of Unitholders. Except as set out under "- Redemption at the Option of Unitholders" below, the Units have no conversion, retraction, redemption or pre-emptive rights.

Issuance of Units

The Fund Declaration of Trust provides that Units or rights to acquire Units may be issued at the times, to the persons, for the consideration and on the terms and conditions that the Trustees determine, including pursuant to any unitholder rights plan or any incentive option or other compensation plan established by the Fund. Units may be issued in satisfaction of any non-cash distribution of the Fund to Unitholders on a *pro rata* basis to the extent that the Fund does not have available cash to fund such distribution. The Fund Declaration of Trust also provides, unless the Trustees determine otherwise, that immediately after any *pro rata* distribution of Units to all Unitholders in satisfaction of any non-cash distribution, the number of outstanding Units will be automatically consolidated such that each Unitholder will hold after the consolidation the same number of Units as the Unitholder held before the non-cash distribution, except where tax was required to be withheld in respect of the Unitholder's share of the distribution. In this case, each certificate, if any, representing a number of Units prior to the non-cash distribution is deemed to represent the same number of Units after the non-cash distribution and the consolidation. Where amounts so distributed represent income, non-resident holders will be subject to withholding tax and the consolidation will not result in such non-resident Unitholders holding the same number of Units. Such non-resident Unitholders will be required to surrender the certificates, if any, representing their original Units in exchange for a certificate representing their post-consolidation Units.

Trustees

The Fund Declaration of Trust provides that the Fund must have a minimum of four and a maximum of ten trustees, as determined from time to time by the Trustees. Presently, the Fund has four Trustees (see "Trustees, Management and Operations – Trustees"). Each of the Trustees, other than the Manager's appointee, is elected by Unitholders and is "independent" (as such term is defined under section 1.4 of Multilateral Instrument 52-110 — Audit Committees). During the term of the Administration Agreement, the Manager is entitled to appoint one Trustee. The term of office of any Trustee continues until the next annual meeting of Unitholders following his or her election or appointment or until the date on which his or her successor is elected or appointed, or earlier if he or

she dies, resigns, or is removed or disqualified, or until his or her term of office is terminated for any other reason in accordance with the Fund Declaration of Trust.

The Fund Declaration of Trust provides that, subject to its terms and conditions, the Trustees have full, absolute and exclusive power, control and authority over the assets of the Fund and over the affairs of the Fund to the same extent as if the Trustees were the sole and absolute legal and beneficial owners of the assets of the Fund and shall supervise the investments and conduct the affairs of the Fund. Subject to such terms and conditions, the Trustees are responsible for, among other things:

- acting for, voting on behalf of and representing the Fund as a holder of MPT Units, MPT Notes and other securities of MPT;
- maintaining records and providing reports to Unitholders;
- supervising the activities and managing the investment and affairs of the Fund;
- effecting payments of Distributable Cash from the Fund to Unitholders; and
- voting in favour of the Fund's nominees to serve as MPT Trustees.

Any one or more of the Trustees may resign upon 30 days' written notice to the Fund, unless such resignation would cause the number of remaining Trustees to be less than a quorum. Other than the Manager's appointee, the Trustees may be removed by a resolution passed by Ordinary Resolution and the vacancy created by the removal or resignation must be filled at the same meeting, failing which it may be filled by the affirmative vote of a quorum of the Trustees.

A quorum of the Trustees, being the majority of the Trustees then holding office, may fill a vacancy in the Trustees, except a vacancy resulting from an increase in the number of Trustees or from a failure of the Unitholders to elect the required number of Trustees. In the absence of a quorum of Trustees, or if the vacancy has arisen from a failure of the Unitholders to elect the required number of Trustees, the Trustees will promptly call a special meeting of the Unitholders to fill the vacancy. If the Trustees fail to call that meeting or if there are no Trustees then in office, any Unitholder may call the meeting. The Trustees may, between annual meetings of Unitholders, appoint one or more additional Trustees to serve until the next annual meeting of Unitholders, but the number of additional Trustees will not at any time exceed one-third of the number of Trustees who held office at the expiration of the immediately preceding annual meeting of Unitholders.

The Fund Declaration of Trust provides that the Trustees must act honestly and in good faith with a view to the best interests of all the Unitholders and in connection with that duty they must exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. The Fund Declaration of Trust provides that each Trustee is entitled to indemnification from the Fund in respect of the exercise of the Trustee's powers and the discharge of the Trustee's duties, provided that the Trustee acted honestly and in good faith with a view to the best interests of all the Unitholders or, in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, where the Trustee had reasonable grounds for believing that his/her conduct was lawful.

Distribution Policy

The Fund's policy is to make distributions of its available cash, less estimated cash amounts required for expenses and other obligations of the Fund, cash redemptions of Units and any tax liability, to the maximum extent possible to the Unitholders. Cash distributions are payable to Unitholders of record on the last business day of each month for which a distribution is declared and are paid on the last business day of the following month.

The Fund may make additional distributions in excess of monthly distributions during the year, as the Trustees may determine.

Any income of the Fund which is applied to any cash redemptions of Units or is otherwise unavailable for cash distribution will, to the extent necessary to ensure that the Fund does not have an income tax liability under Part I of the Tax Act, be distributed to Unitholders in the form of additional Units. To the extent that the Fund does not

have sufficient available cash to make cash distributions, the Fund may issue additional Units to Unitholders in lieu of making such distribution in cash. Those additional Units will be issued under exemptions under applicable securities laws, discretionary exemptions granted by applicable securities regulatory authorities or a prospectus or similar filing.

Redemption at the Option of Unitholders

Units are redeemable at any time on demand by the holders thereof. As the Units are issued in book-entry form, a Unitholder who wishes to exercise the redemption right must obtain a redemption notice form from the Unitholder's investment dealer who is required to deliver the completed redemption notice form to the Fund at its head office and to the Canadian Depository for Securities Limited ("CDS"). Upon receipt of the redemption notice by the Fund, all rights to and under the Units tendered for redemption shall be surrendered (including the right to receive any distributions thereon) and the holder thereof shall be entitled to receive a price per Unit (the "Redemption Price") equal to the lesser of:

(i) 90% of the Market Price of a Unit calculated as of the date on which the Units were surrendered for redemption (the "Redemption Date"); and

(ii) 100% of the Closing Market Price on the Redemption Date.

The aggregate Redemption Price payable by the Fund in respect of all Units surrendered for redemption during any calendar month shall be satisfied by way of a cash payment no later than the last day of the month following the month during which the Units were tendered for redemption, provided that the entitlement of Unitholders to receive cash upon the redemption of their Units is subject to the limitations that:

(i) the total amount payable by the Fund in respect of those Units and all other Units tendered for redemption in the same calendar month shall not exceed $50,000, provided that the Trustees may, in their sole discretion, waive this limitation in respect of all Units tendered for redemption in any calendar month;

(ii) at the time the Units are tendered for redemption, the outstanding Units shall be listed for trading on a stock exchange or traded or quoted on another market which the Trustees consider, in their sole discretion, provides representative fair market value prices for the Units; and

(iii) the normal trading of Units is not suspended or halted on any stock exchange on which the Units are listed (or, if not listed on a stock exchange, on any market on which the Units are quoted for trading) on the Redemption Date or for more than five trading days during the ten-day trading period ending on the Redemption Date.

If a Unitholder is not entitled to receive cash upon the redemption of Units as a result of one or more of the foregoing limitations, then each Unit tendered for redemption will, subject to any applicable regulatory approvals, be redeemed by way of a distribution *in specie*. In such circumstances, Series 1 MPT Notes and MPT Units of a value equal to the Redemption Price will be redeemed by MPT in consideration of the issuance to the Fund of Series 3 MPT Notes and Series 2 MPT Notes, respectively. The Series 2 MPT Notes and the Series 3 MPT Notes will then be transferred to a wholly-owned subsidiary of the Fund in exchange for Series 2 Exchange Notes and Series 3 Exchange Notes, respectively. The Series 2 Exchange Notes and Series 3 Exchange Notes will have terms similar to the Series 2 MPT Notes and Series 3 MPT Notes, respectively, except that the interest rates on the Series 2 Exchange Notes and Series 3 Exchange Notes will be 0.05% less than the interest rates on the Series 2 MPT Notes and Series 3 MPT Notes. The Series 2 Exchange Notes and Series 3 Exchange Notes will then be distributed in satisfaction of the Redemption Price. No fractional Series 2 Exchange Notes or Series 3 Exchange Notes in integral multiples of less than $100 will be distributed and, where the number of securities of MPT to be received by a Unitholder includes a fraction or a multiple less than $100, that number shall be rounded to the next lowest whole number or integral multiple of $100. The Fund will be entitled to all interest paid on the MPT Notes and the distributions paid on the MPT Units on or before the date of the distribution *in specie*. Where the Fund makes a distribution *in specie* of a *pro rata* number of securities on the redemption of Units of a Unitholder, the Fund

currently intends to designate to that Unitholder any income or capital gain realized by the Fund as a result of the redemption and the distribution of those securities to the Unitholder.

It is anticipated that the redemption right described above will not be the primary mechanism for Unitholders to dispose of their Units. Series 2 Exchange Notes and Series 3 Exchange Notes which may be distributed *in specie* to Unitholders in connection with a redemption will not be listed on any stock exchange and no market is expected to develop in Series 2 Exchange Notes and Series 3 Exchange Notes and they may be subject to resale restrictions under applicable securities laws. Series 2 Exchange Notes and Series 3 Exchange Notes so distributed may not be qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans and registered education savings plans, depending upon the circumstances at the time.

Repurchase of Units

The Fund may, from time to time, purchase Units for cancellation in accordance with applicable securities legislation and the rules prescribed under applicable stock exchange or regulatory policies. Any such repurchase will constitute an "issuer bid" under Canadian provincial securities legislation and must be conducted in accordance with the applicable requirements thereof.

Meetings of Unitholders

The Fund Declaration of Trust provides that meetings of Unitholders must be called and held annually for the presentation of the audited financial statements of the Fund, the appointment of Trustees, the appointment of auditors of the Fund and the transaction of such other business as Unitholders are entitled to vote upon. The Fund Declaration of Trust provides that the Unitholders are entitled to pass resolutions that will bind the Fund only with respect to:

- the election or removal of Trustees;
- the appointment or removal of nominees of the Fund chosen by the Unitholders to serve as MPT Trustees (except filling casual vacancies);
- the appointment or removal of the auditors of the Fund;
- the appointment of an inspector to investigate the performance by the Trustees in respect of their responsibilities and duties in respect of the Fund;
- the approval of amendments to the Fund Declaration of Trust (but only in the manner described below under "- Amendments to the Fund Declaration of Trust");
- the termination of the Fund;
- the sale of all or substantially all of the assets of the Fund;
- the exercise of certain voting rights attached to the securities of MPT held by the Fund (see "–Exercise of Certain Voting Rights Attached to Securities of MPT");
- the ratification of any Unitholder rights plan, distribution reinvestment plan, distribution reinvestment and Unit purchase plan, Unit option plan or other compensation plan contemplated by the Fund Declaration of Trust requiring Unitholder approval;
- the dissolution of the Fund prior to the end of its term;
- the arrangement, amalgamation or other merger of the Fund; and
- any other matters required by securities law, stock exchange rules or other laws or regulations to be submitted to Unitholders for their approval.

No other action taken by Unitholders or any other resolution of the Unitholders at any meeting will in any way bind the Trustees.

A resolution with respect to (i) the election or removal of Trustees; (ii) the appointment or removal of nominees of the Fund chosen by the Unitholders to serve as MPT Trustees (except filling casual vacancies); (iii) the

appointment or removal of the auditors of the Fund; (iv) the exercise of certain voting rights attached to the securities of MPT held by the Fund, and (v) any other matters required by securities law, stock exchange rules or other laws or regulations to be submitted to the Unitholders for their approval must be passed by Ordinary Resolution. The balance of the foregoing matters must be passed by Special Resolution. A meeting of Unitholders may be convened at any time and for any purpose by the Trustees and must be convened, except in certain circumstances, if requisitioned by the holders of not less than 5% of the Units then outstanding by a written requisition. A requisition must state in reasonable detail the business proposed to be transacted at the meeting.

Unitholders may attend and vote at all meetings of the Unitholders either in person or by proxy and a proxy-holder need not be a Unitholder. Two persons present in person holding personally or representing as proxies at least 10% of the votes attached to all outstanding Units will constitute a quorum for the transaction of business at all meetings.

The Fund Declaration of Trust contains provisions as to the notice required and other procedures with respect to the calling and holding of meetings of Unitholders.

Limitation on Non-Resident Ownership

In order for the Fund to maintain its status as a "mutual fund trust" for the purposes of the Tax Act, the Fund must not be established or maintained primarily for the benefit of non-residents of Canada within the meaning of the Tax Act. Accordingly, the Fund Declaration of Trust provides that at no time may non-residents of Canada be the beneficial owners of more than 49.9% of the Units. The Trustees, in their sole discretion, may require declarations as to the jurisdictions in which beneficial owners of Units are resident. If the Trustees become aware that the beneficial owners of at least 49.9% of the Units then outstanding are, or may be, non-residents or that such a situation is imminent, the transfer agent and registrar may make a public announcement thereof and shall not accept a subscription for Units from, or issue or register a transfer of Units to, a person unless the person provides a declaration that the person is not a non-resident. If, notwithstanding the foregoing, the Trustees, in their sole discretion, determine that 49.9% or more of the Units are held by non-residents, the Trustees may send a notice to non-resident holders of Units, chosen in inverse order to the order of acquisition or registration or in such other manner as the Trustees may consider equitable and practicable, requiring them to sell their Units or a portion thereof within a specified period of not less than 60 days and, in the interim, shall suspend the voting and distribution rights attached to such Units. If the persons receiving such notice have not sold the specified number of Units or provided the Trustees with satisfactory evidence that they are not non-residents within such period, the Trustees may, on behalf of such persons, sell such Units. Upon such sale, the affected holders shall cease to be holders of the Units and their rights shall be limited to receiving the net proceeds of such sale upon surrender of the certificates representing such Units.

Amendments to the Fund Declaration of Trust

The Fund Declaration of Trust contains provisions that allow it to be amended or altered from time to time by the Trustees with the consent of the Unitholders by Special Resolution.

The Trustees, in their discretion and without the approval of the Unitholders, are entitled to make certain amendments to the Fund Declaration of Trust, including amendments:

(i) which are required for the purpose of ensuring continuing compliance with applicable laws, regulations, requirements or policies of any governmental authority having jurisdiction over the Trustees or the Fund, including ensuring that the Fund continues to qualify as a "mutual fund trust" and the Units do not constitute "foreign property", each within the meaning of the Tax Act;

(ii) which provide additional protection or added benefits for the Unitholders, provided that the Trustees receive a legal opinion from counsel to this effect;

(iii) to remove any conflicts or inconsistencies in the Fund Declaration of Trust or to make minor corrections which are necessary or desirable and not prejudicial to the Unitholders; and

(iv) which are necessary or desirable as a result of changes in tax laws.

Notwithstanding the previous sentence, the Trustees may not amend the Fund Declaration of Trust in a manner which would result in (a) the Fund failing to qualify as a "mutual fund trust" under the Tax Act or (b) the Units being treated as "foreign property" for the purposes of the Tax Act.

Term of the Fund

The Fund has been established for a term ending 21 years after the date of death of the last surviving issue of Her Majesty, Queen Elizabeth II, alive on March 15, 2004. On a date selected by the Trustees, which is not more than two years prior to the expiry of the term of the Fund, the Trustees are obligated to commence to wind-up the affairs of the Fund so that it will terminate on the expiry of the term. At any time prior to the expiry of the term of the Fund, the Unitholders may by Special Resolution require the Trustees to commence the termination, liquidation or winding-up of the affairs of the Fund.

The Fund Declaration of Trust provides that, upon being required to commence the termination, liquidation or winding-up of the affairs of the Fund, the Trustees will give notice thereof to the Unitholders, which notice shall designate the time or times at which Unitholders may surrender their Units for cancellation and the date at which the register of Units will be closed. After the date the register is closed, the Trustees shall proceed to wind up the affairs of the Fund as soon as may be reasonably practicable and for such purpose shall, subject to any direction to the contrary in respect of a termination authorized by a resolution of the Unitholders, sell and convert into money the MPT Units, the MPT Notes and all other assets comprising the Fund in one transaction or in a series of transactions at public or private sales and do all other acts appropriate to liquidate the assets of the Fund. After paying, retiring, discharging or making provision for the payment, retirement or discharge of all known liabilities and obligations of the Fund and providing for indemnity against any other outstanding liabilities and obligations, the Trustees shall, subject to obtaining all necessary regulatory approvals, distribute the remaining part of the proceeds of the sale of the MPT Units, the MPT Notes and other assets together with any cash forming part of the assets of the Fund among the Unitholders in accordance with their *pro rata* interests. If the Trustees are unable to sell all or any of the MPT Units, the MPT Notes or other assets which comprise part of the Fund by the date set for termination, the Trustees may distribute the remaining MPT Units, the MPT Notes or other assets *in specie* directly to the Unitholders in accordance with their *pro rata* interests subject to obtaining all required regulatory approvals.

Take-over Bids

The Fund Declaration of Trust contains provisions to the effect that if a take-over bid is made for the Units and not less than 90% of the Units (other than Units held at the date of the take-over bid by or on behalf of the offeror or Associates or Affiliates of the offeror) are taken up and paid for by the offeror, the offeror will be entitled to acquire the Units held by Unitholders who did not accept the take-over bid on the terms on which the offeror acquired Units from Unitholders who accepted the take-over bid.

Exercise of Certain Voting Rights Attached to Securities of MPT

The Fund Declaration of Trust provides that the Fund will not vote any securities of MPT held by the Fund to authorize any of the following transactions:

- any sale, lease or other disposition of all or substantially all of the assets of MPT or Cardinal LP other than in the ordinary course of business or in connection with an internal reorganization of MPT or Cardinal LP;

- any amalgamation, arrangement or other merger of MPT or Cardinal LP with any other entity, except in conjunction with an internal reorganization of MPT or Cardinal LP;

- any material amendment to the Note Indenture other than in contemplation of a further issuance of MPT Notes to the Fund that are identical in all material respects to the MPT Notes issued in connection with the Initial Public Offering or in conjunction with an internal reorganization of MPT or Cardinal LP;

- the winding-up or dissolution of MPT or Cardinal LP prior to the end of the term of the Fund; or

- any material amendment to the constating documents of MPT or the CLP Agreement to change the authorized share capital or partnership interests which may be prejudicial to the Fund,

without the authorization of the Unitholders by Special Resolution.

Information and Reports

The Fund furnishes to Unitholders, in accordance with applicable securities laws, all financial statements of the Fund (including quarterly and annual financial statements) and other reports as are from time to time required by applicable law, including prescribed forms needed for the completion of Unitholders' tax returns under the Tax Act and equivalent provincial legislation.

Prior to each meeting of Unitholders, the Trustees will provide to the Unitholders (along with notice of the meeting) all information as is required by applicable law and by the Fund Declaration of Trust to be provided to Unitholders.

Cardinal LP has undertaken to provide the Fund with a report of any material change that occurs in the affairs of Cardinal LP and with quarterly and annual financial statements accompanied by management's discussion and analysis for the period covered by such financial statements, in each case, in form and content that Cardinal LP would be required to file with the Ontario Securities Commission if it were a reporting issuer under Ontario securities laws. All of those reports and financial statements are to be provided to the Fund in a timely manner so as to permit the Fund to comply with the continuous disclosure requirements under applicable securities laws relating to reporting of material changes in its affairs and the filing and delivery to securityholders of financial statements as required under applicable securities laws.

Book-Entry Only System

Registration of interests in and transfers of the Units is made through a book-based system (the "Book-Entry System") administered by CDS. CDS retains certificates evidencing the aggregate number of Units subscribed for under the Initial Public Offering. Units may be purchased, transferred and surrendered for redemption through a CDS Participant. All rights of Unitholders must be exercised through, and all payments or other property to which a Unitholder is entitled are made or delivered by CDS or the CDS Participant through which the Unitholder holds such Units. Upon a purchase of any Units, the Unitholder will receive only a customer confirmation from the registered dealer which is a CDS Participant and from or through which the Units are purchased.

