MACQUARIE POWER & INFRASTRUCTURE INCOME FUND

ANNUAL INFORMATION FORM

For the Financial Year Ended December 31, 2009

March 25, 2010

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EXPLANATORY NOTES

This Annual Information Form is dated March 25, 2010. Except where otherwise indicated, the information contained in this Annual Information Form is stated as at December 31, 2009 and all references to dollar amounts and "$" 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, the "Fund" refers to Macquarie Power & Infrastructure Income Fund and the "Manager" refers to Macquarie Power Management Ltd.

Certain of the statements contained in this Annual Information Form are forward-looking and reflect management's expectations regarding the Fund's future growth, results of operations, performance and business based on information currently available to the Fund. Forward-looking statements are provided for the purpose of presenting information about management's current expectations and plans relating to the future and readers are cautioned that such statements may not be appropriate for other purposes. These statements use forward-looking words, such as "anticipate", "continue", "could", "expect", "may", "will", "estimate", "believe" or other similar words and include, among other things, statements relating to: the LSCC IPO; the Conversion Transaction; environmental laws, regulations and guidelines; the power infrastructure regulatory environment; and the Fund's distributions and distribution policy. These statements are subject to significant known and unknown risks and uncertainties that may cause actual results or events to differ materially from those expressed or implied by such statements and, accordingly, should not be read as guarantees of future performance or results. The forward-looking statements in this Annual Information Form are based on information currently available and what the Fund currently believes are reasonable assumptions, including the material assumptions for each of the Fund's assets set out in the Fund's 2009 Annual Report under the heading "Outlook" on page 42, as updated in subsequently filed Quarterly Financial Reports of the Fund (such documents are available on the Canadian Securities Administrators' System for Electronic Document Analysis and Review ("SEDAR") at www.sedar.com). Other material factors or assumptions that were applied in formulating the forward-looking statements contained herein include the assumption that the business and economic conditions affecting the Fund's operations will continue substantially in their current state, including, with respect to industry conditions, general levels of economic activity, regulations, weather, taxes and interest rates and that there will be no unplanned material changes to the Fund's facilities, equipment and contractual arrangements. Although the Fund believes that it has a reasonable basis for the expectations reflected in these forward-looking statements, actual results may differ from those suggested by the forward-looking statements for various reasons, including risks related to: power infrastructure (operational performance; PPAs; fuel; contract performance; default under credit agreements; land tenure and related rights; regulatory regime and permits and force majeure) and the Fund (changes in federal tax rules for flow through entities; other tax related risks; variability of distributions; geographic concentration and non-diversification; dependence on the Manager and potential conflicts of interest; insurance; environmental, health and safety regime; availability of financing; unitholder dilution; volatile market price for units; international financial reporting standards; nature of units; unitholder liability) (see "Risk Factors"). The assumptions, risks and uncertainties described above are not exhaustive and other events and risk factors could cause actual results to differ materially from the results and events discussed in the forward-looking statements. These forward-looking statements reflect current expectations of the Fund as at the date of this Annual Information Form and speak only as at the date of this Annual Information Form. Except as may be required by applicable law, the Fund does not undertake any obligation to publicly update or revise any forward-looking statements.

This Annual Information form is not an offer or invitation for subscription or purchase of or a recommendation of securities. It does not take into account the investment objectives, financial situation and particular needs of the investor. Before making an investment in the Fund, the investor or prospective investor should consider whether such an investment is appropriate to their particular investment needs, objectives and financial circumstances and consult our investment adviser if necessary.

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 are not "deposits" within the meaning of the *Canada Deposit Insurance Corporation Act* and are not insured under the provisions of that act or any other legislation.

None of the entities noted in this Annual Information Form is an authorized deposit-taking institution for the purposes of the *Banking Act 1959* (Commonwealth of Australia). The obligations of these entities do not represent deposits or other liabilities of Macquarie Bank Limited ABN 46 008 583 542. Macquarie Bank Limited does not guarantee or otherwise provide assurance in respect of the obligations of these entities.

STRUCTURE OF THE FUND

The Fund is an unincorporated, open-ended, limited purpose trust established under the laws of the Province of Ontario by a declaration of trust dated as of March 15, 2004, as amended and restated as of April 16, 2004 and as further amended effective February 21, 2006 (collectively, the "Fund Declaration of Trust").

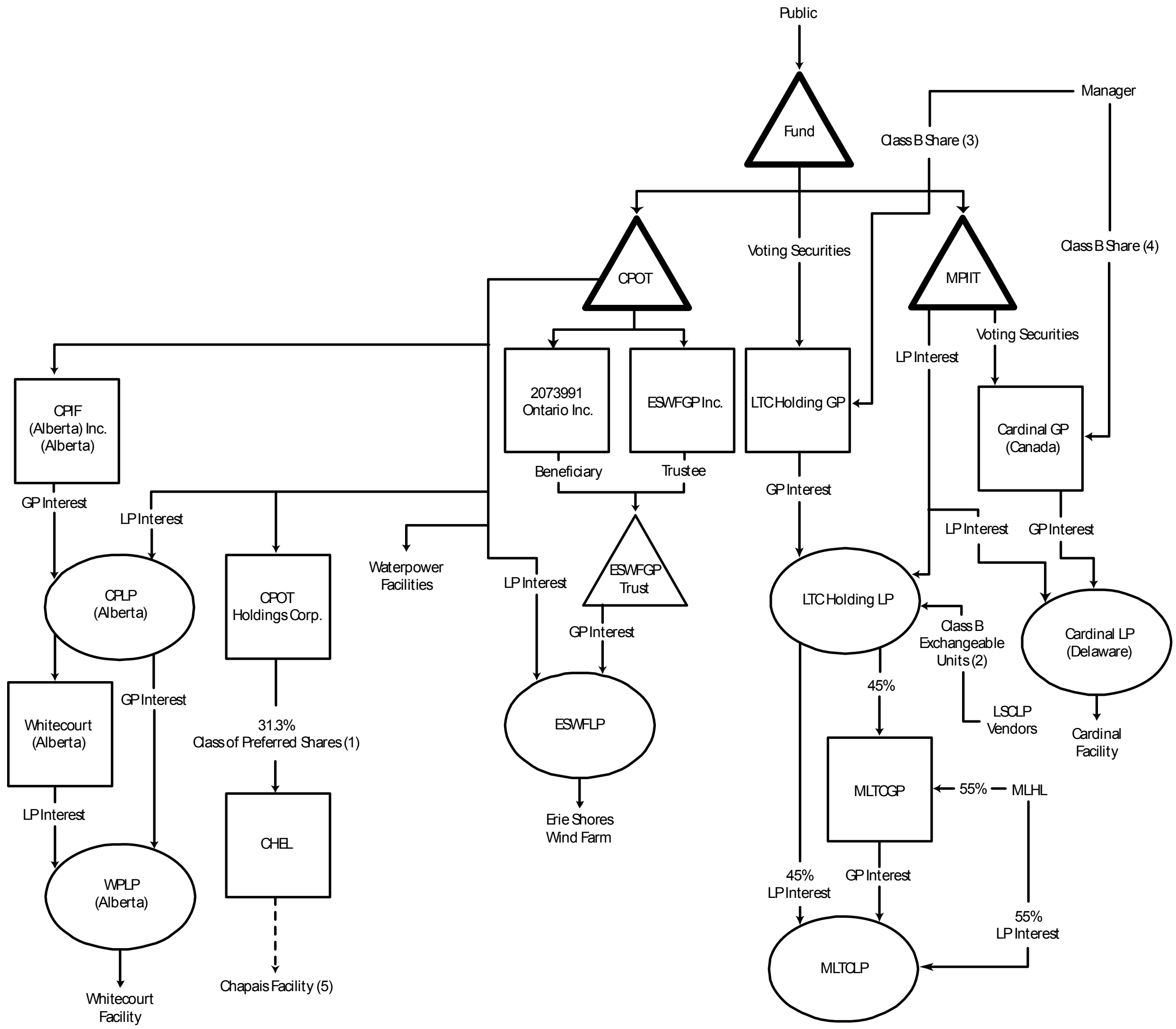
As at March 25, 2010, the Fund's power infrastructure portfolio included investments in gas cogeneration, wind, waterpower and biomass power generation assets, representing in aggregate approximately 350 megawatts ("MW") of installed capacity.

The Fund and Macquarie Power & Infrastructure Income Trust ("MPIIT") are both administered by the Manager pursuant to the administration agreement between the Fund, MPIIT and the Manager dated as of April 30, 2004 and amended as of October 18, 2005 (the "Administration Agreement") (see "Management of the Fund – Administration Agreement"). The Manager also provides certain management services to each of: (a) Cardinal Power of Canada, L.P. ("Cardinal LP") under the management agreement between the Fund, MPIIT, Cardinal LP and the Manager dated as of April 30, 2004 (the "Cardinal LP Management Agreement") (see "Management of the Fund – Cardinal LP Management Agreement"); and (b) Clean Power Operating Trust ("CPOT") under the management agreement between the Fund, CPOT, Clean Power Income Fund ("CPIF") and the Manager dated as of June 26, 2007 (the "CPOT Management Agreement") (see "Management of the Fund – CPOT Management Agreement"). The Manager previously provided certain management services to MPT LTC Holding LP ("LTC Holding LP"), under a management agreement between the Fund, MPIIT, LTC Holding LP and the Manager dated as of October 18, 2005 (the "LTC Holding LP Management Agreement"), which was terminated on March 23, 2010 (see "Management of the Fund – LTC Holding LP Management Agreement").

The Manager is an indirect, wholly-owned subsidiary of Macquarie Group Limited ("MGL"), an Australian public company listed on the Australian Stock Exchange.

The Fund's head office and registered office are located at Brookfield Place, 181 Bay Street, Suite 3100, Toronto, ON, M5J 2T3.

The chart below presents a simplified summary of the ownership and organizational structure of the Fund and its material subsidiaries as at March 25, 2010. In the chart below, "GP Interest" denotes a general partnership interest, "LP Interest" denotes a limited partnership interest and, unless otherwise specified, all ownership interests denoted are 100% and all entities were incorporated or organized in Ontario.