The Fund has the option to terminate registration of the Units through the Book-Entry System, in which case certificates for the Units in fully registered form would be issued to beneficial owners of such Units or their nominees.

Conflicts of Interest Restrictions and Provisions

The Fund Declaration of Trust contains "conflict of interest" provisions that serve to protect Unitholders without creating undue limitations on the Fund. The Fund Declaration of Trust contains provisions, similar to those contained in the *Canada Business Corporations Act*, that require each Trustee to disclose to the Fund, as applicable, any interest in a material contract or transaction or proposed material contract or transaction with the Fund, or the fact that such person is a director or officer of, or otherwise has a material interest in, any person who is a party to a material contract or transaction or proposed material contract or transaction with the Fund. In any case, a Trustee who has made disclosure to the foregoing effect is not entitled to vote on any resolution to approve the contract or transaction unless the contract or transaction is one relating primarily to (i) his remuneration as a Trustee or officer of the Fund, (ii) insurance or indemnity, or (iii) a contract or transaction with MPT or another wholly-owned subsidiary of the Fund.

DESCRIPTION OF MPT

The MPT Declaration of Trust contains provisions substantially similar to those of the Fund Declaration of Trust relating to the Fund. The principal differences between MPT Declaration of Trust and the Fund Declaration of

Trust are those described below. The description below is a summary only and is qualified in its entirety by reference to the text of MPT Declaration of Trust and the Fund Declaration of Trust (see "Material Contracts").

General

MPT is an unincorporated, open-ended, limited purpose trust established under the laws of the Province of Ontario pursuant to the MPT Declaration of Trust. MPT's activities are generally restricted to conducting the Business and ancillary activities with a focus on operating power generation facilities in Canada and the U.S. MPT may also engage in such other businesses or activities as approved by a majority of the MPT Trustees (including a majority of the MPT Trustees independent of the Manager) including investments and other direct and indirect rights in other forms of energy-related projects, utility projects and infrastructure projects. MPT's activities include the following:

(i) investing in securities, including those issued by Cardinal LP and the General Partner;

(ii) making loans, including to Cardinal LP and the General Partner;

(iii) borrowing funds for the foregoing purposes;

(iv) issuing MPT Units;

(v) issuing debt securities, including MPT Notes;

(vi) redeeming MPT Units;

(vii) purchasing securities issued by MPT;

(viii) guaranteeing the obligations of Cardinal LP, or any Affiliate of MPT or Cardinal LP, pursuant to any good faith debt for borrowed money incurred by Cardinal LP or the Affiliate, as the case may be, and pledging securities issued by Cardinal LP or any Affiliate of MPT or Cardinal LP, as security for such guarantee; and

(ix) satisfying the obligations, liabilities or indebtedness of MPT.

Currently, MPT does not hold securities of any entities other than Cardinal LP and the General Partner or in connection with its short-term cash management.

Trustees/Corporate Governance

The MPT Declaration of Trust provides that MPT must have a minimum of four and a maximum of ten trustees, as determined from time to time by the MPT Trustees such that the number of MPT Trustees is equal to the number of Trustees. Presently, the number of MPT Trustees is set at four. Pursuant to the Fund Declaration of Trust, the MPT Units held by the Fund are to be voted by the Fund to cause the appointment as MPT Trustees of the same persons chosen by the vote of the Unitholders as Trustees. During the term of the Administration Agreement, the Manager is entitled to appoint one MPT Trustee, who may not be removed by Unitholders for so long as the Administration Agreement is in effect. The four MPT Trustees are the same individuals as the Trustees. The term of office of each MPT Trustee expires at each annual meeting of MPT Unitholders, unless a MPT Trustee otherwise resigns, is removed or is disqualified pursuant to the terms of the MPT Declaration of Trust.

Restrictions on MPT Trustees' Powers

The MPT Declaration of Trust provides that the MPT Trustees may not, without approval by Ordinary Resolution of the MPT Unitholders:

(i) take any action upon any matter which under applicable law (including policies of the Canadian securities commissions) or applicable stock exchange rules would require approval by Ordinary Resolution of the MPT Unitholders had MPT been a reporting issuer (or the equivalent) in the jurisdictions in which the Fund is a reporting issuer (or the equivalent) and had MPT Units been listed for trading on the stock exchanges where the Units are listed for trading; and

(ii) subject to certain exceptions, appoint or change the auditors of MPT.

Furthermore, the MPT Declaration of Trust provides that the MPT Trustees may not, without approval by Special Resolution or super-majority (as defined under applicable law or applicable stock exchange rules) of the MPT Unitholders:

(i) take any action upon any matter which under applicable law (including policies of the Canadian securities commissions) or applicable stock exchange rules would require approval by Special Resolution or supermajority (as defined or described therein) of the MPT Unitholders had MPT been a reporting issuer (or the equivalent) in the jurisdictions in which the Fund is a reporting issuer (or the equivalent) and had MPT Units been listed for trading on the stock exchanges where the Units are listed for trading;

(ii) amend the MPT Declaration of Trust except in certain limited circumstances similar to those under which the Fund Declaration of Trust may be amended without the consent of Unitholders;

(iii) materially amend the Note Indenture other than in connection with a further issuance of MPT Notes to the Fund that are identical in all respects to the MPT Notes issued in connection with the Initial Public Offering or in connection with an internal reorganization of MPT or Cardinal LP;

(iv) sell, lease or otherwise dispose of all or substantially all of the assets of MPT or, if the assets of Cardinal LP represent all or substantially all of the assets of MPT, Cardinal LP other than in the ordinary course of business or in connection with an internal reorganization of MPT or Cardinal LP;

(v) authorize the winding-up or dissolution of MPT or, if the assets of Cardinal LP represent all or substantially all of the assets of MPT, Cardinal LP, other than at the end of the term of the Fund;

(vi) authorize the amalgamation, arrangement or other merger of MPT or Cardinal LP with any other entity except in connection with an internal reorganization of MPT or Cardinal LP; or

(vii) if the assets of Cardinal LP represent all or substantially all of the assets of MPT, materially amend the CLP Agreement to change the partnership interests in a way which may be prejudicial to the MPT Unitholders.

Redemption Right

MPT Units are redeemable at any time on demand by the holders thereof upon delivery to MPT of a duly completed and properly executed notice requiring MPT to redeem MPT Units, in a form reasonably acceptable to the MPT Trustees, together with certificates representing the MPT Units to be redeemed. Upon receipt by MPT of the notice to redeem MPT Units, the holder of MPT Units tendered for redemption shall thereafter cease to have any rights with respect to such MPT Units other than the right to receive the redemption price for such MPT Units. The redemption price for each MPT Unit tendered for redemption will be equal to:

$$\frac{(A \times B) - C + D}{E}$$

Where:

A = the cash redemption price per Unit of the Fund calculated as of the close of business on the date MPT Units were so tendered for redemption by a MPT Unitholder;

B = the aggregate number of Units of the Fund outstanding as of the close of business on the date MPT Units were so tendered for redemption by a MPT Unitholder;

C = the aggregate unpaid principal amount of the Series 1 MPT Notes and accrued interest thereon and any other indebtedness held by or owed to the Fund and the fair market value of any other assets or investments held by the Fund (other than MPT Units) as of the close of business on the date MPT Units were so tendered for redemption by a MPT Unitholder;

D = the aggregate unpaid liabilities of the Fund (prior to the redemption of the Units of the Fund for such date) as of the close of business on the date the MPT Units were so tendered for redemption by a holder of MPT Units; and

E = the aggregate number of MPT Units outstanding held by the Fund as of the close of business on the date MPT Units were so tendered for redemption by a MPT Unitholder.

The MPT Trustees will also be entitled to call for redemption, at any time, all or part of the outstanding MPT Units registered in the name of the holders thereof other than the Fund at the same redemption price as described above for each MPT Unit called for redemption, calculated with reference to the date that the MPT Trustees approved the redemption of MPT Units.

The aggregate redemption price payable by MPT in respect of any MPT Units tendered for redemption by the holders thereof during any month will be satisfied, at the option of MPT Trustees, (i) in immediately available funds by cheque; (ii) by the issuance to or to the order of the holder whose MPT Units are to be redeemed of such aggregate amount of Series 2 MPT Notes as is equal to the aggregate redemption price payable to such holder of MPT Units rounded down to the nearest $100, with the balance of any such aggregate redemption price not paid in Series 2 MPT Notes to be paid in immediately available funds by cheque; or (iii) by any combination of funds and Series 2 MPT Notes as the MPT Trustees shall determine in their discretion, in each such case payable or issuable on the last day of the calendar month following the calendar month in which MPT Units were so tendered for redemption. A holder of MPT Units whose MPT Units are tendered for redemption may elect, at any time prior to the payment of the redemption price, to receive Series 2 MPT Notes pursuant to (ii) above in the place of all or part of the funds otherwise payable, the amount of such Series 2 MPT Notes payable to be equal to the funds otherwise payable, rounded down to the nearest $100.

Distribution Policy

MPT's distribution policy is to make monthly cash distributions to the Fund of its net monthly cash receipts, after satisfaction of its interest obligations, if any, and less any estimated cash amounts required for expenses and other obligations of MPT, any cash redemptions or repurchases of MPT Units or MPT Notes and any tax liability. Such distributions will be paid on the last day of each month following each calendar month for which a distribution is declared and such distributions are intended to be received by the Fund prior to its related cash distribution to Unitholders.

The distribution declared in respect of the month ending December 31 in each year includes such amount in respect of the taxable income and net realized capital gains, if any, of MPT for such year as is necessary to ensure that MPT will not be liable for ordinary income taxes under the Tax Act in such year.

If the MPT Trustees determine that MPT does not have cash in an amount sufficient to make payment of the full amount of any distribution, the payment may include the issuance of additional MPT Units having a value equal to the difference between the amount of such distribution and the amount of cash which has been determined by MPT Trustees to be available for the payment of such distribution. The value of each MPT Unit so issued will be the redemption price thereof.

Any MPT Units issued to MPT Unitholders pursuant to a distribution *in specie* may be subject to resale and transfer restrictions and cannot be resold or transferred except as permitted by applicable securities law.

MPT Notes

MPT Notes are issuable in Canadian currency. MPT Notes are issuable in denominations of $100 and integral multiples of $100. No fractional MPT Notes will be distributed and where the number of MPT Notes to be distributed includes a fraction, such number shall be rounded to the next lowest whole number. On closing of the Initial Public Offering MPT issued $161,689,970 principal amount of Series 1 MPT Notes to the Fund.

Series 2 MPT Notes are reserved by MPT to be issued exclusively to holders of MPT Units as full or partial payment of the redemption price of MPT Units. Series 3 MPT Notes are reserved by MPT to be issued exclusively as full or partial payment of the redemption price of Series 1 MPT Notes.

In the event that Series 2 MPT Notes and Series 3 MPT Notes are issued to the Fund by MPT, such MPT Notes shall be transferred by the Fund to a wholly-owned subsidiary of the Fund in exchange for Series 2 Exchange Notes and Series 3 Exchange Notes. The Series 2 Exchange Notes and Series 3 Exchange Notes issued by the wholly-owned subsidiary of the Fund will have terms similar to the Series 2 MPT Notes and Series 3 MPT Notes, respectively, except that the interest rate on the Series 2 Exchange Notes and Series 3 Exchange Notes will be 0.05% less than the interest on the Series 2 MPT Notes and Series 3 MPT Notes.

Interest and Maturity

The Series 1 MPT Notes issued at closing of the Initial Public Offering are payable on demand, and mature on the 25th anniversary of their date of issuance and do not bear interest. Each Series 2 MPT Note will mature on a date which is no later than the first anniversary of the date of issuance thereof and bear interest at a market rate to be determined by the MPT Trustees at the time of issuance thereof, payable on the last day of each calendar month that such Series 2 MPT Note is outstanding. Each Series 3 MPT Note will mature on the same date as the Series 1 MPT Notes and bear interest at a market rate to be determined by the MPT Trustees at the time of issuance thereof, payable on the last day of each calendar month that such Series 3 MPT Note is outstanding.

Payment upon Maturity

On maturity, MPT will repay MPT Notes by paying to holders of MPT Notes in cash an amount equal to the principal amount of the outstanding MPT Notes which have then matured, together with accrued and unpaid interest thereon.

Redemption

MPT Notes are redeemable (at a redemption price equal to the principal amount thereof plus accrued and unpaid interest, payable in cash) at the option of MPT prior to maturity.

Subordination

Payment of the principal amount and interest on MPT Notes is subordinated in right of payment to the prior payment in full of the principal of, and accrued and unpaid interest on, and all other amounts owing in respect of, all senior indebtedness which is defined as all indebtedness, liabilities and obligations of MPT which, by the terms of the instrument creating or evidencing the same, will be expressed to rank in right of payment in priority to the indebtedness evidenced by the Note Indenture. The Note Indenture provides that upon any distribution of the assets of MPT in the event of any dissolution, liquidation, reorganization or other similar proceedings relative to MPT, the holders of all such senior indebtedness will be entitled to receive payment in full before the holders of MPT Notes are entitled to receive any payment.

Default

The Note Indenture provides that any of the following shall constitute an event of default:

(i) default in payment of the principal of the MPT Notes when the same becomes due and the continuation of such default for a period of 60 days;

(ii) default in payment of any interest due on any MPT Notes and continuation of such default for a period of 60 days;

(iii) default in the observance or performance of any other covenant or condition of the Note Indenture and continuance of such default for a period of 60 days after notice in writing has been given to the MPT Trustees specifying such default and requiring MPT to rectify the same; and

(iv) certain events of dissolution, liquidation, reorganization or other similar proceedings relative to MPT.

The provisions governing an event of default under the Note Indenture and remedies available thereunder do not provide protection to the holders of MPT Notes which would be comparable to the provisions generally found in debt securities issued to the public.

MPT Unit Certificates

As MPT Units are not intended to be issued to or held by any person other than the Fund, registration of interests in, and transfers of, MPT Units are not made through the Book-Entry System administered by CDS. Rather, holders of MPT Units receive certificates therefor.

Meetings of MPT Unitholders

Annual meetings of MPT Unitholders are held at such time and place as shall be prescribed by the MPT Trustees for the purpose of transacting such business as is provided under the MPT Declaration of Trust or as may properly be brought before the meeting.

DESCRIPTION OF CARDINAL LP

The description below is a summary only of the CLP Agreement, including the material attributes and characteristics of a partnership interest.

Activities

Cardinal LP's activities are generally restricted to conducting the Business and ancillary activities with a focus on operating power generation facilities in Canada and the U.S. Cardinal LP may also engage in such other businesses or activities as approved by a majority of the General Partner's directors ("GP Directors") (including a majority of the GP Directors independent of the Manager), including investments and other direct and indirect rights in other forms of energy-related projects, utility projects and infrastructure projects.

Distribution Policy

Cardinal LP makes monthly distributions of distributable cash, provided that no distribution is made to the extent that, at the time of the distribution, and after giving effect to the distribution, all liabilities of Cardinal LP, other than liabilities to partners on account of their partnership interests and liabilities for which the recourse of creditors is limited to specific property of Cardinal LP, exceed the fair market value of the assets of Cardinal LP.

Allocation of Profits and Losses

Profits and losses of Cardinal LP are allocated to Cardinal LP's partners for any taxable year in proportion to their then existing partnership interests.

A capital account is maintained for each partner to which is credited (i) the fair market value of the total capital contribution of such partner, net of liabilities secured by such capital contribution, and (ii) the amount of profits allocated to such partner. To each capital account there is debited (i) the amount of distributable cash distributed to such partner, (ii) the amount of any losses allocated to such partner and (iii) the fair market value of any property distributed in kind to such partner. Notwithstanding the foregoing, the General Partner must maintain a

minimum capital account balance of the lesser of (i) 0.1% of the total capital account balance for Cardinal LP and (ii) $500,000.

The General Partner

The General Partner is authorized to take any action of any kind and to do any and all things necessary or convenient to the conduct of Cardinal LP's business. The General Partner must conduct the affairs of Cardinal LP in the best interests of Cardinal LP and its partners, including the safekeeping and use of all funds and assets of Cardinal LP and the use thereof for the benefit of Cardinal LP.

Limited Liability

Cardinal LP operates in a manner as to ensure to the greatest extent possible the limited liability of MPT as its limited partner. If MPT loses its limited liability by reason of the negligence of the General Partner in performing its duties and obligations under the CLP Agreement, the General Partner must indemnify MPT against all claims arising from assertions that its liability is not limited as intended by the CLP Agreement.

Transfer of a Partnership Interest

A partnership interest in Cardinal LP is assignable subject to compliance with applicable law and the CLP Agreement. Each partner has a right of first refusal in respect of any partnership interest proposed to be transferred. No transferee of a partnership interest has the right to become a substituted partner unless: (i) the transferring partner executes an instrument setting forth the intention of such partner that the transferee become a partner in its place; (ii) the transferring partner and the transferee execute such other instruments as the General Partner may deem necessary to effect the admission of the transferee to the partnership, including an adoption by the transferee of the provisions of the CLP Agreement; (iii) a reasonable transfer fee is paid to Cardinal LP; and (iv) the General Partner has consented to such admission to the partnership, which consent may be withheld by the General Partner in its sole discretion.

Amendments to the CLP Agreement

Amendments may be made to the CLP Agreement by the General Partner with the consent of a majority in interest of the limited partners of Cardinal LP provided that, without the consent of the limited partners to be adversely affected by such amendment, the CLP Agreement may not be amended to (i) convert a limited liability partner's interest to a general partner's interest; (ii) modify the limited liability of a limited partner; (iii) alter the interest of a limited partner in profits, losses or distributions, or (iv) alter the fees or other compensation payable to a limited partner.

No material amendment may be made to the CLP Agreement in order to change the partnership interests in a way which may be prejudicial to the limited partners of Cardinal LP unless such amendment has been approved by a Special Resolution of the limited partners.

The General Partner, without the consent of the limited partners of Cardinal LP, may make amendments to the CLP Agreement to: (i) add to the representations, duties or obligations of the General Partner or surrender any right or power granted to the General Partner under the CLP Agreement, for the benefit of the limited partners; (ii) cure any ambiguity or correct or supplement any provision under the CLP Agreement which may be inconsistent with any other provisions thereof, or make any other provisions with respect to matters or questions arising under the CLP Agreement not inconsistent with the provisions of the CLP Agreement; and (iii) delete or add to any provision of the CLP Agreement required to be so deleted or added by the staff of the Securities and Exchange Commission, the Ontario Securities Commission or other governmental agency which deletion or addition is deemed by such commission, agency or official to be for the benefit or protection of the limited partners, provided that no such amendment shall be adopted unless the adoption thereof (i) is for the benefit of or not adverse to the interests of the limited partners; (ii) does not affect distributions or the allocation of profits and losses among the limited partners or between the limited partners and the General Partner; and (iii) does not affect the limited liability of the limited partners or the status of Cardinal LP as a partnership for Canadian or U.S. federal income tax purposes.

Restrictions on the General Partner's Powers

The CLP Agreement provides that the General Partner may not, without the approval by Special Resolution of the limited partners of Cardinal LP:

(i) sell, lease or otherwise dispose of all or substantially all of the assets of Cardinal LP other than in the ordinary course of business or in connection with an internal reorganization of Cardinal LP;

(ii) wind-up or dissolve Cardinal LP, other than at the end of the term of the Fund; or

(iii) proceed with the amalgamation, arrangement or other merger of Cardinal LP with any other entity except in connection with an internal reorganization of Cardinal LP.

Meetings of the Limited Partners

Meetings of the limited partners of Cardinal LP may be called by the General Partner or the limited partners for any matters on which the limited partners may vote. Upon receipt of a written request, either in person or by registered mail, stating the purpose of the meeting, the General Partner shall provide all limited partners, within ten days after receipt of such request, notification of a meeting and the purpose of such meeting. The presence in person or by proxy of a majority in interest of the limited partners shall constitute a quorum at all meetings of the limited partners, provided that where there is no such quorum, holders of a majority in interest of such limited partners present or represented at such meetings may adjourn the meeting from time to time without further notification, until a quorum has been obtained.