Legend:

Cardinal GP = Cardinal Power Inc.
Cardinal LP = Cardinal Power of Canada, L.P.
CHEL = Chapais Électrique Limitée
CPIF (Alberta) Inc. = Clean Power Income Fund (Alberta) Inc.
CPLP = Clean Power Limited Partnership
CPOT = Clean Power Operating Trust
ESWFGP Inc. = Erie Shores Wind Farm General Partner Inc.
ESWFGP Trust = Erie Shores Wind Farm General Partner Trust
ESWFLP = Erie Shores Wind Farm Limited Partnership
Fund = Macquarie Power & Infrastructure Income Fund
LSCLP Vendors = Markham Suites Hotel Limited, LECR Inc., and OLTCP Inc.
LTC Holding GP = MPT LTC Holding Ltd.
LTC Holding LP = MPT LTC Holding LP
Manager = Macquarie Power Management Ltd.
MLHL = Macquarie Leisureworld Holdings Ltd., an indirect, wholly-owned subsidiary of Macquarie Group Limited
MLTCGP = Macquarie Long Term Care GP Inc.
MLTCLP = Macquarie Long Term Care LP
MPIIT = Macquarie Power & Infrastructure Income Trust
Waterpower Facilities = The Sechelt Facility, the Wawatay Facility, the Dryden Facility and the Hluey Lakes Facility
Whitecourt = Whitecourt Power Corp.
WPLP = Whitecourt Power Limited Partnership

Notes:

(1) CPOT Holdings Corp. owns a 31.3% interest in one of the two classes of preferred shares of CHEL. See "Narrative Description of Business – Power Infrastructure – Chapais Facility".
(2) The Class B Exchangeable Units have economic rights equivalent to those of the Units and, subject to certain conditions, are exchangeable on a one-for-one basis for Units. See "Description of the Fund – Class B Exchangeable Units and Exchange Agreement".
(3) The holder of the one outstanding class B share in the capital of LTC Holding GP has the right to elect two members of the board of directors of LTC Holding GP and is not entitled to receive any dividends on the class B share. The class B share may be redeemed upon the payment of $25 at any time on or after termination of the LTC Holding LP Management Agreement.
(4) The holder of the one outstanding class B share in the capital of Cardinal GP has the right to elect two members of the board of directors of Cardinal GP and is not entitled to receive any dividends on the class B share. The class B share may be redeemed upon the payment of $25 at any time on or after the termination of the Cardinal LP Management Agreement.
(5) The Chapais Facility is owned by the Chapais Énergie, Société En Commandite, the sole general partner of which is CHEL and the limited partners of which are CHEL and a wholly-owned subsidiary of CHEL. See "Narrative Description of the Business – Power Infrastructure – Chapais Facility".

GENERAL DEVELOPMENT OF THE BUSINESS

On April 30, 2004, the Fund completed its initial public offering and applied the net proceeds to indirectly subscribe for the entire partnership interest of Cardinal LP.

On October 18, 2005, the Fund acquired an approximate 45% indirect ownership interest in Leisureworld Senior Care LP ("LSCLP") and its general partner (collectively with LSCLP, the "Leisureworld Entities") concurrently with LSCLP's acquisition of 19 long term care homes and certain related businesses from Markham Suites Hotel Limited (formerly Leisureworld Inc., "MSHL"), LECR Inc. (formerly Leisureworld Creemore Inc., "LWC") and OLTCP Inc. (formerly, Ontario Long Term Care Providers Inc.) (collectively, the "LSCLP Vendors"). An indirect, wholly-owned subsidiary of MGL acquired the remaining approximate 55% interest in the Leisureworld Entities. The economic benefit of MGL's indirect ownership in the Leisureworld Entities was subsequently transferred to Macquarie International Infrastructure Fund Limited, a Singapore-listed infrastructure fund managed by an indirect wholly-owned subsidiary of MGL.

On February 21, 2006, the Fund changed its name from "Macquarie Power Income Fund" to "Macquarie Power & Infrastructure Income Fund" to more accurately reflect the nature of the Fund's investments.

On June 26, 2007, the Fund completed the take-over bid and related transactions whereby it acquired CPIF (the "CPIF Acquisition"). On that date, the Fund paid for the 25,931,644 issued and outstanding trust units of CPIF ("CPIF Units") that were validly deposited and taken up under the Fund's offer to purchase dated May 18, 2007 (the "CPIF Offer"), representing approximately 72% of the then issued and outstanding CPIF Units. Thereafter, pursuant to a subsequent acquisition transaction described in the offer documents mailed by the Fund to holders of CPIF Units in connection with the CPIF Offer (the "CPIF Subsequent Acquisition Transaction"), the Fund acquired substantially all of the assets of CPIF by redeeming all of its then issued and outstanding CPIF Units (except for one CPIF Unit then held by the Fund) in consideration for a redemption price per CPIF Unit equal to the consideration that the Fund paid under the CPIF Offer per CPIF Unit, being 0.5581 of a Unit and one contingency value receipt of the Fund (a "CVR") (see "Description of the Fund – Contingency Value Receipts"). As a result of the completion of the CPIF Subsequent Acquisition Transaction, the outstanding 6.75% convertible debentures that were issued by CPIF (the "CPIF Debentures") became obligations of the Fund.

On June 27, 2007, in connection with the CPIF Acquisition, CPOT entered into a credit agreement (as amended on February 14, 2008, the "CPOT Credit Agreement") with MPIIT and Whitecourt Power Corp. ("Whitecourt") as guarantors, a Canadian chartered bank as administration agent and lender, and another Canadian chartered bank as syndication agent and lender, providing for a $75 million revolving facility and a $75 million term facility (collectively, the "CPOT Credit Facility").

On December 7, 2007, Caithness Western Wind Holdings, LLC prepaid a subordinated debt (the "U.S. Wind Loan"), which had been indirectly acquired by the Fund in connection with the CPIF Acquisition, for total proceeds of US$22 million. Prior to its prepayment, the U.S. Wind Loan had been supported by cash flows generated from six wind power facilities located in the United States ("U.S.").

On May 19, 2009, certain subsidiaries of the Fund entered into an amended and restated credit agreement (as further amended as of June 16, 2009 and as of September 30, 2009, the "Fund Credit Agreement") refinancing and extending the CPOT Credit Facility (of which $25 million was repaid prior to the refinancing), as well as the $15 million revolving credit facility and $35 million non-revolving term facility (collectively, the "Cardinal Credit Facility") provided to Cardinal LP pursuant to a credit agreement dated May 16, 2006 (the "Cardinal Credit Agreement"). Both CPOT and Cardinal LP are the borrowers under the credit facility provided pursuant to the Fund Credit Agreement (the "Fund Credit Facility") and the obligations of the borrowers are guaranteed by certain of the Fund's other subsidiaries (see "Material Contracts – Fund Credit Agreement"). The CPOT Credit Facility and Cardinal Credit Facility had been scheduled to mature in June 2010 and May 2011, respectively. The Fund Credit Facility, which matures in June 2012, was initially comprised of a $121.9 million term facility and a $40.6 million revolving facility, but also includes an accordion feature that offers the ability to increase the size of the Fund Credit Facility up to an aggregate of $200 million, subject to securing additional commitments from existing or new lending institutions. On June 17, 2009, the Fund partially exercised the accordion feature in the Fund Credit Facility to add an additional $20 million of capacity to the term facility, bringing its aggregate credit capacity to $182.5 million. As at December 31, 2009, an aggregate amount of $85 million had been advanced under the Fund Credit Facility.

On July 6, 2009, the Fund appointed Mr. Michael Bernstein as the Fund's President and Chief Executive Officer. Mr. Bernstein served in that capacity on an interim basis since April 2009. On July 27, 2009, the Fund appointed Mr. Michael Smerdon as Vice President, Chief Financial Officer and Secretary of the Fund, effective August 14, 2009.

On September 29, 2009, the Fund announced (i) the Trustees' intention, subject to Unitholder and other approvals, to convert the Fund into a publicly-traded dividend-paying corporation (the "Continuing Corporation") prior to January 1, 2011 (the "Conversion Transaction") and (ii) the Trustees' approval of a new distribution policy for the Fund to commence with the distributions for the month of January 2010 (see "Distributions – Distribution Policy").

On November 4, 2009, Mr. V. James Sardo was appointed by the Board of Trustees of the Fund as an independent (as such term is defined under Canadian Securities Administrators' National Instrument 52-110 – *Audit Committees* ("NI 52-110") Trustee.

On December 22, 2009, the Fund completed a public offering of $50 million principal amount of 6.50% convertible unsecured subordinated debentures due December 31, 2016 (the "2016 Debentures"). The 2016 Debentures were sold to a syndicate of underwriters on a bought deal basis. On January 5, 2010, the underwriters exercised in full their over-allotment option to purchase an additional $7.5 million principal amount of 2016 Debentures, bringing the outstanding aggregate principal amount of the 2016 Debentures to $57.5 million (see "Description of the Fund – 2016 Debentures").

On January 11, 2010, proceeds from the offering of the 2016 Debentures were used to redeem all of the outstanding CPIF Debentures for an aggregate redemption amount of $38.9 million.