DESCRIPTION OF THE GENERAL PARTNER

Activities

The General Partner, as general partner of Cardinal LP, has exclusive authority to manage the business and affairs of Cardinal LP, to make all decisions regarding the business of Cardinal LP and to bind Cardinal LP. The General Partner is obliged to exercise its powers and discharge its duties honestly, in good faith and in the best interests of Cardinal LP and to exercise the care, diligence and skill of a reasonably prudent person in comparable circumstances. The authority and power vested in the General Partner to manage the business and affairs of Cardinal LP includes all authority necessary or incidental to carry out the objects, purposes and business of Cardinal LP.

In addition to the general responsibility for the management of the business and affairs of Cardinal LP, the General Partner, as general partner of Cardinal LP, is also responsible for all operating and maintenance services as may be necessary or advisable from time to time in order to operate and maintain the Facility, including the following services (the "Operations Services"): (i) to operate and manage the Facility in compliance with (1) all applicable laws including all permits and approvals required to operate the Facility, (2) the operating plan and budget from time to time in effect (subject to deviation therefrom in an emergency situation), and (3) the operations and maintenance procedures, as updated from time to time, (4) industry practices, and (5) agreements pertaining to the Facility or Future LP Facilities to which Cardinal LP or the General Partner is a party; (ii) to hire staff in accordance with the operating budget (other than the plant manager and other senior managers as determined by the Manager); (iii) to train, direct and otherwise manage the staff engaged at the Facility; (iv) to secure and maintain a supply of spare parts, tools, supplies and consumables, and all equipment (including office equipment) and vehicles required for the proper discharge and performance of the Operations Services; (v) to maintain operations and maintenance procedures including (1) the Facility's specific preventative maintenance procedures, including without limitation, sufficient procedures to maintain the gas turbine, boilers and associated equipment, steam turbine and auxiliaries, all rotating equipment water intakes, water treatment facilities, fuel handling equipment and environmental systems, (2) adequate safety and fire prevention measures and procedures, including without limitation, safety procedures for the safe operation and maintenance of primary equipment (particularly high voltage electrical components and systems), (3) adequate security measures and procedures, and (4) operating and maintenance logs for the Facility; (vi) to identify the required improvements for the Facility and facilitate changes

thereto; (vii) to develop an annual operational and capital expenditure budget for the Facility in conjunction with the Manager; (viii) to develop the Facility's annual business plan in conjunction with the Manager; (ix) to budget, schedule and manage a major maintenance schedule, such schedules defining outage time for regular overhaul work to be performed on the Facility's boilers, gas turbine, steam turbine and major auxiliary equipment; (x) to perform, or cause to be performed, all maintenance for the Facility in accordance with the operational and capital expenditures budget in effect from time to time; (xi) to maintain such books and records in connection with the performance of the Operations Services as is consistent with the operations and maintenance procedures; and (xii) to negotiate operating agreements in respect to the Facility consistent with the annual operating budget and strategic plan of Cardinal LP and negotiate other agreements on behalf of Cardinal LP if directed to do so by the Manager. The General Partner shall be responsible for the provision of operating and maintenance services to any Future LP Facilities.

In addition, the Manager or the General Partner may, from time to time, appoint an independent engineer to, among other things, review and assess the operating results or performance of the Facility and Future LP Facilities and the operating and maintenance of the Facility and Future LP Facilities, the adequacy of actual or proposed operational and capital expenditure programs or any modifications thereto, and any opportunities to enhance the Facility and Future LP Facilities.

Withdrawal or Removal of the General Partner

The General Partner may resign on not less than 180 days' prior written notice to the limited partners of Cardinal LP, provided that the General Partner may not resign if the effect would be to dissolve Cardinal LP.

The General Partner may not be removed unless: (i) the General Partner has committed a material breach of the CLP Agreement, which breach has continued for 30 days after notice, and that removal is approved by a special resolution of the partners of Cardinal LP; or (ii) the GP Directors pass a resolution in connection with the bankruptcy, dissolution, liquidation or winding-up of the General Partner, or the General Partner commits certain other acts of bankruptcy or ceases to be a subsisting corporation. Prior to any resignation or removal of the General Partner as general partner of Cardinal LP, a successor general partner with the same ownership and governance structure at the relevant time must agree to act as general partner under the CLP Agreement.

RESERVE ACCOUNTS

In connection with the closing of the Initial Public Offering, Cardinal LP established a general reserve account and a capital expenditure reserve account and deposited $3 million and $1 million of the net proceeds of the Initial Public Offering in the general reserve account and the capital expenditure reserve account, respectively. Cardinal LP also has a major maintenance reserve account, which was established prior to the Initial Public Offering. The general reserve account, the capital expenditure reserve account and the major maintenance reserve account are collectively referred to as the "Reserve Accounts". As of March 1, 2005 the balance in each of the Reserve Accounts was $3,000,000 for the general reserve account, $3,000,000 for the capital expenditure reserve account, and $1,000,000 for the major maintenance reserve account. The amounts in the Reserve Accounts are held in accounts with a Schedule I chartered bank incorporated under the laws of Canada and are insured by the Canada Deposit Insurance Corporation.

The funds in the major maintenance reserve account are available to Cardinal LP for the inspection and maintenance of the combustion turbine, the combustion turbine generator and the steam turbine generator. The funds in the capital expenditure reserve account are available to Cardinal LP for capital expenditures. The funds in the general reserve account are available to the Fund for distribution to Unitholders, in the discretion of the Trustees, in the event that the cash available for distribution to Unitholders is less than the amount anticipated to be available for distributions by the Fund for any period. Fluctuations in cash available for distribution to Unitholders may result from a variety of factors including the financial performance of Cardinal LP and debt covenants and obligations (see "Risk Factors"). In addition, the funds in the general reserve account were available for the purpose of funding working capital and to fund any shortfall in gas mitigation income during the 12-month period ended December 31, 2004.

Amounts in the Reserve Accounts are invested at the direction of the Manager in book-based securities, negotiable instruments, or securities ("Eligible Investments") represented by instruments in bearer or registered form

payable in Canadian dollars having, in the case of (i) to (vi) below, original or remaining maturities of one year or less which evidence: (i) direct obligations of, and obligations fully guaranteed as to timely payment by, the Government of Canada or any agency or instrumentality thereof the obligations of which are backed by the full faith and credit of the Government of Canada; (ii) demand deposits, time deposits or certificates of deposit of any chartered bank or trust company or credit union or co-operative credit society incorporated under the laws of Canada or any province thereof and subject to supervision and examination by federal banking or depository institution authorities; provided, however, that at the time of the investment or contractual commitment to invest therein, the commercial paper or other short-term unsecured debt obligations (other than such obligations the rating of which is based on the credit of a person other than such depository institution or trust company) of such bank, trust company, credit union or co-operative society shall have a credit rating of R-1 (low) or better from DBRS and provided that the long-term debt rating of the applicable bank, trust company, or credit union or co-operative society is A or better from S&P; (iii) call loans to and notes or bankers' acceptances issued or accepted by any bank, trust company, credit union or co-operative society described in (ii) above; (iv) commercial paper having, at the time of the investment or contractual commitment to invest therein, a rating of R-1 (low) or better from DBRS provided that the long-term debt of the entity issuing the commercial paper is rated A or better by S&P; (v) investments in money market funds having a rating of A or better by S&P when purchased; (vi) demand deposits, term deposits and certificates of deposit which when purchased are issued by an entity, the commercial paper of which is rated R-1 (low) or better by DBRS, provided that the long-term debt of the entity is rated A or better from S&P; (vii) securities of any income fund (other than the Fund) with a stability rating from S&P equivalent or superior to the rating assigned to the Fund; or (viii) any other investment in which written confirmation from S&P has been obtained at the time of the investment therein or contractual commitment to invest therein confirming that the proposed action will not result in a reduction or withdrawal of the then current rating of the Units immediately before the taking of such action; provided that, unless consented to by the Trustees, the aggregate amount at any time of Eligible Investments of the same type listed under clause (vii) may not exceed 50% of the aggregate balance of all Eligible Investments deposited in the Reserve Accounts and Eligible Investments of the same issuer pursuant to clause (vii) may not exceed 25% of the aggregate balance of all Eligible Investments deposited in the Reserve Accounts.

In connection with the operation of the Reserve Accounts, the Manager may seek such advice and retain such experts as the Manager may deem prudent or as otherwise may be required by applicable securities laws.

TRUSTEES, MANAGEMENT AND OPERATIONS

Trustees

The Fund Declaration of Trust provides that the Fund must have a minimum of four and a maximum of ten trustees, as determined from time to time by the Trustees, the majority of whom must not be non-residents of Canada. Presently, the Fund has four Trustees, three of whom are "independent" (as such term is defined under section 1.4 of Multilateral Instrument 52-110 – Audit Committees). During the term of the Administration Agreement, the Manager is entitled to appoint one Trustee (see "Description of the Fund – Trustees"). The Trustees hold their office until the next annual meeting of the Unitholders following his or her election or appointment or until his or her successor is duly elected or appointed in accordance with the Fund Declaration of Trust. The Fund has an Audit Committee and a Governance Committee, each of which has a minimum of three Trustees all of whom must be "independent" (as such term is defined under section 1.4 of Multilateral Instrument 52-110 – Audit Committees). The members of such committees are indicated below (see "– Governance of the Fund")

The following table sets forth information with respect to each Trustee, including the number of Units beneficially owned, directly or indirectly, or over which control or direction was exercised, by such person or the person's associates or affiliates as at March 1, 2005. The information as to Units beneficially owned or over which control or direction is exercised by each nominee has been furnished by that nominee individually. To the knowledge of the Fund, the Trustees, together as a group, beneficially own, directly or indirectly, or exercise control or direction over 3,000 Units, representing less than 1% of the outstanding Units of the Fund and no Trustee beneficially owns or controls voting securities of any of the Fund's subsidiaries.

Nominee Name and Place of Residence	Present Principal Occupation	Date of Initial Appointment	Securities Beneficially Owned or over which Control or Direction is Exercised
Derek Brown[(1)(2)(3)] Ontario, Canada	Corporate Director	March 15, 2004	1,000
Patrick J. Lavelle[(1)(2)(5)] Ontario, Canada	Management Consultant	April 15, 2004	2,000
François R. Roy[(1)(2)(4)] Québec, Canada	Corporate Director	March 15, 2004	Nil
Gregory J. Smith[(6)] Ontario, Canada	Investment Manager	March 15, 2004	Nil

Notes:

(1) Member of the Audit Committee of the Board of Trustees
(2) Member of the Governance Committee of the Board of Trustees
(3) Chairman of the Board of Trustees
(4) Chairman of the Audit Committee of the Board of Trustees
(5) Chairman of the Governance Committee of the Board of Trustees
(6) Appointee of the Manager

The principal occupations over the past five years of each of the Trustees are set out below.

Derek Brown is a retired Professor of Finance (adjunct) at the University of Toronto, prior to which he was a Vice President and Director of RBC Dominion Securities Inc. From 1997 to 2003, Mr. Brown was a Commissioner of the Ontario Securities Commission. Mr. Brown sits on the boards of SNP Split Corp., Sixty Split Corp., Malibu Engineering and Software Inc., is proposed for election to the board of DALSA Corporation and is an independent public trustee of the Nova Scotia Association of Health Organizations Pension Plan. Mr. Brown was a member of the finance committee of the Canadian Opera Foundation and a trustee of the RBC Dominion Securities Foundation from 1981 to 1995. Mr. Brown received a Bachelor of Commerce and Bachelor of Laws degree from Dalhousie University. He is also trained as a Chartered Business Valuator and was a Governor of the Canadian Institute of Chartered Business Valuators from 1998 to 2003.

Patrick J. Lavelle is the Chairman and Chief Executive Officer of Patrick J. Lavelle and Associates, a strategic management consulting firm which he established in 1991. Until March 2002, Mr. Lavelle was also Chairman and Chief Executive Officer of Unique Broadband Systems Inc. He has also held the position of Chairman of Export Development Canada (1998-2001) and served a three-year term as Chairman of the Board of the Business Development Bank of Canada. Mr. Lavelle has served on the boards of directors and audit committees of several companies, including Algoma Steel Inc., Tahera Diamond Corporation and Canadian Bank Note Company, Limited. Mr. Lavelle was a director of Proprietary Industries Inc. ("Proprietary") from January 24, 2003 to February 17, 2005. Prior to Mr. Lavelle being appointed a director of Proprietary, the Alberta Securities Commission ("ASC") issued a cease trade order in connection with allegations that Proprietary's financial statements for the 1998-2001 fiscal years were not accounted for in accordance with accounting principles generally accepted in Canada. The ASC has since approved a settlement agreement with Proprietary and the relevant securities authorities approved the lifting of the cease trade orders previously applicable to Proprietary's shares. Mr. Lavelle is Chairman of the Bay of Spirits Gallery and a member of the Advisory Board of the International MBA program at York University. Mr. Lavelle is also the Chairman of Union Energy Income Trust and Westport Innovations Ltd.

François R. Roy was Chief Financial Officer of Telemedia Corporation between March 2000 and May 2003. From July 1998 to March 2000, he was Executive Vice President and Chief Financial Officer of Québecor Inc. Since June 2003, Mr. Roy has been offering consulting services. Mr. Roy sits on the boards and is a member of the audit committees of MDC Partners Inc. and AFT Technologies Income Trust and is a member of the advisory board and audit committee of Dessau-Soprin. Mr. Roy received a MBA from the University of Toronto.

Gregory J. Smith joined Macquarie North America Ltd. in October 2003 as head of the Infrastructure and Specialized Funds division for Canada. From June 2001 to May 2003, Mr. Smith was Managing Director of RBC

Capital Partners — Mezzanine Fund. From June 1997 to June 2001, he was Managing Director in corporate finance for Deloitte & Touche. Prior to this, Mr. Smith was the Chief Financial Officer for Saskatchewan Government Growth Fund Management Corporation. Mr. Smith is a director of the Manager, Macquarie North America Ltd., Macquarie Canadian Infrastructure Management Limited (the general partner of Macquarie Essential Assets Partnership), 407 International Inc. and AltaLink Management Ltd. Mr. Smith is also a director of Macquarie Infrastructure Fund Advisor, LLC.

MPT Trustees

The MPT Declaration of Trust provides that MPT must have a minimum of four and a maximum of ten trustees, as determined from time to time by the MPT Trustees such that the number of MPT Trustees is equal to the number of Trustees. Presently, the number of MPT Trustees is set at four, three of whom are "independent" (as such term is defined under section 1.4 of Multilateral Instrument 52-110 – Audit Committees). Pursuant to the Fund Declaration of Trust, the MPT Units held by the Fund are to be voted by the Fund to cause the appointment as MPT Trustees of the same persons chosen by the vote of the Unitholders as Trustees. During the term of the Administration Agreement, the Manager is entitled to appoint one MPT Trustee, who may not be removed by Unitholders for so long as the Administration Agreement is in effect. The four MPT Trustees are the same individuals as the Trustees.

The General Partner

The General Partner has five directors, three of whom are "independent" (as such term is defined under section 1.4 of Multilateral Instrument 52-110 — Audit Committees). The term of office of each GP Director expires at each annual meeting, unless a GP Director resigns, is removed or is disqualified. Pursuant to the terms of a unanimous shareholders agreement between MPT and the Manager (which owns one Class B non-voting, non-participating, redeemable share of the General Partner), during the term of the Management Agreement, three of the GP Directors will be appointed by MPT and two will be appointed by the Manager. Accordingly, four GP Directors are the same individuals as the Trustees, and the fifth is Robert Rollinson, who is one of the Manager's appointees to the board of the General Partner.

Governance of the Fund

In accordance with the Fund Declaration of Trust, the Trustees have appointed a governance committee and an audit committee for the Fund, each of which has three Trustees who are "independent" (as such term is defined under Section 1.4 of Multilateral Instrument 52-110 — Audit Committees).

Governance Committee

The governance committee is responsible for developing the Fund's approach to governance including overseeing and assessing the functioning of the Board of Trustees and the committees of the Board of Trustees and the development, recommendation to the Board of Trustees, implementation and assessment of effective corporate governance principles and guidelines. The governance committee's responsibilities also include, subject to the terms of the Fund Declaration of Trust, identifying candidates for trustees and recommending to the Board of Trustees select qualified candidates for election as trustees at annual meetings of Unitholders. The governance committee also oversees and evaluates on an annual basis the compliance of the Manager with the Administration Agreement and the annual management plan of the Fund and the responsibilities, goals and objectives established therein for the Manager, and receives reports of the Board of Directors of the General Partner pertaining to its oversight of the Manager's compliance with the annual management plan of Cardinal LP and the Manager's adherence to the Management Agreement on behalf of the Board of Trustees. The governance committee undertakes, on behalf of the Board of Trustees, such other corporate governance initiatives as may be necessary or desirable to enable the Board of Trustees to provide effective corporate governance for the Fund and contribute to the success of the Fund and enhance Unitholder value.

Audit Committee

The audit committee oversees and supervises the Fund's accounting and financial reporting practices and procedures, the adequacy of internal accounting controls and procedures, and the quality and integrity of financial

statements of the Fund. In addition, the audit committee is responsible for the selection of potential independent auditors to be appointed by vote of the Unitholders.

Charter of the Audit Committee

The charter of the audit committee of the Fund, as approved by the Board of Trustees of the Fund on November 8, 2004, is set out in Schedule A to this annual information form.

Composition of the Audit Committee

The audit committee is composed of three Trustees, namely François Roy, (Chairman), Patrick Lavelle and Derek Brown. Each member of the audit committee is "independent" and "financially literate", each as defined under Multilateral Instrument 52-110 – Audit Committees.

The Fund has not relied on any exemptions from the requirements of Multilateral Instrument 52-110 – Audit Committees in 2004 and there have been no instances in 2004 where the Trustees did not adopt a recommendation of the audit committee to nominate or compensate an external auditor.

Relevant Education and Experience of the Audit Committee Members

In addition to each member's general business experience, the education and experience of each audit committee member that is relevant to the performance of his responsibilities as an audit committee member is set forth in their respective biographies above under "Trustees, Management and Operations – Trustees".

Audit Fees

The following table outlines the fees billed by PricewaterhouseCoopers LLP to the Fund since the creation of the Fund to December 31, 2004, categorized by audit fees, audit-related fees, tax fees and all other fees and includes a description of the nature of services comprising such fees.

	March 15, 2004 – December 31, 2004
Audit Fees	0
Audit-Related Fees[(1)]	$45,278
Tax Fees[(2)]	$1,017
All Other fees[(3)]	$683,775
Total	$730,070

Notes:
(1) The Fund's audit-related fees include fees paid to the Fund's auditors for consent and comfort letters in connection with securities commission filings, statutory audits, attest services and assistance with and review of documents filed with regulators.
(2) Tax fees are services performed by the Fund's auditors' tax division except those tax services related to the audit. These services include: fees for tax compliance, tax planning and tax advice.
(3) Other fees primarily include fees for due diligence services related to the acquisition of Cardinal LP as well as the French translation of financial statements and Management Discussion and Analysis in connection with the Initial Public Offering.

All non-audit services to be provided to the Fund or any of its Affiliates by the external auditors or any of their Affiliates are subject to pre-approval by the audit committee. The audit committee has determined that PricewaterhouseCoopers LLP's provision of non-audit services was compatible with maintaining its independence.

Remuneration of the Trustees, MPT Trustees and GP Directors

Each Trustee, MPT Trustee and GP Director who is not employed by the Manager or any of its Affiliates is entitled to aggregate remuneration equal to $20,000 per year and $1,000 per board meeting and per committee meeting attended in person and $500 per board meeting and per committee meeting attended by teleconference. The GP Directors, MPT Trustees and Trustees are also reimbursed for their expenses.

Insurance Coverage and Indemnification

The Fund has obtained a policy of insurance for its directors and officers and those of its subsidiaries. The aggregate limit of liability applicable to all insured directors and officers under the policy is $25 million inclusive of defence costs. Under the policy, Cardinal LP has reimbursement coverage to the extent that it has indemnified the directors and officers in excess of the deductible. The policy includes securities claims coverage for the Fund, insuring against any legal obligation to pay on account of any securities claims brought against it. This policy of insurance also applies to Trustees and provides reimbursement coverage to the Fund, in excess of the deductible, to the extent that Trustees shall be entitled to indemnification by the Fund pursuant to the Fund Declaration of Trust. The aggregate limit of liability under the policy is shared between the respective trustees, directors and officers of Cardinal LP, the General Partner, MPT and the Fund such that the limit of liability is not exclusive to Cardinal LP, the General Partner, MPT or the Fund or their respective directors, officers and trustees.

The Fund Declaration of Trust, the MPT Declaration of Trust and the by-laws of Cardinal LP also provide for the indemnification of their respective trustees, directors and officers from and against liability and costs in respect of any action or suit against them in connection with the execution of their duties or office, subject to certain usual limitations.

The Management Agreement

Upon closing of the Initial Public Offering, Cardinal LP, the Fund and MPT entered into the Management Agreement with the Manager. The Manager was exclusively engaged to provide or cause to be provided the Management Services to Cardinal LP for the Facility and any Future LP Facilities. The Management Services include: (i) overseeing the General Partner in its operation and maintenance of the Facility and Future LP Facilities, including evaluating the performance of senior plant management and hiring and terminating senior plant management; (ii) assisting Cardinal LP in the development, implementation and monitoring of the Facility's and Future LP Facilities' strategic plans; (iii) assisting Cardinal LP in developing the Facility's and Future LP Facilities' annual business plans, which include operational and capital expenditure budgets; (iv) reviewing the budgets and schedule for major maintenance proposed by the General Partner; (v) assisting in the preparation of financial reports in respect of the Facility and Future LP Facilities based on information supplied by Cardinal LP; (vi) assisting in the negotiation of material agreements in respect of the Facility or Future LP Facilities or any amendments thereto; (vii) monitoring compliance by Cardinal LP with the Facility's and Future LP Facilities' annual business plan; (viii) assisting in and supervising the analysis of potential acquisitions and dispositions in Canada and the U.S. and elsewhere as agreed by the Manager; (ix) carrying out or supervising the making of acquisitions, dispositions or investments by Cardinal LP in Canada and the U.S. and elsewhere as agreed by the Manager; (x) assisting in connection with any financings by Cardinal LP; (xi) calculating available cash for distribution by Cardinal LP to its partners based on information provided by the General Partner; (xii) assisting with the preparation, planning and coordination of meetings of the board of directors of the General Partner; (xiii) assisting with respect to treasury, legal and compliance, financing, insurance and risk assessment and such other services as Cardinal LP may reasonably require from time to time; and (xiv) retaining accountants, lawyers, consultants, investment bankers and such other professional advisers as the Manager considers necessary or desirable to advise in connection with the Management Services to be provided to Cardinal LP and to assist in complying with applicable law.

In connection with such Management Services, the Manager has supplied the services of persons to serve as the President and Chief Executive Officer and the Vice-President, Chief Financial Officer and Secretary of the General Partner. Such services are provided on an "as needed basis" and are not full time.

In consideration for providing the Management Services under the Management Agreement, the Manager receives: (i) an annual management fee; (ii) payments representing cost reimbursement; and (iii) an incentive fee. The annual management fee is an amount equal to $575,000, subject to adjustment for any future acquisitions on the basis that the annual fee will increase by an amount agreed between the Manager and Cardinal LP, as approved by the GP Directors independent of the Manager, taking into consideration the increased service levels required and the resource requirements imposed as a result of or created by such acquisition. The annual fee is subject to adjustment for inflation and is payable monthly in arrears on the last business day of each month. The Manager is entitled to be reimbursed for all costs and expenses reasonably incurred by the Manager or its Affiliates in carrying out the Management Services (other than the compensation payable by the Manager to the persons whose services are supplied to the General Partner to act as the General Partner's President and Chief Executive Officer and the Vice-President, Chief Financial Officer and Secretary) including reasonable allocations for charges incurred by the

Manager for services provided to Cardinal LP by Affiliates of the Manager (which charges are reimbursed on a cost recovery basis). The allocations for such charges are subject to the approval by the GP Directors independent of the Manager, by way of either annual budget approval or specific authorization.

The incentive fee is designed to enhance the profitability and cash flow of Cardinal LP and thus, that of the Fund and MPT. The Manager is entitled to an annual incentive fee equal to 25% of the product obtained by multiplying (i) the excess Distributable Cash per Unit of the Fund in each calendar year over the Fund's forecasted 2004 Distributable Cash per Unit by (ii) the weighted average number of Units issued and outstanding for the relevant fiscal year or part thereof, subject to customary anti-dilution provisions. In 2004, the fee was calculated using the excess of the actual Distributable Cash per Unit of the Fund from the closing of the Initial Public Offering to December 31, 2004 over the prorated forecasted 2004 Distributable Cash per Unit of the Fund over the same period. For this purpose, cash paid on redemption and cash paid as distributions or interest in any fiscal year on MPT securities held by persons other than the Fund as a result of the redemption of Units is added back to the calculation of Distributable Cash. Cardinal LP pays that proportion of the incentive fee that its Distributable Cash represents of all Distributable Cash that is ultimately paid to MPT by Cardinal LP and by other entities in which MPT invests. Until such time as the Fund or MPT holds investments in other entities from which the Manager receives a portion of the incentive fee, Cardinal LP will be responsible for paying 100% of any incentive fee obligations. In the event that the Fund or MPT makes other investments in respect of which the Manager enters into a management agreement, then Cardinal LP's obligation to pay all such incentive fees will be proportionately reduced by the amount of such incentive fee paid to the Manager by other entities owned by the Fund or MPT and for which it acts as manager.

The Management Agreement has a 20-year term and is automatically renewed for additional five-year terms unless, at least six months' prior to the expiration of the then current term, a majority of the GP Directors independent of the Manager notify the Manager of their intention not to renew the Management Agreement. Cardinal LP may terminate the Management Agreement earlier in circumstances of (i) insolvency or receivership of the Manager; (ii) fraud, wilful default or gross negligence committed by the Manager; (iii) default by the Manager in the performance of a material obligation under the Management Agreement, if (1) such default is not caused by an event of *force majeure*, and (2) such default is not cured within 60 days of written notice being given by Cardinal LP to the Manager of the default or if such default is not reasonably capable of being cured within 60 days, the Manager has not taken all reasonable steps to cure such default as soon as possible thereafter but in any event within 120 days; or (iv) if the Lease expires and is not renewed so that a subsidiary of the Fund no longer operates the Facility and the Facility represents all or substantially all of the assets of Cardinal LP. The Manager may terminate the Management Agreement immediately (i) in the event of (1) the insolvency or receivership of Cardinal LP, or (2) a default by Cardinal LP in the performance of a material obligation under the Management Agreement (other than as a result of the occurrence of an event of *force majeure*) which is not remedied within 60 days after notice thereof has been delivered, or if such default is not reasonably capable of being cured within 60 days, Cardinal LP has not taken all reasonable steps to cure such default as soon as possible thereafter but in any event within 120 days; and (ii) at will upon 90 days' prior written notice to Cardinal LP.

Cardinal LP may terminate the Management Agreement upon 90 days' prior written notice should the Manager cease to be a directly or indirectly wholly-owned subsidiary of at least one of Macquarie Bank Limited, Macquarie North America Ltd., Macquarie North America Holdings Ltd. or Macquarie Canada Holdings Ltd. at any time during the term of the Management Agreement without the prior written consent of Cardinal LP, which consent shall not be unreasonably withheld.

Pursuant to the Management Agreement, a number of material actions may not be authorized by the Manager or undertaken by the General Partner without first obtaining the approval of a majority of the GP Directors, including: (i) adopting, amending or materially deviating from the Facility's or Future LP Facilities' annual business plans; (ii) disposing of any material assets or equipment which are used in operating or maintaining the Facility or Future LP Facilities, other than as provided for in the Facility's or Future LP Facilities' annual business plans or approved operational and capital expenditure programs; (iii) making any material expenditure or commitment outside the Facility's or Future LP Facilities' annual business plans and approved operational and capital expenditure programs; (iv) entering into agreements that are material to the Fund as a whole; (v) raising partnership capital by way of an issuance of securities or otherwise; or (vi) borrowing amounts that are material to the Fund, are outside of the ordinary course of business and not contemplated in the annual business plan.

Without the approval of the majority of the GP Directors that are independent of the Manager, the Manager may not, except as contemplated by the Management Agreement, (i) enter into any transaction, on behalf of Cardinal LP or a subsidiary of Cardinal LP, with the Manager or an Affiliate of the Manager; or (ii) amend the terms of the Management Agreement or the fees payable thereunder. Without the approval of a majority of the GP Directors and the approval of a majority of the GP Directors independent of the Manager, the Manager, on behalf of Cardinal LP, may not dispose of the Facility or a Future LP Facility or acquire Future LP Facilities.

No party shall sell or assign its rights or obligations under the Management Agreement to a third party without the prior written consent of the other parties, which consent may not be unreasonably withheld (unless the assignee is not a reputable and experienced manager), except (i) in the case of Cardinal LP and MPT, to a *bona fide* lender as security, including as security for any guarantee granted by Cardinal LP or MPT in respect of the obligations of their respective Affiliates to any third party or parties providing *bona fide* financing to such Affiliates, provided the lender acknowledges that any assignee must be a reputable and experienced manager or (ii) in the case of the Manager, to a direct or indirect wholly-owned subsidiary of any one of Macquarie Bank Limited, Macquarie North America Ltd., Macquarie North America Holdings Ltd. or Macquarie Canada Holdings Ltd.

The Manager may delegate certain aspects of its responsibilities under the Management Agreement, but no such delegation will relieve the Manager of its obligations thereunder. The Manager may, with the approval of the GP Directors independent of the Manager, contract with Affiliates to provide services to Cardinal LP not otherwise provided for in the Management Agreement, such as advisory and investment banking services. The Manager has full access to all of the records of Cardinal LP, the General Partner, the Facility, any Future Facilities and any Future LP Facilities.

The Manager, its Affiliates and any person who is serving or shall have served as a director, officer, employee, subcontractor or agent of the Manager or its Affiliates shall be indemnified and saved harmless by Cardinal LP, the Fund and MPT from and against all losses, claims, damages, liabilities, obligations, costs and expenses (including judgments, fines, penalties, amounts paid in settlement and counsel and accountants' fees) of whatsoever kind or nature incurred by, borne by or asserted against the Manager, its Affiliates and any person who is serving or shall have served as a director, officer, employee, subcontractor or agent of the Manager, in any way arising from or related in any manner to the Management Agreement, unless such claims arise from the fraud, wilful default or gross negligence of the Manager, its Affiliates or any person who is serving or shall have served as a director, officer, employee, subcontractor or agent of the Manager. The Manager and its Affiliates may rely on information provided by the General Partner unless it has actual notice that such information is inaccurate.

The obligations of Cardinal LP under the Management Agreement are guaranteed by the Fund and MPT.

The Administration Agreement

Upon the closing of the Initial Public Offering, the Fund and MPT entered into the Administration Agreement with the Manager. Under the Administration Agreement, the Manager has been appointed exclusively to provide or cause to be provided the administration services to the Fund and to MPT ("Administrative Services"). The Administration Services include those services necessary to: (i) assist the Fund in complying with its continuous disclosure obligations under applicable securities legislation; (ii) provide investor relations services; (iii) provide or cause to be provided to Unitholders and MPT Unitholders all information to which they are entitled under the Fund Declaration of Trust and the MPT Declaration of Trust; (iv) monitor compliance of the Fund and MPT with applicable tax laws; (v) organize meetings of Unitholders and distribute required materials, including notices of meetings and information circulars, in respect of all such meetings; (vi) provide for the calculation of distributions to Unitholders and to MPT Unitholders; (vii) attend to all administrative and other matters arising in connection with any redemptions of Units and MPT Units; (viii) monitor compliance with the Fund's limitations on non-resident ownership; (ix) assist in and supervise the analysis of potential acquisitions and dispositions in Canada and the U.S. and elsewhere as agreed by the Manager and carry out or supervise the making of such acquisitions, dispositions or investments; (x) assist in connection with any financings; (xi) assist with respect to treasury, legal and compliance, financing and risk assessment and such other services as the Fund and MPT may reasonably require from time to time; (xii) assist with the preparation, planning and coordination of meetings of the Trustees and the MPT Trustees; and (xiii) retain accountants, lawyers, consultants, investment bankers and such other professional advisers as the Manager considers necessary or desirable to advise in connection with the administration of the Fund and MPT and to assist in complying with applicable laws.

In connection with such Administration Services, the Manager has supplied the services of persons to serve as the President and Chief Executive Officer, the Vice-President and Chief Financial Officer and the Corporate Secretary and General Counsel of the Fund and MPT. Such services are provided on an "as needed basis" and are not full time.

In consideration for providing the Administration Services under the Administration Agreement, the Manager is entitled to (i) an annual fee of $100,000 payable monthly in arrears on the last business day of each month paid on the same date as the first scheduled distribution of the Fund, subject to adjustment for inflation, and (ii) be reimbursed for all costs and expenses reasonably incurred by the Manager in carrying out the Administration Services (except for compensation payable by the Manager to the persons whose services it may supply to act as the President and Chief Executive Officer and the Vice-President and Chief Financial Officer of the Fund and MPT), including reasonable allocations for charges incurred by the Manager for services provided to the Fund or MPT by its Affiliates (such charges also to be reimbursed on a cost recovery basis). The allocation of such charges are subject to the approval of the Trustees of the Fund or the MPT Trustees independent of the Manager, as applicable, either by way of their approval of the annual budgets of the Fund or MPT, as applicable, or by way of a specific authorization. In the event that MPT or the Fund were to directly acquire assets other than through Cardinal LP or another entity for which the Manager is directly appointed manager in accordance with the Administration Agreement, the annual fee will be increased by an amount agreed to by MPT or the Fund and the Manager, as approved by the Trustees or the MPT Trustees independent of the Manager taking into consideration the increased service levels required and the resource requirements imposed as a result of or created by such acquisition.

The Administration Agreement has an initial 20-year term and will be automatically renewed for additional five-year terms unless, at least six months' prior to the expiration of the then current term, a majority of the Trustees and the MPT Trustees independent of the Manager notify the Manager of their joint intention not to renew the Administration Agreement. The Administration Agreement may be terminated by any party (i) in the event of the insolvency or receivership of one of the other parties; (ii) in the event of fraud, wilful default or gross negligence committed by the Manager; (iii) in the event of a default by one of the other parties in the performance of a material obligation under the Administration Agreement (other than as a result of the occurrence of an event of *force majeure*) which is not remedied within 60 days after notice thereof has been delivered or if such default is not reasonably capable of being cured within 60 days, the defaulting party has not taken all reasonable steps to cure such default as soon as possible thereafter but in any event within 120 days; or (iv) in the event of a termination of all outstanding management agreements to which the Manager and subsidiaries of the Fund are parties. The Fund may also terminate the Administration Agreement if the Lease expires and is not renewed so that a subsidiary of the Fund no longer operates the Facility and the Facility represents all or substantially all of the assets of the Fund. The Manager may terminate the Administration Agreement at will upon 90 days' prior written notice.

The Fund may terminate the Administration Agreement upon 90 days' prior written notice should the Manager cease to be a wholly-owned subsidiary of at least one of Macquarie Bank Limited, Macquarie North America Ltd., Macquarie North America Holdings Ltd. or Macquarie Canada Holdings Ltd. at any time during the term of the Administration Agreement without the prior written consent of the Fund, which consent shall not be unreasonably withheld.

The Fund and MPT have agreed that they will cause the Manager to be appointed as the exclusive manager of each entity or Future Facility in which the Fund or MPT invests where the Fund or MPT control in fact such entity or otherwise has the right to appoint a manager of such entity or Future Facility. In that role, the Manager will perform the same duties in respect to any such entity or Future Facility, to the extent applicable, as it performs under the Management Agreement and on the same terms and conditions as in the Management Agreement, including payment of fees and the reimbursement of reasonable costs and expenses on the same basis as provided in the Management Agreement, except that the annual base fee in respect of any such entity or Future Facility will be as agreed between the Manager and the Fund or MPT, as applicable, as approved by the Trustees or the MPT Trustees independent of the Manager, plus a *pro rata* amount of the incentive fee established under the Management Agreement to the extent that it is not then being paid by Cardinal LP or another Future Facility, such amount to be based on the contribution of such entity or Future Facility to the Distributable Cash of the Fund. The initial term of each such further agreement will expire on the same date that the initial term of the Management Agreement will expire in the ordinary course without early termination. The relevant parties will execute a form of agreement consistent with the Management Agreement.

No party shall sell or assign its rights or obligations under the Administration Agreement to a third party without the prior written consent of the other parties thereto, which consent shall not be unreasonably withheld (unless the assignee is not a reputable and experienced manager), except (i) in the case of MPT, to a *bona fide* lender as security, including as security for any guarantee granted by MPT in respect of the obligations of its Affiliates to any third party or parties providing *bona fide* financing to such Affiliates, provided the lender acknowledges that any assignee must be a reputable and experienced manager or (ii) in the case of the Manager, to a direct or indirect wholly-owned subsidiary of any one of Macquarie Bank Limited, Macquarie North America Ltd., Macquarie North America Holdings Ltd. or Macquarie Canada Holdings Ltd.

Pursuant to the Administration Agreement, a number of material actions may not be authorized by the Manager without first obtaining the approval of a majority of the Trustees or MPT Trustees, as applicable, including: (i) adopting, amending or materially deviating from the Fund's annual business plan; (ii) disposing of any material assets or equipment which are used in operating or maintaining any Future Facilities, other than as provided for in the Fund's annual business plan; (iii) making any material expenditure or commitment outside the Fund's annual business plan; (iv) entering into agreements on behalf of the Fund or MPT that are material to the Fund as a whole; (v) raising capital by way of an issuance of securities or otherwise; or (vi) borrowing money, if the amount borrowed is material to the Fund, is outside of the ordinary course of business and not contemplated in the Fund's annual business plan.

Without the approval of a majority of the Trustees or MPT Trustees independent of the Manager, as applicable, except as contemplated by the Administration Agreement, the Manager, on behalf of the Fund or MPT, may not (i) enter into any transaction with the Manager or an Affiliate of the Manager; or (ii) amend the terms of the Administration Agreement or the fees payable thereunder. Without the approval of a majority of the Trustees or the MPT Trustees, as applicable, and the approval of a majority of the Trustees or the MPT Trustees independent of the Manager, as applicable, the Manager, on behalf of the Fund or MPT, may not acquire a Future Facility or dispose of MPT's interests in Cardinal LP or any other investments the effect of which is to dispose of the Facility, a Future LP Facility or a Future Facility.

The Manager may delegate certain aspects of its responsibilities under the Administration Agreement, but no such delegation will relieve the Manager of its obligations thereunder. The Manager may, with the approval of the Trustees or the MPT Trustees independent of the Manager, as applicable, contract with Affiliates of the Manager to provide services to the Fund or MPT not otherwise provided for in the Administration Agreement, such as advisory and investment banking services. The Manager shall have full access to all of the records of the Fund, MPT and the Future Facilities.

The Manager, its Affiliates and any person who is serving or shall have served as a director, officer, employee, subcontractor or agent of the Manager or its Affiliates shall be indemnified and saved harmless by the Fund and MPT from and against all losses, claims, damages, liabilities, obligations, costs and expenses (including judgments, fines, penalties, amounts paid in settlement and counsel and accountants' fees) of whatsoever kind or nature incurred by, borne by or asserted against the Manager, its Affiliates and any person who is serving or shall have served as a director, officer, employee, subcontractor or agent of the Manager, in any way arising from or related in any manner to the Administration Agreement, unless such claims arise from the fraud, willful default or gross negligence of the Manager, its Affiliates or any person who is serving or shall have served as a director, officer, employee, subcontractor or agent of the Manager. The Manager and its Affiliates may rely on information provided by the Fund and MPT unless it has actual notice that such information is inaccurate.