On March 23, 2010, Macquarie Long Term Care LP ("MLTCLP", the entity through which the Fund, MGL and MIIFL held their interest in the Leisureworld Entities) sold its entire 100% ownership interest in the Leisureworld Entities to Leisureworld Senior Care Corporation ("LSCC") for aggregate consideration equal to approximately $122 million (MPT's share of the aggregate consideration being approximately $55 million). At the time, LSCLP owned and operated 26 long term care homes, one retirement home and one independent living home, all in the Province of Ontario. The sale of the Leisureworld Entities was completed immediately prior to the closing of the initial public offering (the "LSCC IPO") by LSCC of its common shares. Under the acquisition agreement between MLTCLP and LSCC providing for the sale of the Leisureworld Entities (the "Leisureworld Acquisition Agreement"), MLTCLP provided representations, warranties, covenants and indemnities in respect of the business of the Leisureworld Entities (certain of which were qualified to knowledge and materiality). Pursuant to the Leisureworld Acquisition Agreement, MLTCLP has agreed to retain, until March 31, 2011, approximately $12 million, in the form of cash, liquid securities and/or letters of credit (representing 10% of the consideration received by MLTCLP from the sale of the Leisureworld Entities) to fund its indemnification obligations under such agreement (the "Holdback"). As at March 25, 2010, the Holdback was comprised of approximately $3 million in cash and $9 million in the form of a promissory note (the "LSCC Promissory Note") issued by LSCC to MLTCLP as partial consideration under the Leisureworld Acquisition Agreement. In the event that the over-allotment option granted by LSCC to the underwriters of the LSCC IPO is partially or fully exercised, the net proceeds from LSCC's sale to the underwriters of its common shares under such over-allotment option will be used by LSCC to repay part or all of the indebtedness owed under the LSCC Promissory Note. If the over-allotment option is not exercised in full by April 22, 2010, the balance of the LSCC Promissory Note (after repayment with the net proceeds from any partial exercise of the over-allotment option) will be converted into a specified number of freely-tradable common shares of LSCC, which shares will be issued to MLTCLP in full satisfaction of all amounts outstanding under the LSCC Promissory Note. MLTCLP has agreed to hold the consideration received upon repayment of the LSCC Promissory Note as part of the Holdback. **Any common shares of LSCC comprising the Holdback must be held by MLTCLP for at least 180 days (subject to MLTCLP obtaining a waiver from the underwriters of the LSCC IPO).** The material change report of the Fund dated March 22, 2010 with respect to the LSCC IPO is incorporated by reference into this Annual Information Form and is available on SEDAR at www.sedar.com. Further information relating to LSCC is available on SEDAR, but such information filed by LSCC on SEDAR is not incorporated by reference into this Annual Information Form and the Fund specifically disclaims any responsibility for the accuracy or completeness of such information.

The Fund intends to continue to evaluate and pursue growth opportunities that complement the cash profile of its investments, extend the average life of the Fund's portfolio of investments and deliver attractive total return in accordance with the Fund Acquisition and Investment Guidelines (see "Narrative Description of the Business – Acquisition and Investment Guidelines"). These opportunities could include additional power infrastructure investments (particularly in the renewable power sector) and consolidation in the power income fund sector, electricity transmission and distribution, and investments in other categories of essential infrastructure, such as transportation and roads, water distribution, schools and hospitals, including through public-private partnerships.

NARRATIVE DESCRIPTION OF THE BUSINESS

Fund Objective and Strategy

The Fund's objective is to produce sustainable and growing levels of cash for distributions to Unitholders on a monthly basis. To do so, the Fund's strategy is to (a) pursue additional investments and other direct and indirect rights in infrastructure projects with an emphasis on power infrastructure and such other businesses or activities as may be approved from time to time by a majority of the Trustees independent of the Manager, including investments and other direct and indirect rights in other forms of energy-related projects and utility projects (see "– Acquisition and Investment Guidelines") and (b) improve the profitability of the existing investments 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 the broader infrastructure sector and intend to pursue such opportunities as they arise (see "Management of the Fund – Non-Exclusivity and Rights of First Offer" and "Conflicts of Interest").

Acquisition and Investment Guidelines

The Fund Declaration of Trust provides that additional investments or acquisitions by the Fund, other than in connection with an internal reorganization, must comply with the following guidelines (the "Fund Acquisition and Investment Guidelines"). See the description of the Trustees announcement of the Conversion Transaction under "General Developments of the Business". Such investments or acquisitions may be financed by the issuance of Units, the issuance of other securities of the Fund, from the Fund's cash on hand 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.

- 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 have been 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 PPAs 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.

- 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" under the *Income Tax Act* (Canada) (the "Tax Act").

Operating Segments

Prior to the sale of the Fund's indirect interest in the Leisureworld Entities on March 23, 2010, the principal operating segments of the Fund were power infrastructure and social infrastructure. Revenue earned by the Fund for each segment is reported in the following table:

($000s)	**Year Ended December 31, 2009**			**Year Ended December 31, 2008** (1)		
	Power	**Social**	**Total**	**Power**	**Social**	**Total**
Revenue	$148,384 (2)	– (3)	$148,384	$153,186 (4)	– (5)	$153,186

Notes:

(1) The revenue in 2008 has been restated to reflect the reclassification of the Cardinal Facility's mitigation revenue from operating expenses to revenue.

(2) In addition, the Fund earned aggregate interest income of $720 relating to the CHESEC Tranche A Senior Debt in 2009.

(3) Does not include $1,842 pro rata share of equity-accounted income for the Fund's investment in LSCLP, which is accounted for as an equity investment.

(4) In addition, the Fund earned: (i) aggregate interest income of $720 relating to the CHESEC Tranche A Senior Debt and (ii) $156 pro rata share of equity-accounted income for the Fund's investment in CHEL, which is accounted for as an equity investment.

(5) Does not include $62 pro rata share of equity-accounted loss for the Fund's investment in LSCLP, which is accounted for as an equity investment.