Non-Exclusivity and Rights of First Offer

Pursuant to the terms of the Management Agreement and the Administration Agreement, the Manager's personnel may be employed or contracted directly by the Manager or may be seconded from one or more of the Manager's Affiliates on a full-time or part-time basis. Such personnel are not required to devote their time exclusively to or for the benefit of the Fund, MPT, Cardinal LP, the Facility, Future Facilities or Future LP Facilities. The Manager, its Affiliates and its employees or agents may be engaged or invest directly or indirectly in a variety of other companies or other entities involved in owning, managing or advising on or otherwise engaged in the business of the generation, production, transmission, distribution, purchase and sale of electricity, other forms of energy-related projects, infrastructure projects, utility projects or other businesses.

Such business interests are subject to the condition that unless otherwise permitted by the Management Agreement or the Administration Agreement, the Manager and its Canadian Affiliates are prohibited from acquiring an interest as principal in operating power generating facilities in Canada or the U.S. when such investments would meet the Fund's acquisition and investment guidelines, unless it has been offered to the Fund on the terms available to the Manager or the Fund has otherwise first been given the opportunity to pursue such investment in accordance with the terms of the Management Agreement and the Administration Agreement. This prohibition does not apply to prohibit Affiliates of the Manager from (i) engaging in commodity trading, including trading in electricity; (ii) lending money to or guaranteeing the debts or obligations of any other entity; (iii) acquiring interests on a temporary basis as a result of underwriting activities; (iv) acquiring securities in entities where the majority of the assets of such entities are not operating power generating facilities in Canada or the U.S.; or (v) acquiring interests of less than 10% in publicly-listed entities when such Affiliate does not have board representation in respect of such shareholding ("Exempt Power Investments").

For greater certainty, these prohibitions and rights of first opportunity do not apply to the acquisition of or other investment in operating power facilities in Canada or the U.S. by a fund or entity that is managed by the Manager or an Affiliate of the Manager, or where the Manager or an Affiliate of the Manager is the general partner of such fund or entity, including Macquarie Essential Assets Partnership ("MEAP").

Affiliates of the Manager currently act as the manager to a number of infrastructure investment funds whose investment criteria are broad enough to encompass investments in operating power generation facilities in Canada and the U.S. In particular, an Affiliate of the Manager is the general partner of MEAP, which invests in regulated and other essential infrastructure assets. Neither MEAP nor any of these other funds are primarily focused on operating power generation facilities in Canada and the U.S. and they do not currently own any operating power generation facilities.

The Management Agreement and the Administration Agreement contain a protocol to address potential conflicts of interest which may arise as a result of the management of MEAP and future infrastructure investment vehicles by the Manager's Affiliates.

The investment protocol provides that if an Affiliate of the Manager is the general partner of MEAP or otherwise manages MEAP, the Manager will be unable to provide services to the Fund in respect of the acquisition of any assets or investment in securities, including operating power generation facilities in Canada and the U.S., that MEAP has decided to pursue, except that the services of the President and Chief Executive Officer and Vice-President, Chief Financial Officer and Secretary will remain available to the Fund. In such circumstances, the Manager will notify the Fund of such investment opportunity if (i) the investment opportunity is within the operating power generation sector in Canada or the Manager would have recommended that the Fund assess the investment opportunity under circumstances where it was permitted to provide services to the Fund; (ii) it is either subject to a public auction or the participation by potential investors in the sales process is sufficiently broad that it is reasonable to expect that the opportunity would come to the attention of the Fund; and (iii) the Manager is not precluded from making such disclosure by any legal obligation applicable to it or its Affiliates. When the Manager is unable to provide services, the Fund may pursue the investment opportunity directly, including using the services of the President and Chief Executive Officer and the Vice-President, Chief Financial Officer and Secretary. In the event that a conflict of interest arises in respect of the continued provision of their services, the President and Chief Executive Officer and the Vice-President, Chief Financial Officer and Secretary will work with the Trustees to determine the appropriate means to resolve the conflict. Based on the investment criteria of MEAP and the Fund, the Manager believes that it is unlikely that a conflict of interest will arise in relation to the investment in operating power generation facilities in Canada and the U.S.

In the future, Affiliates of the Manager may establish infrastructure investment vehicles which have investment criteria broad enough to overlap with the investment criteria of the Fund (a "Future Investment Vehicle"). These Future Investment Vehicles may be permitted to invest in operating power generation facilities and in other assets which satisfy the investment criteria of the Fund. In relation to investments in the U.S., the investment protocol provides that the Manager will be unable to provide services to the Fund in respect of the acquisition of U.S. assets, including operating power generation facilities, that any such Future Investment Vehicle has decided to pursue, except that the services of the President and Chief Executive Officer and Vice-President, Chief Financial Officer and Secretary will remain available to the Fund. In the case of such U.S. investment opportunities, the Manager will notify the Fund of such U.S. investment opportunity if (i) the Manager would have recommended that the Fund assess the investment opportunity under circumstances where it was permitted to

provide services to the Fund; (ii) it is either subject to a public auction or the participation by potential investors in the sales process is sufficiently broad that it is reasonable to expect that the opportunity would come to the attention of the Fund; and (iii) the Manager is not precluded from making such disclosure by any legal obligation applicable to it or its Affiliates. When the Manager is unable to provide services, the Fund may pursue the investment opportunity directly, including using the services of the President and Chief Executive Officer and the Vice-President, Chief Financial Officer and Secretary of the Manager. In the event that a conflict of interest arises in respect of the continued provision of their services, the President and Chief Executive Officer and the Vice-President, Chief Financial Officer and Secretary will work with the Trustees to determine the appropriate means to resolve the conflict. In relation to investments in Canada, the Manager will be entitled to provide services to the Fund in respect of the acquisition of operating power generation facilities in Canada even if a Future Investment Vehicle has decided to pursue an investment in that asset. In such circumstances, the Manager and its Affiliates will be unable to provide services to such Future Investment Vehicle in respect of that investment.

Subject to the exceptions noted below, the Manager and its Canadian Affiliates will grant a right of first offer to the Fund in respect of any ownership interest held by the Manager or any of its Canadian Affiliates as principal in any operating power generation facilities in Canada and the U.S. that meets the Fund's investment criteria and is not an Exempt Power Investment, that the Manager or its Canadian Affiliate intends to sell or offer to a third party purchaser or to monetize through a structure similar to the Fund. If the ownership interest meets the investment criteria of MEAP and the operating power generation facility is located in Canada or the U.S., the Manager or its Canadian Affiliate will first offer the ownership interest to MEAP before offering it to the Fund. Similarly, if the ownership interest meets the investment criteria of a Future Investment Vehicle in the U.S. and the operating power generation facility is located in the U.S., the Manager or its Canadian Affiliate will first offer the ownership interest to such Future Investment Vehicle before offering it to the Fund. The Manager believes that it is unlikely that an investment opportunity will arise in relation to an operating power generation facility located in Canada that will meet the acquisition and investment guidelines of both MEAP and the Fund.

For greater certainty, these rights of first offer do not apply to the disposition of operating power facilities in Canada or the U.S. by a fund or entity that is managed by the Manager or an Affiliate of the Manager.

The Manager and its Canadian Affiliates will not, during the term of the Management Agreement or the Administration Agreement, become managers of an income fund or a similar investment vehicle listed on a stock exchange in Canada whose primary investment objective is to invest in operating power generation facilities in Canada. For greater certainty, this will not preclude Affiliates of the Manager from managing power generation assets for institutions, corporations or other entities that are not income funds or similar investment vehicles listed on a stock exchange in Canada, or from providing advisory or other investment banking services to any party.

CONFLICTS OF INTEREST AND FIDUCIARY DUTIES

Certain conflicts of interest could arise as a result of the relationships among the Manager, the General Partner, MPT, the Fund and Cardinal LP. The General Partner, with the assistance and supervision of the Manager, makes all decisions relating to the Facility. The senior officers of the Manager are also officers of the General Partner. The Fund and MPT are dependent upon the Manager for all management services in respect of Cardinal LP's businesses. Subject to the terms of the Management Agreement, the directors and officers of the Manager have fiduciary duties to manage Cardinal LP and the Facility, including its investments in its subsidiaries, in a manner beneficial to the Manager. In general, the General Partner, as the general partner of Cardinal LP, has a fiduciary duty to manage Cardinal LP in a manner beneficial to the limited partners of Cardinal LP. The duties of the directors and officers of the Manager may come into conflict with the duties of the GP Directors. The CLP Agreement, the Fund Declaration of Trust and the MPT Declaration of Trust provide that transactions between Cardinal LP and the General Partner, the Fund or MPT on the one hand, and the Manager or its Affiliates, on the other hand, must be approved by a majority of the GP Directors, the MPT Trustees or the Trustees, as the case may be, who are ''independent'' (as such term is defined under section 1.4 of Multilateral Instrument 52-110 – Audit Committees) from the Manager. Conflicts of interest or potential conflicts of interest could arise in the situations described below, among others:

(a) the amount of Distributable Cash may be affected by various determinations made by the Manager pursuant to the Management Agreement including, for example, those relating to the time of any

capital transaction, the establishing of, or maintenance of, reserves, the timing of expenditures, the incurrence of debt and other matters;

(b) counsel, accountants and others performing services for Cardinal LP, the General Partner, MPT and the Fund are selected by the Manager and may also perform services for the Manager and its Affiliates. Cardinal LP, the General Partner, MPT and the Fund may retain separate counsel, depending on the nature of a conflict which might arise in the future, but do not presently intend to do so in most cases;

(d) the Manager and its Affiliates may engage in business activities in direct competition with Cardinal LP, the General Partner, MPT and the Fund and may also manage funds that may directly compete with Cardinal LP, the General Partner, MPT and the Fund, and in some instances, will not be able to offer acquisition support services in respect of investments under a protocol that is set out in the Management Agreement and Administration Agreement; and

(e) there may be competition between Cardinal LP, the General Partner, MPT and the Fund, on the one hand, and the Manager and its Affiliates, on the other hand, for the time and efforts of the President and Chief Executive Officer and the Vice-President, Chief Financial Officer and Secretary of the Manager who also serve in such capacities with the General Partner, MPT and the Fund. Officers of the Manager divide their time between the business of the Manager and its Affiliates, on the one hand, and the business of the Fund and its subsidiaries, on the other hand, and are not required to spend any specified percentage or amount of their time on the business of the Fund and its subsidiaries.

See ‘‘Trustees, Management and Operations — Management Agreement’’, ‘‘— Administration Agreement’’ and ‘‘— Non-Exclusivity and Rights of First Offer’’.

RISK FACTORS

The Fund and its subsidiary entities face a number of risks, including the risk factors set out below. The following information is a summary only of certain risk factors and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this annual information form and in the Fund’s filings with Canadian securities regulators from time to time.

Risks related to the Facility and the Power Industry

Plant Performance

The revenues generated by the Facility are proportional to the amount of electrical energy and steam generated by it. The ability of the Facility to generate the maximum amount of power to be sold to OEFC under the Power Purchase Agreement is currently the primary determinant of the amount of Distributable Cash that will be available for distribution to Unitholders. There is a risk of equipment failure due to wear and tear, latent defect, design error or operator error, among other things, which could adversely affect cash distributions by the Fund. To the extent that the Facility’s equipment requires longer than anticipated down times for maintenance and repair, or suffers disruptions of power generation for other reasons, the amount of Distributable Cash may be negatively affected.

Expiry of the Power Purchase Agreement

All the electricity generated by the Facility (less the amount consumed in its operations) is currently sold to OEFC under the Power Purchase Agreement, which could be terminated on December 31, 2014. In the event that the Power Purchase Agreement expires or is not renewed, Cardinal LP could be required to: (i) bid all of the power it produces into the IMO-administered markets and receive the market price for the electricity sold; (ii) enter into a bilateral power purchase contract with another counterparty to sell electricity at a negotiated price; or (iii) do a combination of both, bidding some power into the IMO-administered market and selling the rest under a bilateral contract with a counterparty. In the event that Cardinal LP chooses to renegotiate or enter into a power purchase contract, there can be no assurance that Cardinal LP will be able to renegotiate or enter into a power supply contract

on terms that are commercially reasonable, if at all. In the event that Cardinal LP chooses to bid the power it produces into the IMO-administered markets, and assuming current market structure, there can be no assurance that the market price Cardinal LP will receive for the electricity so offered would exceed the Facility's marginal cost of operations. Furthermore, the Facility may be economically less competitive than other power producing facilities.

Renewal of the Gas Purchase Agreement

The Gas Purchase Agreement expires on May 1, 2015. Upon expiry of the Gas Purchase Agreement, Cardinal LP will have to renegotiate the agreement or enter into a new gas supply agreement. Current gas prices are significantly greater than those payable pursuant to the Gas Purchase Agreement. There can be no assurance that Cardinal LP will be able to renegotiate the Gas Purchase Agreement or enter into a new gas supply agreement on terms that are similar to the Gas Purchase Agreement, if at all. Furthermore, there can be no assurance as to the supply or price of gas available at the time of the expiry of the Gas Purchase Agreement. If at the time of the renewal of the Gas Purchase Agreement, the price of natural gas available to the Facility is in excess of that available under the Gas Purchase Agreement, there could be a negative effect on available cash from the Facility.

Potential Expiry of the Lease

The Lease expires concurrently with the Energy Savings Agreement, including any extension thereof. In the event that CASCO decides not to extend the Energy Savings Agreement and that Cardinal LP avails itself of its right to extend the original term of the Energy Savings Agreement to January 31, 2017, the Lease will also expire on January 31, 2017. In certain circumstances described under "Narrative Description of the Business — Site Ownership and Easement", Cardinal LP may continue the term of the Lease until a date no later than December 31, 2020. In no event can the term of the Lease extend beyond December 31, 2030. At the expiration of the term of the Lease, Cardinal LP is responsible for dismantling and removing all improvements on the leased land and restoring the leased land to its condition prior to the commencement of the term of the Lease and is specifically liable for all costs related to remedial action that would need to be taken in order for hazardous substances, if any, to be removed so that the leased land complies with environmental laws. There can be no assurance that Cardinal LP will have the benefit of the Lease beyond January 31, 2017. Furthermore, there can be no assurance that Cardinal LP will be able to negotiate an extension to the Lease or renegotiate a lease agreement with CASCO on commercially reasonable terms, if at all. At such time as the Lease expires, Cardinal LP will be unable to operate the Facility. There can be no assurance that Cardinal LP will have the necessary financial resources or will be able to obtain the necessary financial resources to fund or cause to be funded the required restoration and/or remediation of the leased land to its original condition.

Termination of the Energy Savings Agreement

The Energy Savings Agreement matures on January 31, 2015 and provides that by January 31, 2014, the parties will start negotiations with respect to a renewal term. During those negotiations, either party can decide not to renew the Energy Savings Agreement. In the event that CASCO makes that determination, Cardinal LP has an unilateral right to extend the original term to January 31, 2017. In the event that the Energy Savings Agreement is so extended by Cardinal LP, the price of steam payable by CASCO to Cardinal LP during the Extension Period will be reduced by 50% of the price of steam otherwise payable under the Energy Savings Agreement. There can be no assurance that the Energy Savings Agreement can be renegotiated on terms that are commercially reasonable, if at all.

Fuel Costs, Supply and Transportation

The Gas Purchase Agreement expires on May 1, 2015. Upon expiry of this agreement, the Fund will have to renegotiate, or enter into new gas supply arrangements. There can be no assurance that the Fund will be able to negotiate new gas supply agreements or that the pricing and other terms contained in any new supply agreement will be as favourable as the Gas Purchase Agreement.

The Facility is also dependent on the transportation of natural gas to it, and as such, service interruption pursuant to the Gas Purchase Agreement may result in a significant reduction in Distributable Cash due to loss of production at the Facility.

Contract Performance

The amount of Distributable Cash available for distribution to Unitholders is highly dependent upon the parties to the applicable agreements fulfilling their contractual obligations, particularly OEFC under the Power Purchase Agreement (which accounts for approximately 98.7% of the gross revenues expected from the Facility), and Husky Marketing under the Gas Purchase Agreement. An inability or failure by any such party to meet its contractual commitments may adversely affect cash distributions by the Fund.

Lack of Diversification

The Facility is currently the only asset of the Fund and the power generated by the Facility is sold in only one market to a single customer using one fuel type as an input. While steam sales provide some diversification to the revenue mix, it only contributes approximately 1.3% of the Facility's revenues.

Gas Swap Agreements

The Gas Swap Agreements mitigate the effect of gas price fluctuations on the net proceeds which Cardinal LP receives for natural gas in excess of the Facility's requirements. The Gas Swap Agreements could expose the Fund to losses which could occur under various circumstances, including to the extent that the Counterparty does not perform its obligations under the Gas Swap Agreements, if the Gas Swap Agreements provide an imperfect hedge or in the event that the Fund's swap policies and procedures are not followed.

Regulatory Regime and Government Permits

The profitability of the Facility is, in part, dependent upon the continuation of a favourable regulatory climate with respect to the continuing operations and the future growth and development of the power industry and environmentally preferred energy sources. Should the regulatory regime be modified in a manner which adversely affects the Facility, including increases in taxes and permit fees, cash distributions by the Fund may be adversely affected. The failure to obtain and maintain all necessary licenses or permits, including renewals thereof or modifications thereto, may adversely affect cash distributions by the Fund.

The Facility is subject to a complex and increasingly stringent environmental, health and safety regulatory regime, which includes Environmental, Health and Safety Laws. As such, the operation of the Facility carries an inherent risk of environmental, health and safety liabilities (including potential civil actions, compliance or remediation orders, fines and other penalties), and may result in the Facility being involved from time to time in administrative and judicial proceedings related to such matters, which could have a material adverse effect on the Fund's business, financial condition and results of operations. Cardinal LP has not been notified of any such civil or regulatory action in regards to its operations, however, it is not possible to predict with absolute certainty what position a regulatory authority may take regarding matters of non-compliance with Environmental, Health and Safety Laws. Changes in such laws, or more aggressive enforcement of existing laws, could lead to material increases in expenditures of the operations.

As described in "Narrative Description of the Business— Environmental Matters", the Facility was required to install CEMS or Director approved PEMS by December 31, 2003. While Cardinal LP believed it had a good case for approval of the PEMS it had in place, it did not receive Director Approval by December 31, 2003 as required. Consequently, the Facility was technically not in compliance with applicable regulatory requirements for 68 days during 2004. The installation and commissioning of CEMS was completed at the end of December 2004 and the CEMS are currently undergoing their final acceptance tests. While CEMS have been installed and commissioned, they have not yet been accepted by the relevant regulatory authorities. There can be no guarantee that fines will not be imposed for any period of non-compliance, including the time during which Cardinal LP was negotiating with the MOE, and that if imposed, such fines would not be significant.

More generally, there is a risk that other specific environmental matters will ultimately develop into issues that may have a material adverse effect on the Fund's business, financial condition and results of operations. Failure by the Facility to comply with any Environmental, Health and Safety Laws, or increases in the costs of such compliance, including as a result of unanticipated liabilities or expenditures for investigation, assessment, remediation or prevention, could result in additional expense, capital expenditures, restrictions and/or delays in the Facility's activities, the extent of which cannot be predicted.

Uninsured and Underinsured Losses

The Fund Declaration of Trust requires that the Fund obtain and maintain at all times insurance coverage in respect of potential liabilities of the Fund and the accidental loss of value of the assets of the Fund from risks, in amounts, with such insurers, and on such terms as the Trustees consider appropriate, taking into account all relevant factors including the practices of owners of similar assets and operations. The Fund believes that the existing ''all risks'' property and machinery breakdown insurance, business interruption, automobile insurance and liability insurance, including sudden and accidental pollution coverage insurance, represents coverage that is consistent for comparable operations and services, including the generation and transmission of electrical power. However, not all risk factors are covered by such insurance, and no assurance can be given that insurance will be consistently available or will be consistently available on a commercially reasonable basis or that the amounts of insurance will at all times be sufficient to cover each and every loss or claim that may occur involving the assets or operations of Cardinal LP.

Short-Term Debt of Cardinal LP

The Credit Agreement expires in 2006. Cardinal LP may need to refinance or reimburse the amount outstanding under the Credit Agreement. The ability of the Fund and its subsidiaries to meet their debt service requirements will depend on the ability of Cardinal LP to generate cash in the future, which depends on many factors, including the financial performance of Cardinal LP, debt covenants and obligations, working capital requirements and future capital requirements. In addition, the ability of the Fund or its subsidiaries to borrow funds in the future to make payments on outstanding debt will depend on the satisfaction of covenants in existing credit and other agreements. In addition, the Credit Agreement contains a number of financial covenants that require Cardinal LP to meet certain financial ratios. A failure to comply with the obligations in the Credit Agreement could result in a default, which, if not cured or waived, could result in the termination of distributions by Cardinal LP and permit acceleration of the relevant indebtedness. If the indebtedness under the Credit Agreement were to be accelerated, there could be no assurance that the assets of Cardinal LP would be sufficient to repay in full that indebtedness. There can be no assurance that Cardinal LP will generate sufficient cash flow from operations or that future distributions will be available in amounts sufficient to pay outstanding indebtedness, or to fund any other liquidity needs. There can be no assurance that the Fund or its subsidiaries could refinance the Credit Agreement or obtain additional financing on commercially reasonable terms, if at all. In the event that the Credit Agreement cannot be refinanced, or if it can only be refinanced on terms that are less favourable than the current terms, cash distributions by the Fund may be adversely affected. Furthermore, distributions by Cardinal LP to MPT, and, consequently, distributions to the Fund, may be restricted if Cardinal LP fails to maintain certain covenants under the Credit Agreement such as financial ratios.

The Fund May Face Significant Competition for Acquisitions and May Not Successfully Integrate Acquisitions

The Fund's business plan includes growth through identifying suitable acquisition or investment opportunities, pursuing such opportunities, consummating acquisitions or investments and effectively integrating acquisitions or investments with the Fund's business. There can be no assurance that the Manager will be able to identify attractive acquisition candidates in the future or that the Fund will be able to make acquisitions or investments on an accretive basis. The Manager believes that the Fund is likely to confront significant competition for acquisition or investment opportunities.

Any acquisition or investment may involve potential risks, including an increase in indebtedness, the inability to successfully integrate operations, the potential disruption of the Fund's ongoing business and the diversion of management's attention from other business concerns and the possibility that the Fund pays more than the acquired company or interest is worth. There may also be liabilities that the Manager failed to discover or was unable to discover in its due diligence prior to the consummation of the acquisition or investment and the Fund may not be indemnified for some or all these liabilities. In addition, the Fund's funding requirements associated with acquisitions or investments and integration costs may reduce the funds available to the Fund to make distributions.

Power Industry Conditions

Although all electrical power produced by the Facility is currently sold to OEFC under the Power Purchase Agreement, the Ontario electricity market could be restructured in the future with the result that Cardinal LP may be

required to sell power into the marketplace. In such event, the Facility may be economically less competitive than other power producing facilities to the extent that, among other things, such other facilities have access to less expensive fuel and lower fuel transportation costs or have lower per unit production costs.

Transmission of Electricity

The Facility is connected to the Hydro One transmission grid by the Cardinal Transmission Line. There is a risk of failure of the Cardinal Transmission Line due to wear and tear, latent defect or design error, among other things. The Cardinal Transmission Line could also be seriously affected by a natural disaster such as the ice storm of January 1998. The failure of the Cardinal Transmission Line could adversely affect cash distributions by the Fund.

Labour Relations

While labour relations with the employees at the Facility have been stable to date and there has not been any disruption in operations as a result of labour disputes, the maintenance of a productive and efficient labour environment cannot be assured. Accordingly, a strike, lock-out or deterioration of labour relationships could adversely affect cash distributions by the Fund. Employees involved in the operation of the Facility are currently non-unionized.

Capital Resources

Future expansions of the Facility and other capital expenditures will be financed out of cash generated from operations, sales of additional Units and borrowings. There can be no assurance that sufficient capital will be available on acceptable terms to fund expansion or projects or other capital expenditures.

Force Majeure

The occurrence of a significant event which disrupts the ability of the Facility to produce or sell power for an extended period, including events which preclude OEFC from purchasing power, could have a material negative impact on cash distributions by the Fund. However, a significant portion of the events giving rise to *force majeure* are mitigated by the Fund's insurance program.

Leverage and Restrictive Covenants

The ability of the Fund, MPT or Cardinal LP to make distributions or other payments or advances is subject to applicable laws and contractual restrictions contained in the instruments governing any indebtedness of those entities. The degree to which the direct and indirect subsidiaries of the Fund are leveraged could have important consequences to the Unitholders, including that such subsidiaries' ability to obtain additional financing for working capital, capital expenditures or acquisitions in the future may be limited; that a significant portion of MPT's cash flow from operations may be dedicated to the payment of the principal of and interest on its indebtedness, thereby reducing funds available for future operations; that the Credit Agreement is and future borrowings may be at variable rates of interest, which exposes the Fund to the risk of increased interest rates; and that the Fund may be more vulnerable to economic downturns and be limited in its ability to withstand competitive pressures. These factors may increase the sensitivity of Distributable Cash to interest rate variations.

Cash Distributions are not Guaranteed and will Fluctuate with Business Performance

Although the Fund distributes any interest received in respect of the MPT Notes and the cash distributions received in respect of the MPT Units, less expenses and amounts, if any, paid by the Fund in connection with the redemption of Units, there can be no assurance regarding the amounts of income to be generated by Cardinal LP's business or the businesses of Future Facilities or ultimately distributed to the Fund. The actual amount distributed in respect of the Units is not guaranteed and will depend on numerous factors including the financial performance of Cardinal LP or Future Facilities, debt covenants and obligations, working capital requirements and future capital requirements, all of which are susceptible to a number of risks.

Dependence on the Manager and Potential Conflicts of Interest

The Fund is dependent on the Manager in respect of the administration of the Fund and of MPT as well as for providing management supervisory services to Cardinal LP. The Manager, its Affiliates, employees or agents and other funds and vehicles managed by Affiliates of the Manager may be engaged or invest, directly or indirectly, in a variety of other companies or entities involved in owning, managing, advising on or being otherwise engaged in the Business or other infrastructure businesses. The Management Agreement, the Administration Agreement, the MPT Declaration of Trust and the Fund Declaration of Trust contain provisions respecting the procedures to be followed in the event of such conflict of interests. In certain circumstances, such conflicts may result in the Fund or its subsidiaries having to engage persons other than the Manager to provide acquisition and support services in respect of certain acquisitions or investments (see "Description of the Fund", "Conflicts of Interest and Fiduciary Duties" and "Trustees, Management and Operations — Non-Exclusivity and Rights of First Offer").

Terrorist Attacks

The Facility may be a target of terrorist activities that could result in the disruption of the Facility's ability to produce or deliver its energy products. Any such disruption could adversely affect cash distributions by the Fund.

Risks related to the Structure of the Fund

Investment Eligibility and Foreign Property

There can be no assurance that the Units will continue to be qualified investments for registered retirement savings plans, registered retirement income funds, deferred profit sharing plans and registered education savings plans (each as defined in the Tax Act) or that the Units will not be foreign property under the Tax Act. There may be adverse tax consequences under the Tax Act, possibly including penalties, in respect of the acquisition or holding of non-qualified or ineligible investments and on excess holdings of foreign property. On February 23, 2005, as part of the 2005 Federal Budget, the Minister of Finance announced that the foreign property limitations contained in Part XI of the Tax Act would be eliminated for months ending in 2005 and subsequent calendar years. No assurances can be given that such proposal will be enacted as proposed.

Income Tax Matters

There can be no assurance that the Tax Act or the regulations thereunder and administrative policies respecting the treatment of mutual fund trusts will not be changed in a manner which adversely affects the Unitholders.

The Fund Declaration of Trust provides that an amount equal to the taxable income of the Fund will be distributed each year to Unitholders in order to ensure that the Fund is not liable to be taxed under Part I of the Tax Act in any year. The Fund Declaration of Trust further provides that where the Fund does not have sufficient cash to pay such distribution in a year, the Fund may issue additional Units to Unitholders in lieu of making such distribution in cash. Unitholders will be required to include such distribution in their income for tax purposes even though the Unitholder has not received such distribution in cash.

Nature of Units

Securities such as the Units are hybrids in that they share certain attributes common to both equity securities and debt instruments. The Units do not represent a direct investment in the business of Cardinal LP and should not be viewed by investors as direct securities of Cardinal LP. As holders of Units, Unitholders will not have the statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring "oppression" or "derivative" actions. The Units represent a fractional interest in the Fund. The Fund's primary assets will be MPT Units and MPT Notes.

A fundamental characteristic that distinguishes the Units from traditional fixed income securities is that the Fund does not have a fixed obligation to make payments to Unitholders. The Fund has the ability to reduce or suspend distributions if circumstances warrant. The Fund's ability to consistently make distributions to Unitholders will fluctuate depending on the operations of Cardinal LP. Unlike an issuer of a fixed-income security, the Fund does not promise to return the initial purchase price of a Unit on a certain date in the future. In addition, unlike

interest payment or an interest-bearing debt security, the Fund's cash distributions are composed of different types of payments (portions of which may be fully or partially taxable or may constitute non-taxable returns of capital). The composition for tax purposes of those distributions may change over time, thus affecting the after-tax returns to Unitholders. For example, in order to qualify for accelerated capital cost allowance on certain of its assets, the Facility must be operated within certain fuel consumption requirements. If the Facility is not operated within those requirements, there could be an impact on the ability of the Fund to claim capital cost allowance, which, in turn, could affect the nature of the distributions received by the Unitholders. Therefore, a Unitholder's rate of return over a defined period may not be comparable to the rate of return on a fixed-income security that provides a "return on capital" over the same period.

The Units are not "deposits" within the meaning of the *Canada Deposit Insurance Corporations Act* (Canada) and are not insured under the provisions of that act or any other legislation. Furthermore, the Fund is not a trust company and, accordingly, is not registered under any trust and loan company legislation as it does not carry on or intend to carry on the business of a trust company.

Unitholder Liability

The Fund Declaration of Trust provides that no Unitholder will be subject to any liability whatsoever to any person in connection with a holding of Units. In addition, legislation has been enacted in Ontario, Alberta and Quebec that is intended to provide Unitholders in those provinces with limited liability. However, there remains a risk, which is considered by the Fund to be remote in the circumstances, that a Unitholder could be held personally liable, despite such statement in the Fund Declaration of Trust, for the obligations of the Fund to the extent that claims are not satisfied out of the assets of the Fund. It is intended that the affairs of the Fund will be conducted to seek to minimize such risk wherever possible.

Dilution of Existing Unitholders

The Fund Declaration of Trust permits the Fund to issue an unlimited number of previously unissued Units without the approval of Unitholders. The Unitholders will have no preemptive rights in connection with such further issues. Trustees have discretion in connection with the price and the terms of issue of further Units.

Price Fluctuations

Units of a publicly-traded income fund do not necessarily trade at values determined solely by reference to the underlying value of its assets. One of the factors that may influence the market price of the Units is the annual yield on the Units. An increase in market interest rates may lead purchasers of Units to demand a higher annual yield and this could adversely affect the market price of the Units. In addition, the market price for the Units may be affected by changes in general market conditions, fluctuations in the market for equity or debt securities and numerous other factors beyond the control of the Fund.

Distribution of Securities on Redemption or Termination of the Fund

There can be no assurance that the Fund will be in a position to redeem Units for cash when requested to do so. Upon a redemption of Units or termination of the Fund, the Trustees may distribute Series 2 Exchange Notes and Series 3 Exchange Notes directly to the Unitholders. There is currently no market for Series 2 Exchange Notes and Series 3 Exchange Notes. In addition, Series 2 Exchange Notes and Series 3 Exchange Notes are subject to resale restrictions and will not be listed on any stock exchange (see "Description of the Fund — Redemption at the Option of Unitholders"). Depending on the circumstances at the time, securities of the Fund so distributed may not be qualified investments for registered retirement savings plans, registered retirement income funds, or registered education plans, each as defined in the Tax Act.

Delays in Distributions

Payments by MPT to the Fund may be delayed by the establishment of reserves for expenses. Any such delay could adversely affect cash distributions by the Fund.

Reliance on Cardinal LP

The Fund is a limited purpose trust which is currently entirely dependent on the operations and assets of Cardinal LP through the indirect ownership of a limited partnership interest in Cardinal LP. Cash distributions to Unitholders depend on the ability of MPT to pay its interest obligations under its loan obligations and to make other distributions, which in turn depends on the ability of Cardinal LP or other Future Facilities to make distributions and make payments on the instruments governing any indebtedness of those entities (including the Credit Agreement). The actual amount distributed in respect of the Units to Unitholders depends upon numerous factors, including profitability, fluctuations in working capital, and debt expenses, the sustainability of EBITDA, increases or decreases in capital expenditures and compliance with restrictive covenants under the Credit Agreement and other debt obligations.

Rating

The Units have a stability rating by S&P. This rating may be revised or withdrawn in the future by S&P. A revision or withdrawal of the rating may have an adverse effect on the market price of the Units (see "Stability Rating").

Restrictions on Certain Unitholders and Liquidity of Units

The Fund Declaration of Trust imposes various restrictions on Unitholders. Non-resident Unitholders are prohibited from beneficially owning more than 49.9% of Units. This restriction may limit (or inhibit the exercise of) the rights of certain Unitholders, including non-residents of Canada, to acquire Units. As a result, these restrictions may limit the demand for Units from certain Unitholders and thereby adversely affect the liquidity and market value of the Units. On September 16, 2004, the Minister of Finance released certain proposals that a trust such as the Fund, would lose its status as a mutual fund trust under the Tax Act if, at any time, the aggregate fair market value of all of its issued and outstanding units held by one or more non-resident persons and/or by partnerships which are not Canadian partnerships under the Tax Act, is more than 50% of the aggregate fair market value of all issued and outstanding units of the trust, unless no more than 10% (based on fair market value) of the trust's property at any time is taxable Canadian property and certain other types of specified property. These proposals did not provide any means of rectifying the loss of mutual fund trust status. On December 6, 2004, the Minister of Finance suspended implementation of these proposals pending further consultation with the private sector.

Restrictions on Potential Growth

The pay out by Cardinal LP of substantially all of its operating cash flow after satisfaction of its capital expenditure provision will make additional capital and operating expenditures dependent on increased cash flow for additional financing in the future. Lack of such funds could limit the future growth of Cardinal LP and the related cash flow to the Fund.

Undiversified and Illiquid Holding in MPT

The Fund's holding of MPT Units and MPT Notes is undiversified, and such securities are illiquid, as they are not listed or quoted on any stock exchange or other market.

DISTRIBUTION HISTORY OF THE FUND

The Fund is currently entirely dependent on the operations of Cardinal LP. In turn, Cardinal LP's earnings and cash flows are affected by certain risks described elsewhere in this annual information form (see "Risk Factors").

The Fund makes monthly distributions to Unitholders of its Distributable Cash to the extent amounts are received by the Fund, including any amounts paid by MPT on the MPT Units and the MPT Notes held by the Fund. To the extent that the Fund does not have sufficient available cash to make cash distributions, the Fund may issue additional Units to Unitholders in lieu of making such distribution in cash. Based on announced distributions as of March 1, 2005, the distribution history of the Fund since the creation of the Fund is as follows:

Record Date	Per Unit Cash Distribution	Payment Date
May 31, 2004	0.8177[(1)]	June 30, 2004
June 30, 2004	0.7917	July 31, 2004
July 31, 2004	0.7917	August 31, 2004
August 31, 2004	0.7917	September 30, 2004
September 30, 2004	0.7917	October 29, 2004
October 31, 2004	0.7917	November 30, 2004
November 30, 2004	0.7917	December 31, 2004
December 31, 2004	0.7917	January 31, 2005
January 31, 2005	0.7917	February 28, 2005
February 28, 2005	0.7917	March 31, 2005

Notes:
(1) In respect of the 32 calendar days from April 30, 2004 to May 31, 2004

MARKET FOR SECURITIES

The outstanding Units are listed on the Toronto Stock Exchange under the symbol MPT.UN. The following table sets forth the high and low sales prices per outstanding Unit and trading volumes for the outstanding Units on the Toronto Stock Exchange for the periods indicated.

2004	Price Per Unit High	Low	Unit Trading Volume
April	10.00	9.45	1,042,410
May	10.05	9.39	2,193,697
June	10.00	9.75	897,019
July	10.05	9.92	1,398,336
August	10.52	9.96	1,769,322
September	10.46	10.16	1,171,374
October	10.69	10.22	1,102,854
November	10.59	10.16	1,615,447
December	11.05	10.37	1,365,439
January	11.85	10.66	1,109,977
February	12.50	11.25	1,968,933

STABILITY RATING

The Fund has received a stability rating on the Units from S&P of SR-2.

The rating is based on a rating scale developed by S&P, which characterizes the stability of cash distribution streams. S&P's stability analysis encompasses the variability and sustainability of a cash distribution stream in the medium to long-term with a single stability rating of SR-1 through SR-7. Variability in the distribution stream refers to changes in the distributions from period to period over a business cycle, whereas sustainability of the distribution stream refers to the length of time that distributions can likely be made. Together, these two characteristics are referred to by S&P as the stability profile of the issuer. The stability rating scale is organized such that a rating of SR-1 signifies the lowest level of cash distribution variability and the highest level of cash distribution sustainability, while a rating of SR-7 signifies the highest level of variability and the highest amount of uncertainty in the sustainability of the cash distribution stream.

Specifically, issuers rated as SR-2 are considered by S&P to have a very high level of cash distribution stability relative to other rated Canadian income funds.

A rating is not a recommendation to buy, sell or hold any security and may be subject to revision or withdrawal at any time by S&P.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Units is Computershare Trust Company of Canada at its principal office located in Toronto, Ontario.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

To the knowledge of the Fund, except as otherwise disclosed elsewhere in this annual information form, no Trustee or director or executive officer of the Manager, no person or company that is the direct or indirect beneficial owner of, or who exercises control or direction over more than 10% of the outstanding Units and no associate or affiliate of any of the foregoing persons or companies, has or has had any material interest, direct or indirect, in any transaction since the creation of the Fund that has materially affected or is expected to materially affect the Fund.

INTEREST OF EXPERTS

PricewaterhouseCoopers LLP is the auditor of the Fund. The partners and staff of PricewaterhouseCoopers LLP beneficially own, directly or indirectly, less than 1% of any class of securities issued by the Fund.

PROMOTER

As described under "General Development of the Business - Acquisition of the Facility", on April 30, 2004, in conjunction with the Initial Public Offering, the Fund indirectly acquired the Facility through the acquisition of Cardinal LP. In connection with such acquisition, the Original Limited Partners, wholly-owned subsidiaries of RQ Canada, LLC, received an aggregate cash payment in the amount of $42.7 million, by way of return of capital in consideration of their withdrawal from Cardinal LP pursuant to the Investment Agreement. The purchase price for the sale of the limited partnership interests in Cardinal LP was determined following the pricing of the Initial Public Offering by negotiation among the Fund and RQ Canada, LLC. RQ Canada, LLC had previously acquired the Facility as part of a larger transaction involving the acquisition of a number of power plants and development properties located throughout North America.

RQ Canada, LLC may have been considered to be a promoter of the Fund by reason of its initiative in organizing the business and affairs of the Fund. To the knowledge of the Fund, as of March 1, 2005, RQ Canada, LLC does not beneficially own, directly or indirectly, or exercise control over, any securities of the Fund.

LEGAL PROCEEDINGS

To the knowledge of the Fund, except as may be described elsewhere in this annual information form, there are no material legal proceedings to which the Fund is a party or to which its property (including the Facility) is subject, and no such proceedings are contemplated.

MATERIAL CONTRACTS

Except for those contracts entered into in the ordinary course business of the Fund and its subsidiaries, the following are the only material contracts entered into by the Fund or its subsidiaries during 2004 (or prior to 2004 in the case of material contracts that are still in effect):

(i) the Fund Declaration of Trust;

(ii) the MPT Declaration of Trust;

(iii) the Note Indenture;

(iv) the Management Agreement;

(v) the Administration Agreement;

(vi) the Credit Agreement; and

(vii) the Investment Agreement.

A general description of the Investment Agreement is set out below. A general description of the other material contracts listed above can be found elsewhere in this annual information form.

Copies of all material contracts listed above have been filed with the securities regulatory authorities in each of the provinces and territories of Canada and can be obtained on the Internet by accessing the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com.