Power Infrastructure

The Fund indirectly holds investments in the following power infrastructure facilities:

Facility	Size[(1)] (MW)	Location	Employees	Percentage Ownership	Power Purchaser	Expiry of PPA
Gas Cogeneration						
Cardinal	160.00[(2)]	Ontario	18	100%	Ontario Electricity Financial Corporation	2014[(3)]
Wind						
Erie Shores	99.00[(4)]	Ontario	3	100%	Ontario Power Authority	2026
Waterpower						
Sechelt	16.00	British Columbia	-	100%	British Columbia Hydro and Power Authority	2017
Hluey Lakes	3.00	British Columbia	-	100%	British Columbia Hydro and Power Authority	2020
Wawatay	13.50	Ontario	-	100%	Ontario Electricity Financial Corporation	2042
Dryden[(5)]	3.25	Ontario	-	100%	Ontario Electricity Financial Corporation	2020
Biomass						
Whitecourt	28.00[(6)]	Alberta	33	100%	TransAlta Utilities Corp.[(7)]	2014
Chapais	31.00[(8)]	Québec	[(9)]	[(9)]	Hydro-Québec	2015
Total MW	**353.75 MW**					

Notes:

(1) Gross capacity of facility.
(2) 156.00 MW net capacity.
(3) The initial 20-year term of the Cardinal PPA ends on November 21, 2014. After the expiry of the original term of 20 years either party to the PPA may at any time, with at least one year's written notice to the other, terminate the PPA.
(4) One of the 1.50 MW wind turbines located at the Erie Shores Wind Farm is not owned by ESWFLP (see "– Erie Shores Wind Farm – Overview").
(5) The Dryden facility is comprised of the Wainwright, Eagle River and McKenzie Falls hydropower stations.
(6) 25.00 MW net capacity.
(7) The benefits and obligations of the Whitecourt PPA flow-through to the Balancing Pool (see "– Power Infrastructure Industry – Regulatory Environment – Alberta").
(8) 28.00 MW net capacity.
(9) The Fund's investment in the Chapais Facility consists of the CHESEC Tranche A Senior Debt, the CHESEC Tranche B Senior Debt and other subordinated debt of CHESEC as well as a 31.3% interest in one of the two outstanding classes of preferred shares of CHEL (see "– Chapais Facility – Fund's Investment").

The Cardinal Facility

Overview

The Cardinal Facility is a combined cycle cogeneration facility fuelled by natural gas with a net rated capacity of 156 MW of electrical power located in Cardinal, Ontario. The Cardinal Facility is directly interconnected to Hydro One's transmission system and supplies electricity to the Hydro One grid on a continuous basis, except for planned and unplanned downtime.

The Cardinal Facility's main 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 a Westinghouse combustion turbine generator operating in combined cycle with a Westinghouse steam turbine. The combustion turbine generator produces a nominal 110 MW of electrical power. Hot gas leaving the combustion turbine passes through a heat recovery steam generator where steam is produced to drive a steam turbine. The steam turbine drives a generator that produces a nominal 50 MW of electrical power. Steam is extracted from the steam turbine to supply process steam to the Canada Starch Operating Company Inc. ("CASCO") plant located adjacent to the facility (see "– Cogeneration" and "– Land Tenure"). A small portion of the low pressure steam passes through a heat exchanger to provide space heating for an elementary school which is also located adjacent to the facility. The combustion turbine generator and steam turbine generator are operated to produce gross facility output of approximately 160 MW with 156 MW of net power output after in-plant consumption. Electricity is generated by the Cardinal Facility at 13.8 kV and stepped up to 115 kV by two main step-up transformers.

Cardinal Power Purchase Agreement

The electricity generated by the Cardinal Facility (less the amount consumed in its operations) is sold exclusively to Ontario Electricity Financial Corporation ("OEFC") at contracted rates under the PPA (the "Cardinal PPA") made on May 29, 1992 between Ontario Hydro (continued as OEFC) and Cardinal LP. In fiscal 2009, approximately 96% of the Cardinal Facility's revenues were derived from the sale of electricity to OEFC.

The initial 20-year term of the Cardinal PPA ends on November 21, 2014. After the expiry of the original term of 20 years, either party to the Cardinal PPA may at any time, with at least one year's written notice to the other, terminate the Cardinal PPA. The Cardinal PPA also contains operating standards and procedures and early termination provisions as are customary for non-utility power generator PPAs.

Under the Cardinal PPA, OEFC is obligated to make monthly payments for the electricity that is delivered by the Cardinal Facility. During the past three years, more of the Cardinal Facility's revenues were generated during the winter season (October through March, inclusive) than during the summer season (April through September, inclusive). This can be attributed primarily to the fact that higher rates are paid by OEFC for electricity delivered during the winter than during the summer and that lower ambient temperatures during the winter season enable the Cardinal Facility's combustion turbine to reach its peak output and thus produce more electricity. In addition, subject to certain exceptions, where the Cardinal Facility delivers between 80% and 100% of its monthly target quantity (the "Target Quantities") of electricity to be delivered between the weekday hours of 7:00 a.m. to 11:00 p.m. (the "On-peak Hours"), the Cardinal PPA provides for OEFC to make certain additional capacity payments to Cardinal LP.