Investment Agreement

The Original Limited Partners, Cardinal Investors, Inc., RQ Canada, LLC, Cardinal LP, the General Partner, MPT and the Fund entered into the Investment Agreement in conjunction with the Initial Public Offering. Pursuant to the terms of the Investment Agreement, the Fund acquired its indirect interest in the Facility (see "General Development of the Business – Acquisition of the Facility").

The Investment Agreement contained: (i) representations and warranties by Cardinal LP in favour of MPT and the Fund as to certain matters, including title to, and condition of, the Facility; compliance with environmental and other laws; compliance with material contracts; (ii) representations and warranties by RQ Canada, LLC, including as to the limited partnership interests in Cardinal LP held by the Original Limited Partners; (iii) covenants; (iv) conditions precedent to the closing of the transactions contemplated therein; and (v) other customary provisions.

The Investment Agreement also provided for indemnification from RQ Canada, LLC in favour of MPT and the Fund in respect of certain matters, including a breach of any representation or warranty made by RQ Canada, LLC in the Investment Agreement. The obligation to indemnify is limited to the return of capital received by the Original Limited Partners and Cardinal Investors, Inc. in connection with the Initial Public Offering (see "General Development of the Business – Acquisition of the Facility"). In addition, such obligation may not be triggered unless the aggregate amount of all claims under the Investment Agreement exceeds $500,000 and each claim is individually at least $25,000. Certain of the indemnities provided by RQ Canada, LLC under the Investment Agreement continue without limit as to time while certain other indemnities can only be claimed within 37 months of closing of the Initial Public Offering.

ADDITIONAL INFORMATION

Additional information relating to the Fund may be found on SEDAR at www.sedar.com.

Additional information, including trustees' remuneration and indebtedness, is contained in the Fund's information circular for its most recent annual meeting of Unitholders of the Fund. Additional financial information is provided in the Fund's annual consolidated financial statements and management's discussion and analysis for the year ended December 31, 2004.

The Fund will, upon request to the Manager at 121 King Street West, 8th Floor, Toronto, Ontario, M5H 3T9 (telephone: (416) 594 0200), provide to any person or company, the documents specified below:

(a) when the Fund is in the course of a distribution of its securities under a short form prospectus, or has filed a preliminary short form prospectus in respect of a proposed distribution of its securities:

(i) one copy of the Fund's latest annual information form, together with one copy of any document or the pertinent pages of any document, incorporated therein by reference;

(ii) one copy of the comparative consolidated financial statements of the Fund for the most recently completed financial year for which financial statements have been filed, together with the auditors' report thereon, and one copy of any interim financial statements of the Fund that have been filed for any period after its most recently completed financial year;

(iii) one copy of the information circular of the Fund in respect of its most recent annual meeting of Unitholders that involved the election of trustees; and

(iv) one copy of any other documents that are incorporated by reference into the preliminary short form prospectus or the short form prospectus and are not required to be provided under subparagraphs (i) to (iii); or

(b) at any other time, the Fund shall provide to any person or company one copy of any of the documents referred to in subparagraphs (a)(i), (ii) and (iii) above, provided that the Fund may require the payment of a reasonable charge if the request is made by a person or company who is not a holder of the Fund's securities.

GLOSSARY

In this annual information form, unless the context otherwise requires:

"Administration Agreement" means the agreement dated April 30, 2004 among the Fund, MPT and the Manager pursuant to which the Manager provides administrative services to the Fund and MPT, as such agreement may be amended, supplemented or restated from time to time.

"Administration Services" means the administrative services provided to the Fund and MPT by the Manager pursuant to the Administration Agreement.

"Advisory Committee" means the Advisory Committee on competition in Ontario's electricity system.

"Affiliate" has the meaning ascribed thereto under Ontario Securities Commission Rule 45-501- Exempt Distributions.

"Associate" has the meaning ascribed thereto in the *Securities Act* (Ontario).

"Book-Entry System" means the system administered by CDS through which interests in and transfers of the Units are registered.

"Btus" means British Thermal Units.

"Business" means the business of owning, operating and leasing assets and property in connection with the generation, production, transmission, distribution and purchase and sale of electricity and other forms of energy-related projects in Canada and the U.S. and engaging in all activities ancillary or incidental thereto.

"business day" means any day that is not a Saturday, Sunday or civic or statutory holiday in the Province of Ontario.

"Cardinal LP" means Cardinal Power of Canada, L.P., a limited partnership established under the laws of Delaware.

"Cardinal Transmission Line" means the approximately 6.5 km, 115 kV transmission line owned by Cardinal LP, which connects the Facility with the Hydro One transmission grid.

"CASCO" means Canada Starch Operating Company Inc.

"CDS" means the Canadian Depository for Securities Limited or a successor thereof.

"CDS Participant" means a participant in the depository service of CDS or a successor.

"CEMS" means Continuous Emission Monitors.

"Closing Market Price" means the price of a Unit, as at a specified date, calculated as follows:

(i) an amount equal to the volume weighted average trading price of a Unit (calculated by dividing the total value by the total volume of Units traded for the relevant period) on the principal exchange or market on which the Units are listed or quoted for trading on the specified date, if the principal exchange or market provides information necessary to compute a volume weighted average trading price of the Units on the specified date;

(ii) an amount equal to the closing price of a Unit on the principal market or exchange, if there was a trade on the specified date and the principal exchange or market provides only a closing price of the Units on the specified date;

(iii) an amount equal to the simple average of the highest and lowest prices of the Units on the principal market or exchange, if there was trading on the specified date and the principal exchange or market provides only the highest and lowest trading prices of the Units on the specified date; or

(iv) the simple average of the last bid and last asking prices of the Units on the principal market or exchange, if there was no trading on the specified date.

"CLP Agreement" means the first amended and restated agreement of limited partnership dated as of August 1, 1992, governed by the laws of the state of Delaware, pursuant to which Cardinal LP was established, as amended by the second amended and restated limited partnership agreement and as it may be further amended, supplemented or restated from time to time.

"cogeneration" means the simultaneous production of electricity and thermal energy in the form of heat or stream from a single fuel source.

"Counterparty" means the Canadian chartered bank that has entered into the Gas Swap Agreements with Cardinal LP.

"Credit Agreement" means the credit agreement dated April 29, 2004, among Cardinal LP, the General Partner, MPT, TD Securities Inc. as lead arranger and bookrunner, an Affiliate of TD Securities Inc., as administrative agent, a syndicate of lenders and CIBC World Markets Inc. as syndication agent, as it may be amended, supplanted or restated from time to time.

"DBRS" means Dominion Bond Rating Service Inc.

"DCR" means the Ontario Hydro Direct Customer Rate.

"Distributable Cash" means all amounts received by the Fund including amounts paid on the MPT Units or MPT Notes, as the case may be, held by the Fund (which may include amounts released from the Reserve Accounts) and the income, interest, dividends, return of capital or other amounts, if any, from other permitted investments held by the Fund, less amounts that may be paid by the Fund in connection with any cash redemptions or repurchases of Units and amounts which the Manager, the GP Directors, the MPT Trustees or the Trustees may reasonably consider necessary for payment of any costs or expenses required for the operation of the Fund and reasonable reserves.

"Distributable Cash per Unit" means, for any given period, the Distributable Cash dividend by the weighted average of total Units issued and outstanding.

"EBITDA" means earnings before interest, income taxes, depreciation and amortization.

"Energy Savings Agreement" means the energy savings agreement dated to be effective as of September 3, 1992 between CASCO and Cardinal LP, as it may be amended, supplemented or restated from time to time.

"Environmental, Health and Safety Laws" means federal, provincial, municipal local laws, statutes, regulations, by-laws, common law, licenses, permits and other approvals, government directions and orders, government guidelines and policies and other requirements governing or relating to, among other things: air emissions; taking of water and discharges into water; the storage, handling, use, transportation and distribution of dangerous goods and hazardous and residual material such as chemicals; the prevention of releases of hazardous materials into the environment; the prevention, presence and remediation of hazardous materials in soil and ground water both on and offsite; and workers' health and safety issues.

"Exempt Power Investments" means the following activities:

(i) engaging in commodity trading including trading in electricity;

(ii) lending money or guaranteeing the debts or obligations of any other entity;

(iii) acquiring interests on a temporary basis as a result of underwriting activities;

(iv) acquiring securities in entities where the majority of the assets for such entities are not operating power generating facilities in Canada or the U.S.; and

(v) acquiring interests of less than 10% in publicly listed entities when the entity making such acquisition does not have broad representation in respect of such shareholding.

"Extension Period" means the period between January 31, 2015 and January 31, 2017 during which Cardinal LP has the unilateral right to extend the original term of the Energy Savings Agreement.

"Facility" means the 156 MW combined co-generation plant fuelled by natural gas located in Cardinal, Ontario as well as the Cardinal Transmission Line.

"Fund" means the Macquarie Power Income Fund, an unincorporated open-ended limited purpose trust established under the laws of the Province of Ontario.

"Fund Declaration of Trust" means the declaration of trust established on March 12, 2004, governed by the laws of the Province of Ontario, pursuant to which the Fund was established, as amended and restated by an amended and restated declaration of trust dated April 16, 2004 and as it may be further amended, superseded or restated from time to time.

"Future Facilities" means facilities that may be acquired indirectly by the Fund in the future.

"Future Invesment Vehicle" means any investment fund or vehicle managed or otherwise directed by an Affiliate of the Manager or in respect of which an Affiliate of the Manager is general partner or acts in a similar capacity, other than the Fund.

"Future LP Facilities" means facilities that may be acquired directly or indirectly by Cardinal LP in the future.

"Gas Purchase Agreement" means the gas purchase agreement made as of August 8, 1991 between Husky Oil Operations Ltd. and Cardinal LP and assigned by Husky Oil Operations Ltd. to Husky Marketing by an assignment and novation agreement dated as of December 15, 2001, as amended supplanted or restated from time to time, with a guarantee of the obligations of Husky Marketing under the Gas Purchase Agreement by its parent, Husky Energy Inc.

"Gas Swap Agreements" means the five gas swap agreements dated April 29, 2004 between Cardinal LP and a Canadian chartered bank that is affiliated with TD Securities Inc.

"Gas Transportation Agreement" means the gas transportation agreement made as of March 25, 1992 between Cardinal LP and TCPL and assigned by Cardinal to Husky Marketing by a permanent assignment as amended, supplemented or restated from time to time.

"General Partner" means Cardinal Power Inc., the general partner of Cardinal LP.

"GP Director" or **"GP Directors"** means directors of the General Partner or any of them.

"HP/IP" means high pressure/intermediate pressure.

"Husky Marketing" means Husky Energy Marketing Inc.

"Hydro One" means Hydro One Networks Inc.

"IMO" means the Independent Electricity System Operator in Ontario.

"IMO Market Rules" means the rules made and enforced by the IMO that govern the IMO–controlled grid and that establish and govern the IMO–administered market relating to electricity and ancillary services in Ontario.

"Initial Public Offering" means the offering of 21,168,977 Units issued and sold by the Fund pursuant to the Fund's April 19, 2004 prospectus.

"Investment Agreement" means the investment agreement dated as of April 16, 2004 pursuant to which MPT and the General Partner agreed to make a capital contribution to Cardinal LP and the Original Limited Partners and Cardinal Investors, Inc. agreed to withdraw from Cardinal LP.

"kilovolt" or **"kV"** means a unit of potential difference equal to 1,000 volts.

"kilowatt hour" or **"kWh"** means one hour during which one kilowatt of electrical power has been continuously produced.

"Lease" means the premises lease and facilities agreement dated to be effective as of September 3, 1992, entered into by Cardinal Investors, Inc., the then general partner of Cardinal LP, CASCO and National Trust Company (as trustee for CASCO), as amended, supplemented or restated from time to time.

"LUTA" means line use and transfer agreement dated to be effective as of September 3, 1992 and entered into by CASCO and Cardinal LP, as amended supplemented or restated from time to time.

"Management Agreement" means the management agreement dated April 30, 2004 among the Manager, the Fund, MPT and Cardinal LP, as it may be amended, supplemented and restated from time to time.

"Management Services" means the management services provided to Cardinal LP by the Manager pursuant to the Management Agreement.

"Manager" means Macquarie Power Management Ltd.

"Market Price" means the price of a Unit, as at a specified date, calculated as follows:

(i) an amount equal to the volume weighted average trading price of a Unit (calculated by dividing the total value by the total volume of Units traded for the relevant period) on the principal exchange or market on which the Units are listed or quoted for trading during the period of ten consecutive trading days ending on such date;

(ii) an amount equal to the weighted average of the closing prices of a Unit on the principal exchange or market on which the Units are listed or quoted for trading during the period of ten consecutive trading days ending on such date, if the applicable exchange or market does not provide information necessary to compute a volume weighted average trading price; or

(iii) if there was trading on the applicable exchange or market for fewer than five of the ten trading days, an amount equal to the weighted average of the following prices established for each of the ten consecutive trading days ending on such date: the weighted average of the last bid and last asking prices of the Units for each day on which there was no trading; the closing price of the Units for each day that there was trading if the exchange or market provides a closing price; and the volume weighted average of the highest and lowest prices of the Units for each day that there was trading, if the market provides only the highest and lowest prices of Units traded on a particular day.

"megawatt" or **"MW"** means 1,000 kilowatts.

"megawatt hour" or "**MWh**" means one hour during which 1,000 kilowatts of electrical power have been continuously produced.

"Minimum Volumes" means the minimum volumes of gas that Cardinal LP is required to purchase pursuant to the Gas Purchase Agreement.

"MOE" means Ministry of the Environment.

"MPT" means Macquarie Power Income Trust, an unincorporated, open-ended limited purpose trust established under the laws of the Province of Ontario.

"MPT Declaration of Trust" means the declaration of trust established on March 12, 2004, governed by the laws of the Province of Ontario, pursuant to which MPT was established, as amended and restated by an amended and restated declaration of trust dated April 16, 2004 and as it may be further amended, superseded or restated from time to time.

"MPT Notes" means the notes issued by MPT from time to time in accordance with the Note Indenture, as either Series 1, Series 2 or Series 3.

"MPT Trustees" means the trustees of MPT as elected by MPT Unitholders pursuant to the direction of the Unitholders, as applicable, from time to time.

"MPT Unit" means a unit of interest in MPT issued from time to time in accordance with the MPT Declaration of Trust.

"MPT Unitholder" means a holder of MPT Units.

"MVA" means megavolt-ampere.

"Note Indenture" means the note indenture dated April 30, 2004 between MPT and Computershare Trust Company of Canada, as trustee thereunder, pursuant to which MPT may issue MPT Notes, as it may be amended, supplemented or restated from time to time.

"NUG" means a non-utility power generator.

"OEFC" means Ontario Electricity Finance Corporation, a corporation without share capital, which is the legal continuation of Ontario Hydro and an agent of the Province of Ontario, and is responsible for servicing and retiring the former Ontario Hydro's outstanding debt and other obligations and for administering the NUG contracts.

"**On-peak Hours"** means 7:00 a.m. to 11:00 p.m. local time at the Facility on weekdays, excluding public holidays.

"Operating Plant Service Agreement" means the operating plant service agreement between SWPC and Cardinal LP dated as of January 14, 2004, as it may be amended, supplemented or restated from time to time.

"OPG" means Ontario Power Generation.

"Order" means an order issued pursuant to section 157 of the *Environmental Protection Act* (Ontario) issued on March 9, 2004.

"Ordinary Resolution" means a resolution passed by the affirmative votes of the holders of more than 50% of the Units or MPT Units, as the case may be, who voted in respect of that resolution at a meeting at which a quorum was present or a resolution or instrument signed in one or more counterparts by the holders of more than 50% of the Units or MPT Units, as the case may be, entitled to vote on such resolution.

"Original Credit Agreement" means the credit agreement made as of September 3, 1992 among Cardinal LP, a syndicate of lenders, Cardinal Investors, Inc. and The Mutual Life Assurance Company of Canada, as agent for the lenders, as amended, supplemented or restated from time to time.

"Original Limited Partners" means Sithe Canadian Holdings Inc. and Sithe Canada Ltd.

"PEMS" means Predictive Emission Monitors.

"Power Purchase Agreement" means the power purchase agreement made on May 29, 1992 between Ontario Hydro (continued as OEFC) and Cardinal LP, as amended, supplemented or restated from time to time.

"psig" means pounds per square inch gauge.

"Redemption Date" means the date on which Units are surrendered for redemption.

"Redemption Price" means a price per Unit equal to the lesser of (i) 90% of the Market Price of a Unit calculated as of the Redemption Date, and (ii) 100% of the Closing Market Price on the Redemption Date.

"Reserve Accounts" means, collectively, the major maintenance reserve account, the capital expenditure reserve account and the general reserve account.

"Return of Capital Escrow Account" means the escrow account funded on the closing of the Initial Public Offering as to $2 million in connection with **the** final adjustment of the Return of Capital Amount following the final determination of Cardinal LP's working capital at the closing of the Initial Public Offering.

"Revolving Facility" means the $15 million revolving credit facility provided to Cardinal LP pursuant to the Credit Agreement.

"Revolving Facility Maturity Date" means April 28, 2005.

"S&P" means Standard & Poor's Inc., a division of The McGraw-Hill Companies, Inc.

"Series 2 Exchange Notes" means the Series 2 notes of a wholly-owned subsidiary of the Fund to be issued in exchange for Series 2 MPT Notes.

"Series 3 Exchange Notes" means the Series 3 notes of a wholly-owned subsidiary of the Fund to be issued in exchange for Series 3 MPT Notes.

"Series 1 MPT Notes" means the Series 1 notes of MPT issued to the Fund at closing of the Initial Public Offering.

"Series 2 MPT Notes" means the Series 2 notes of MPT to be issued exclusively to holders of MPT Units as full or partial payment of the redemption price of MPT Units, as the MPT Trustees may decide or, in certain circumstances, be obliged to issue.

"Series 3 MPT Notes" means the Series 3 notes of MPT to be issued exclusively as full or partial payment of the redemption price of Series 1 MPT Notes.

"Special Resolution" means a resolution passed by the affirmative votes of the holders of not less than two-thirds of the Units, the MPT Units or the limited partnership interests of Cardinal LP, as the case may be, who voted in respect of that resolution at a meeting at which a quorum was present or a resolution or instrument signed in one or more counterparts by the holders of not less than two-thirds of the Units, the MPT Units or the limited partnership interests of Cardinal LP, as the case may be, entitled to vote on such resolution.

"SWPC" means Siemens Westinghouse Power Corporation.

"Target Quantities" means the quantities of energy predicted to be delivered, in respect of a given month, during the On-peak Hours.

"Task Force" means the electricity conservation and supply task force.

"Tax Act" means the *Income Tax Act* (Canada), as amended.

"TCPL" means TransCanada Pipelines Limited.

"Term Facility" means the $35 million non-revolving term facility provided to Cardinal LP pursuant to the Credit Agreement.

"Transmission Connection Agreement" means the transmission connection agreement between Hydro One and Cardinal LP, made on June 6, 2002, as it may be amended, supplemented or restated from time to time.

"Transmission Line Escrow Account" means the escrow account funded on closing of the Initial Public Offering as to $150,000 in connection with the repair of certain transmission lines at the Facility.

"Trustee" or **"Trustees"** means the trustees of the Fund or any one of them.

"Union" means Union Gas Limited.

"Union Agreement" means the gas distribution contract made as of October 15, 2003, between Cardinal LP and Union, as it may be amended, supplemented or restated from time to time.

"Unit" means a unit of the Fund.

"Unitholder" means a holder of Units.

SCHEDULE A

MACQUARIE POWER INCOME FUND

AUDIT COMMITTEE CHARTER

The term "Fund" herein shall refer to Macquarie Power Income Fund and the term "Board" shall refer to the Board of Trustees of the Fund. "Macquarie Power Income Group" means, collectively, the Fund, Macquarie Power Income Trust (the "Trust"), Cardinal Power Inc. (the "General Partner"), Cardinal Power of Canada, L.P. ("Cardinal LP") and Macquarie Power Management Ltd. (Canada) (the "Manager"). The term "Management" herein shall refer to senior management of the General Partner and the Manager.