Payment rates under the Cardinal PPA escalate in accordance with the direct customer rate ("DCR") established by OEFC from time to time, which is designed to recover the fully-delivered cost of uninterruptible power at 100% load factor to customers directly connected to the Ontario transmission system. Monthly payments for electricity delivered are equal to the sum of the amount of electricity delivered each month multiplied separately by each of the Energy "A" and Energy "B" rates. The Energy "A" rate increases each year by the greater of: (i) 4% and (ii) the cumulative percentage increase in the DCR since 1992, being the base year under the Cardinal PPA (the "DCR escalator"). The Energy "B" rate increases each year by the greater of: (i) 0% and (ii) the DCR escalator. Capacity payments are based on the monthly amount of energy delivered during On-peak Hours, to a maximum of the Target Quantities and increase each year by the greater of: (i) 0% and (ii) the DCR escalator. The provisions of both the Cardinal PPA and the Cardinal GPA (described below) provide for fuel commodity cost protection through the alignment of rate escalators on both the revenue side (under the Cardinal PPA) and the cost side (under the Cardinal GPA). Under the Cardinal GPA, the commodity gas price increases each year by the greater of: (i) 2% and (ii) the previous year's DCR escalator while, as noted above, the Energy "A" rate increases at the greater (i) 4% and (ii) the DCR escalator (see "– Gas Purchase Agreement").

Upon the expiration or termination of the Cardinal PPA, assuming the current structure of the Ontario power industry, Cardinal LP would have four primary options: (i) bid electricity it produces into the Independent Electricity System Operator ("IESO")-administered market and receive the market price; (ii) enter into a bilateral power purchase contract with another counterparty to sell electricity at a negotiated price; (iii) a combination of (i) and (ii); or (iv) renegotiate a revised PPA. 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.

Cogeneration

Up to a maximum of 723 million pounds per year of the steam generated by the Cardinal Facility is sold to CASCO for its plant operations under the terms of an energy savings agreement between Cardinal LP and CASCO dated to be effective as of September 3, 1992 (the "Cardinal Energy Savings Agreement"). The Cardinal Energy Savings Agreement matures on January 31, 2015, but may be extended by up to two years at the option of Cardinal LP. In fiscal 2009, steam sale revenues represented approximately one percent of the Cardinal Facility's revenues. Cardinal LP is also subject to an ongoing commitment to supply an immaterial amount of steam to meet the circulating hot water heating requirements of an adjacent elementary school.

As is typical with cogeneration plants, the Cardinal Facility has a low heat-to-electricity ratio and produces significantly more electricity than steam for sale. By producing electricity and steam simultaneously, cogeneration converts a higher proportion of the fuel's energy content into useful energy output compared to both electrical and thermal energy that is generated separately, 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 ("GHG") 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 other GHGs, such as reactive hydrocarbons and carbon dioxide ("CO_2"), than the combustion of other fossil fuels.

Cardinal Gas Purchase Agreement

Cardinal LP purchases the natural gas to operate the Cardinal Facility from Husky Energy Marketing Inc. ("Husky Marketing") under the Cardinal GPA. Under the Cardinal GPA, Cardinal LP is able to curtail the production of electricity at the Cardinal Facility within certain parameters and, through the Cardinal Gas Mitigation Agreement (described below), sell the gas that would otherwise have been used to generate electricity. Cardinal LP avails itself of this option on occasion when additional net income can be realized from this operating strategy. To mitigate the effect of price fluctuations on the net proceeds from the sale of any excess natural gas under the Cardinal Gas Mitigation Agreement, Cardinal LP entered into the Cardinal Gas Swap Agreements.

The Cardinal GPA was originally entered into with Husky Oil Operations Ltd. and was subsequently assigned to Husky Marketing by means of an assignment and novation agreement dated as of December 15, 2001. The obligations of Husky Marketing under the agreement are guaranteed by its parent company, Husky Energy Inc. This agreement provides that Cardinal LP is required to purchase a minimum of 9,289,104 MMBtu of natural gas each year, equivalent to 80% of the contract maximum, subject to financial compensation to Husky Marketing for any shortfall. Cardinal LP is prohibited from purchasing natural gas for the Cardinal Facility from any other party for the term of the Cardinal GPA, which expires on May 1, 2015, unless Husky Marketing fails to deliver in accordance with the terms thereof. The price of natural gas delivered under the Cardinal GPA is tied to the DCR, with a guaranteed minimum 2% per annum escalator. The Cardinal GPA does not entitle the gas supplier to renegotiate or arbitrate the price payable under the Cardinal GPA.

The November 1, 1994 amendment to the Cardinal GPA, as subsequently amended effective January 31, 2009 (the "Cardinal Gas Mitigation Agreement") permits Cardinal LP and Husky Marketing to sell certain amounts of gas in excess of that required by the Cardinal Facility. The proceeds from sales under the Cardinal Gas Mitigation Agreement are shared based on a formula which 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 are any remaining proceeds, such proceeds are apportioned on an approximate 20%/80% basis between Husky Marketing and Cardinal LP (prior to the January 31, 2009 amendment, proceeds were shared on an approximate 50%/50% basis). In addition, under the Cardinal PPA, 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 this curtailment, be used to generate electricity may be sold under the terms of the Cardinal Gas Mitigation Agreement. As well, Cardinal LP may elect to curtail electricity production and sell gas under the Cardinal Gas Mitigation Agreement.

Husky Marketing provides for the transportation of the natural gas purchased under the Cardinal GPA from Husky Oil Operations Ltd.'s reserves in the Province of Alberta to the interconnection with Union Gas Limited ("Union") near Cardinal, Ontario. Cardinal LP reimburses Husky Marketing for the demand charges and commodity charges it incurs with respect to such transportation. Cardinal LP and Union are parties to an agreement providing for the transportation of natural gas from Union's interconnect to the Cardinal Facility.