Purpose

The Audit Committee (the "Committee") is a standing committee appointed by the Board to assist the Board in fulfilling its oversight responsibilities with respect to financial reporting including responsibility to:

- oversee the work of the Fund's external auditors engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Fund;
- oversee the integrity of the Fund's financial statements and financial reporting process, including the audit process and the Fund's internal accounting controls and procedures and compliance with related legal and regulatory requirements;
- oversee the qualifications and independence of the external auditors;
- oversee the work of the Fund's financial management and external auditors in these areas; and
- provide an open avenue of communication between the external auditors, the Board and Macquarie Power Income Group, including the Board of Trustees of the Trust and management of the Manager.

In addition, the Committee will review and/or approve any other matter specifically delegated to the Committee by the Board.

The function of the Committee is oversight. It is not the duty or responsibility of the Committee or its members (i) to plan or conduct audits, (ii) to determine that the Fund's financial statements are complete and accurate and are in accordance with generally accepted accounting principles or (iii) to conduct other types of auditing or accounting reviews or similar procedures or investigations. The Committee and its Chair are members of the Board, appointed to the Committee to provide broad oversight of the financial, risk and control related activities of the fund and are specifically not accountable or responsible for the day to day operation or performance of such activities.

Management is responsible for the preparation, presentation and integrity of the Fund's financial statements. Management is also responsible for maintaining appropriate accounting and financial reporting principles and policies and systems of risk assessment and internal controls and procedures designed to provide reasonable assurance that assets are safeguarded and transactions are properly authorized, recorded and reported and to assure the effectiveness and efficiency of operations, the reliability of financial reporting and compliance with accounting standards and applicable laws and regulations. The external auditors are responsible for planning and carrying out an audit of the Fund's annual financial statements in accordance with generally accepted auditing standards to provide reasonable assurance that, among other things, such financial statements are in accordance with generally accepted accounting principles.

Procedures, Powers and Duties

In addition to the procedures and powers set out in the resolution of the Board establishing this Committee, the Committee shall have the following procedures, powers and duties:

1. General

(a) *Composition* - The Committee shall be composed of a minimum of three members. Each member of the Committee shall be an "independent" trustee as defined in the Declaration of Trust of the Fund and none of the members shall have participated in the preparation of the financial statements of the Fund at any time over the past three years; provided that the fact that a trustee is also a trustee of the Trust or a director of the General Partner will not disqualify the trustee from being a member of the Committee so long as the trustee would otherwise be eligible to be a member of the Committee.

All members of the Committee must be "financially literate" (as that term is defined from time to time under the requirements or guidelines for audit committee service under securities laws and the rules of any stock exchange on which the Fund's securities are listed for trading or if it is not so defined as that term is interpreted by the Board in its business judgement) or must become financially literate within a reasonable period of time after their appointment to the Committee.

(a) *Appointment and Replacement of Committee Members* - Any member of the Committee may be removed or replaced at any time by the Board and shall automatically cease to be a member of the Committee upon ceasing to be a trustee. The Board may fill vacancies on the Committee by appointing another trustee to the Committee. The Board shall fill any vacancy if the membership of the Committee is less than three trustees. Whenever there is a vacancy on a Committee, the remaining members may exercise all its power as long as a quorum remains in office. Subject to the foregoing, the members of the Committee shall be appointed by the Board annually and each member of the Committee shall remain on the Committee until the next annual meeting of unitholders after his or her appointment or until his or her successor shall be duly appointed and qualified.

(b) *Committee Chair* - The Chair of the Committee shall be designated by the full Board. The Chair of the Committee shall be responsible for leadership of the Committee, including preparing the agenda, presiding over the meetings, making committee assignments and reporting to the Board.

(c) *Conflicts of Interest* - If a Committee member faces a potential or actual conflict of interest relating to a matter before the Committee, that member shall be responsible for alerting the Committee Chair. If the Committee Chair faces a potential or actual conflict of interest, the Committee Chair shall advise the Chair of the Board. If the Committee Chair, or the Chair of the Board, as the case may be, concurs that a potential or actual conflict of interest exists, the member faced with such conflict shall disclose to the Committee the member's interest and shall not participate in consideration of the matter and shall not vote on the matter.

(d) *Compensation of Committee Members* - The members of the Committee shall be entitled to receive such remuneration for acting as members of the Committee as the Board may from time to time determine. No member of the Committee shall receive from the Fund any compensation other than the fees to which he or she is entitled as a trustee, a member of a committee of the Board, a member of the Board of Trustees of the Trust or a committee thereof, or a member of the Board of Directors of the General Partner.

(e) *Separate Executive Meetings* - The Committee shall meet periodically with the Chief Financial Officer, the head of the internal audit function (if other than the Chief Financial Officer) and the external auditors in separate executive sessions to discuss any matters that the Committee or each of these groups believes should be discussed privately and such persons shall have access to the Committee to bring forward matters requiring its attention. However, the Committee shall also meet periodically without Management present.

(f) Meetings of the Committee -

(i) *Procedures for Meetings* - Subject to any applicable statutory or regulatory requirements and the Declaration of Trust of the Fund, the time at which and place where the meetings of a Committee shall be held and the calling of Committee

meetings and the procedure in all things at such meetings shall be determined by the Committee.

(ii) *Calling of Meetings* - The Committee shall meet as often as it deems appropriate to discharge its responsibilities. Notice of the time and place of every meeting shall be given in writing, by any means of transmitted or recorded communication, including facsimile, telex, telegram or other electronic means that produces a written copy, to each member of a Committee at least 24 hours prior to the time fixed for such meeting. However, a member may in any manner waive a notice of a meeting. Attendance of a member at a meeting constitutes a waiver of notice of the meeting, except where a member attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called. Whenever practicable, the agenda for the meeting and the meeting materials shall be provided to members before each Committee meeting in sufficient time to provide adequate opportunity for their review.

(iii) *Quorum* - A majority of members constitute a quorum for the transaction of Committee business.

(iv) *Chair of Meetings* - If the Chair of a Committee is not present at any meeting of the Committee, one of the other members of the Committee who is present shall be chosen by the Committee to preside at the meeting.

(v) *Secretary of Meeting* - The Chair of the Committee shall designate a person who need not be a member of the Committee to act as secretary or, if the Chair of the Committee fails to designate such a person, the Corporate Secretary of the Manager shall be secretary of the Committee. The agenda of each Committee meeting will be prepared by the secretary of the Committee and, whenever reasonably practicable, circulated to each member prior to each meeting.

(vi) *Minutes* - The secretary of the Committee shall prepare and maintain minutes of the proceedings of the Committee. Minutes shall be kept in minute books provided for that purpose. The minutes of Committee meetings shall accurately record the discussions of and decisions made by the Committee, including all recommendations to be made by the Committee to the Board and shall be distributed to all Committee members.

(a) *Professional Assistance* - The Committee may require the external auditors and internal auditors to perform such supplemental reviews or audits as the Committee may deem desirable. In addition, the Committee may retain such special legal, accounting, financial or other consultants as the Committee may reasonably determine to be necessary to carry out the Committee's duties at the Fund's expense in accordance with the procedures for retaining professional advisors as set out in the Fund's Corporate Governance Guidelines.

(b) *Reliance* - Absent actual knowledge to the contrary (which shall be promptly reported to the Board), each member of the Committee shall be entitled to rely on (i) the integrity of those persons or organizations within and outside Macquarie Power Income Group from which it receives information, (ii) the accuracy of the financial and other information provided to the Committee by such persons or organizations and (iii) representations made by Management and the external auditors as to any information technology, internal audit and other non-audit services provided by the external auditors to the Fund and Macquarie Power Income Group.

(c) *Reporting to the Board* - The Committee will report through the Committee Chair to the Board following meetings of the Committee on matters considered by the Committee, its activities and compliance with this Charter.

(d) Powers of the Committee -

(i) *Access* - The Committee is entitled to full access to all books, records, facilities, and personnel of the Fund and Macquarie Power Income Group, as related to the investment

activities and affairs of the Fund. The Committee may require such officers, trustees and employees of the Fund and Macquarie Power Income Group and others as it may see fit from time to time to provide any information about the Fund and Macquarie Power Income Group it may deem appropriate and to attend and assist at meetings of the Committee.

(ii) *Delegation* - The Committee may delegate from time to time to any person or committee of persons any of the Committee's responsibilities that lawfully may be delegated.

(iii) *Adoption of Policies and Procedures* - The Committee may adopt policies and procedures for carrying out its responsibilities.

Audit Responsibilities of the Committee

Selection and Oversight of the External Auditors

2. The external auditors are ultimately accountable to the Committee and the Board as the representatives of the unitholders of the Fund and shall report directly to the Committee and the Committee shall so instruct the external auditors. The Committee shall evaluate the performance of the external auditors and make recommendations to the Board on the reappointment or appointment of the external auditors of the Fund to be proposed in the Fund's proxy circular for unitholder approval and shall have authority to terminate the external auditors. If a change in external auditors is proposed, the Committee shall review the reasons for the change and any other significant issues related to the change, including the response of the incumbent auditors, and enquire on the qualifications of the proposed auditors before making its recommendation to the Board. The Board is responsible for selecting the external auditor to be proposed in the Fund's proxy circular for unitholder approval and appointment.

3. The Committee shall approve in advance the terms of engagement and the compensation to be paid by the Fund to the external auditors with respect to the conduct of the annual audit.

4. The Committee shall review the independence of the external auditors and shall make recommendations to the Board on appropriate actions to be taken which the Committee deems necessary to protect and enhance the independence of the external auditors. In connection with such review, the Committee shall:

(a) actively engage in a dialogue with the external auditors about all relationships or services that may impact the objectivity and independence of the external auditors;

(b) require that the external auditors submit to it on a periodic basis, and at least annually, a formal written statement delineating all relationships between the Fund and Macquarie Power Income Group, on the one hand, and the external auditors and their affiliates on the other hand;

(c) require that (i) both the lead audit partner and the partner responsible for performing a second review respecting the audit be rotated at least every five years and be subject to a five year time out and (ii) all other partners on the audit engagement team who provide more than 10 hours of audit, review or attest services with respect to the Fund's consolidated financial statements or who serve as the lead partner in connection with any audit or review related to financial statements of a subsidiary whose assets or revenues constitute at least 20% of the consolidated assets or revenues of the Fund be rotated at least every seven years and be subject to a two year time out;

(d) consider whether there should be a regular rotation of the external audit firm itself; and

(e) consider the auditor independence standards promulgated by applicable auditing regulatory and professional bodies.

5. The Committee shall prohibit the external auditor and its subsidiaries from providing certain non-audit services to the Fund. All non-audit services to be provided to the Fund or any of its affiliates by the external auditors or any of their affiliates shall be subject to pre-approval by the Committee. The Committee may approve policies and procedures for the pre-approval of non-audit services to be rendered by the external

auditors, which policies and procedures (i) shall include reasonable detail with respect to the services covered, (ii) shall require that the Committee be informed of each non-audit service and (iii) shall not include delegation of the Committee's responsibilities to Management.

6. The Committee shall establish and monitor clear policies for the hiring by Macquarie Power Income Group of partners, employees and former partners and employees of the external auditors.

7. The Committee shall require the external auditors to provide to the Committee, and the Committee shall review and discuss with the external auditors, all reports which the external auditors are required to provide to the Committee or the Board under rules, policies or practices of professional or regulatory bodies applicable to the external auditors, and any other reports which the Committee may require. Such reports shall include:

   (a) a description of the external auditors' internal quality-control procedures, any material issues raised by the most recent internal quality-control review, or peer review, of the external auditors, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the external auditors, and any steps taken to deal with any such issues; and

   (b) a report describing (i) all critical accounting policies and practices used in the preparation of the Fund's financial statements, (ii) all alternative treatments of financial information within generally accepted accounting principles related to material items that have been discussed with Management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the external auditors (iii) other material written communication between the external auditors and Management, such as any management letter or schedule of unadjusted differences; and (iv) disagreements between Management and/or the internal auditors and the external auditors regarding financial reporting.

8. The Committee is responsible for resolving disagreements between Management and the external auditors regarding financial reporting.

Oversight of Internal Audit Function

9. The Committee shall determine the appropriate internal audit function for the Fund and oversee its processes, reports and the terms of compensation for any individuals engaged in such function, if any.

Oversight and Monitoring of Audits

10. The Committee shall review with the external auditors and Management the audit function generally, the objectives, staffing, locations, co-ordination, reliance upon Management, any internal audit and general audit approach and scope of proposed audits of the financial statements of the Fund, the overall audit plans, the responsibilities of Management and the external auditors, the audit procedures to be used and the timing and estimated budgets of the audits.

11. The Committee shall meet periodically with the internal finance management staff to discuss the progress of their activities and any significant findings stemming from any internal audits and any difficulties or disputes that arise with Management and the adequacy of Management's responses in correcting audit-related deficiencies.

12. The Committee shall discuss with the external auditors any difficulties or disputes that arise with Management or any internal auditors during the course of the audit and the adequacy of Management's responses in correcting audit-related deficiencies.

13. The Committee shall review with Management the results of any internal and all external audits.

14. The Committee shall take such other reasonable steps as it may deem necessary to satisfy itself that the audit was conducted in a manner consistent with all applicable legal requirements and auditing standards of applicable professional or regulatory bodies.

Oversight and Review of Accounting Principles and Practices

15. The Committee shall, as it deems necessary, oversee, review and discuss with Management, the external auditors and any internal auditors:

    (a) the quality, appropriateness and acceptability of the Fund's accounting principles and practices used in its financial reporting, changes in the Fund's accounting principles or practices and the application of particular accounting principles and disclosure practices by Management to new transactions or events;

    (b) all significant financial reporting issues and judgments made in connection with the preparation of the Fund's financial statements, including the effects of alternative methods within generally accepted accounting principles on the financial statements and any "second opinions" sought by Management from an independent auditor with respect to the accounting treatment of a particular item;

    (c) disagreements between Management and the external auditors or any internal auditors regarding the application of any accounting principles or practices;

    (d) any material change to the Fund's auditing and accounting principles and practices as recommended by Management, the external auditors or any internal auditors or which may result from proposed changes to applicable generally accepted accounting principles;

    (e) the effect of regulatory and accounting initiatives on the Fund's financial statements and other financial disclosures;

    (f) any reserves, accruals, provisions, estimates or management programs and policies, including factors that affect asset and liability carrying values and the timing of revenue and expense recognition, that may have a material effect upon the financial statements of the Fund;

    (g) the use of special purpose entities and the business purpose and economic effect of off-balance sheet transactions, arrangements, obligations, guarantees and other relationships of Macquarie Power Income Group and their impact on the reported financial results of the Fund;

    (h) any legal matter, claim or contingency that could have a significant impact on the financial statements, the Fund's compliance policies and any material reports, inquiries or other correspondence received from regulators or governmental agencies and the manner in which any such legal matter, claim or contingency has been disclosed in the Fund's financial statements;

    (i) the treatment for financial reporting purposes of any significant transactions which are not a normal part of the Fund's operations;

    (j) the use of any "pro forma" or "adjusted" information not in accordance with generally accepted accounting principles ; and

    (k) Management's determination of goodwill impairment, if any, as required by applicable accounting standards.

16. The Committee will review and resolve disagreements between Management and the external auditors regarding financial reporting or the application of any accounting principles or practices.

Oversight and Monitoring of Internal Controls

17. The Committee shall, as it deems necessary, exercise oversight of, review and discuss with Management and the external auditors:

    (a) the adequacy and effectiveness of the Fund's internal accounting and financial controls based on recommendations of Management and the external auditors for the improvement of accounting practices and internal controls;

(b) any material weaknesses in the internal control environment, including with respect to computerized information system controls and security; and

(c) Management's compliance with the Fund's processes, procedures and internal controls.

Communications with Others

18. The Committee shall establish and monitor procedures for the receipt and treatment of complaints received by the Fund regarding accounting, internal accounting controls or audit matters and the anonymous submission by employees of concerns regarding questionable accounting or auditing matters and review periodically with Management, the Board of Trustees of the Trust and senior finance officers of Macquarie Power Income Group responsible for the internal audit function, these procedures and any significant complaints received.

Oversight and Monitoring of the Fund's Financial Disclosures

19. The Committee shall:

(a) review with the external auditors and Management and recommend to the Board for approval the audited financial statements and the notes and Management's Discussion and Analysis accompanying such financial statements, the Fund's annual report, the financial information of the Fund contained in any prospectus or information circular or other disclosure documents or regulatory filings of the Fund; and

(b) review with the external auditors and Management and approve each set of interim financial statements and the notes and Management's Discussion and Analysis accompanying such financial statements and any other disclosure documents or regulatory filings of the Fund containing or accompanying financial information of the Fund.

Such reviews shall be conducted prior to the release of any summary of the financial results or the filing of such reports with applicable regulators.

20. Prior to their distribution and filing, the Committee shall review and discuss earnings press releases, as well as financial information and earnings guidance provided to analysts and ratings agencies. The Chair of the Committee may perform this review function, on behalf of the Committee, as is required. Such discussions may, in the discretion of the Committee, be done generally (i.e., by discussing the types of information to be disclosed and the type of presentation to be made) and the Committee need not discuss in advance each instance in which the Fund gives earning guidance if it has reviewed and approved the Fund's policies and procedures with respect to such matters.

21. The Committee shall meet with Management to review and assess the process and systems in place for the review of public disclosure documents that contain audited and unaudited financial information and their effectiveness.

22. As part of the process by which the Committee shall satisfy itself as to the reliability of public disclosure documents that contain audited and unaudited financial information, the Committee shall require each of the Chief Executive Officer and the Chief Financial Officer of the Manager to provide a certificate addressed to the Committee certifying in respect of each annual and quarterly report the matters such officers are required to certify in connection with the filing of such reports under applicable securities laws.

23. The Committee shall review the disclosure with respect to its pre-approval of audit and non-audit services provided by the external auditors.

Oversight of Finance Matters

24. The Committee shall receive and review:

(a) periodic reports on compliance with requirements regarding statutory deductions and remittances, the nature and extent of any non-compliance together with the reasons therefor and Management's plan and timetable to correct any deficiencies;

(b) material policies and practices of Macquarie Power Income Group respecting cash management and material financing strategies or policies or proposed financing arrangements and objectives of Macquarie Power Income Group; and

(c) material tax policies and tax planning initiatives, tax payments and reporting and any pending tax audits or assessments.

25. The Committee shall meet periodically with Management to review and discuss the Fund's major financial risk exposures and the policy steps Management has taken to monitor and control such exposures, including the use of financial derivatives and hedging activities.

26. The Committee shall meet periodically with the Company Secretary of the Manager to review issues arising out of compliance activities, as well as assess contingent legal and regulatory risks.

27. The Committee shall receive and review the financial statements and other financial information of members of Macquarie Power Income Group and any auditor recommendations concerning such entities as they relate to the assets of the Fund.

Committee Reporting

28. As required by applicable laws or regulations or stock exchange requirements, the Committee shall review and approve the information required to be reported to unitholders and others in its Annual Information Form, and for such purposes, each member of the Committee shall provide information respecting that member's education and experience that relate to his or her responsibilities as a Committee member.

Additional Responsibilities

29. Each new member of the Committee shall receive such training as may be approved by the Chair of the Committee. Training should cover the requirements and obligations of audit committees, issues of accounting principles, auditing standards, risk management and ethical compliance. Each Committee member should attend refresher training annually.

30. The Committee should request and review a report from the Company Secretary of the Manager at least twice each year as to compliance with the Fund's prohibitions against any related party transactions between trustees, directors or employees and their families and the Fund or any of the Macquarie Power Income Group entities.

31. The Committee shall review on an annual basis, insurance programs and policies relating to the Fund and its investments.

32. The Committee shall review and/or approve any other matter specifically delegated to the Committee by the Board and undertake on behalf of the Board such other activities as may be necessary or desirable to assist the Board in fulfilling its oversight responsibilities with respect to financial reporting.

THE CHARTER

The Committee shall review and reassess the adequacy of this Charter at least annually and otherwise as it deems appropriate and recommend changes to the Board. The performance of the Committee shall be evaluated with reference to this Charter annually.

The Committee shall ensure that this Charter is disclosed on the Fund's website and that this Charter or a summary of it which has been approved by the Committee is disclosed in accordance with all applicable securities laws or regulatory requirements in the annual proxy circular or annual report of the Fund.