Land Tenure

The land underlying the Cardinal Facility is leased from CASCO for a nominal amount. The initial term of the Cardinal Lease expires on January 31, 2015, but may be extended by up to two years at the option of Cardinal LP and runs concurrently with the Cardinal Energy Savings Agreement. In certain circumstances, Cardinal LP may continue the term of the Cardinal Lease until a date no later than December 31, 2020. In no event can the term of the Cardinal Lease extend beyond December 31, 2030. At the expiration of the term of the Cardinal 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 Cardinal Lease and Cardinal LP 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 applicable Environmental, Health and Safety Laws (described below).

Cardinal Credit Agreement

On May 19, 2009, certain subsidiaries of the Fund entered into the Fund Credit Agreement, which amended and restated the Cardinal Credit Agreement and the CPOT Credit Agreement. Cardinal LP and CPOT are the borrowers under the Fund Credit Facility and their obligations as borrowers are guaranteed by certain of the Fund's other subsidiaries. See "Material Contracts – Fund Credit Agreement".

Major Maintenance

The Cardinal Facility operates on a modified maintenance cycle for the six-year cycle as follows:

Year	Type of Maintenance	Typical Duration of Outage
2009	Hot gas path inspection	288 hours
2010	Combustion inspection	120 hours
2011	Combustion inspection	120 hours
2012	Hot gas path inspection	288 hours
2013	Combustion inspection	120 hours
2014	Combustion inspection	120 hours

In the second quarter of 2009, the Cardinal Facility was shut down for a period of 303 hours for the planned hot gas path inspection. The Cardinal Facility is scheduled to complete a combustion inspection during the second quarter of 2010, which typically requires a 120-hour (5 day) outage.

Erie Shores Wind Farm

Overview

The Erie Shores Wind Farm is located near Port Burwell, Ontario. The Erie Shores Wind Farm consists of 66 GE 1.5 SLE wind turbines that achieved commercial operation under the Erie Shores PPA in May 2006 (see "– Erie Shores Power Purchase Agreement"). The wind turbines each have a capacity of 1.5 MW and were supplied by General Electric Company ("GE") and General Electric Canada ("GE Canada") pursuant to a turbine supply agreement ("Erie Shores Turbine Supply Agreement"). Erie Shores Wind Farm has a total capacity of 99 MW. One of the GE 1.5 SLE wind turbines located at the Erie Shores Wind Farm is owned by a local land owner who hosts a number of the facility's other wind turbines. Erie Shores Wind Farm maintains operational and managerial control of this additional wind turbine and, on an annual basis, the land owner is entitled to receive the revenue generated by his wind turbine less one sixty-sixth of all operating and maintenance expenses of all 66 wind turbines making up the facility as a whole, not including property taxes, land leases and interest expense.

Each wind turbine at the facility contains an on-board microprocessor controller which monitors and controls the operation of the individual wind turbine. The facility also includes a wind farm management system to manage the operation of the 66 wind turbines. The facility is equipped with a Supervisory Control and Data Acquisition system ("SCADA"). The SCADA system collects and stores operational and generation data from the wind turbines and allows remote supervision and operations of the individual wind turbines. The SCADA system is designed to monitor and record the performance of the wind turbines and the facility as a whole and provides detailed operating and performance information for reporting purposes.

The electricity generated by the facility's wind turbines is collected and delivered by above-ground and underground collection lines. The power collection system consists of individual power cables that run from each wind turbine to pad-mount transformers located adjacent to each wind turbine, which increase the voltage of the electricity to the required level for collection. Underground cables then deliver the electricity from the pad-mount transformers to the overhead collection system. A system of above-ground 34.5 kV collection lines then delivers the power to the Port Burwell substation where it is stepped up to transmission voltage of 115 kV for delivery by way of a 29 kilometre connection line to the Ontario transmission grid. During the second quarter of 2009, work was completed on a protection system that connected the facility to a second transmission line, which enables the Erie Shores Wind Farm to continue delivering its power to the grid during periods of outage on the original transmission line.

GE and GE Canada provide to Erie Shores Wind Farm a four-year parts, labour, maintenance, availability and performance warranty, which began on July 26, 2006. The warranty includes a direct revenue reimbursement provision which compensates the facility for lost revenue under the Erie Shores PPA should the wind turbines not reach the average warranted threshold for availability and performance of 97% (up to an aggregate maximum of approximately $25 million, of which less than $200,000 has been required to be paid to date by GE and which payment related to the facility's first year of operations). Should a major part fail, GE must replace or repair the faulty equipment such that the wind turbine complies with the 20-year design certification.

Erie Shores O&M Agreement

Under an agreement between Erie Shores Wind Farm Limited Partnership ("ESWFLP"), the owner of the Erie Shores Wind Farm, and GE Canada dated June 28, 2005 (the "Erie Shores O&M Agreement"), GE Canada provides operation and maintenance services for the Erie Shores Wind Farm (including the one wind turbine not owned by ESWFLP). The Erie Shores O&M Agreement is scheduled to expire no later than July 25, 2010 and it does not contain a renewal provision. It is expected that ESWFLP will manage the operation and maintenance services for the Erie Shores Wind Farm using its own resources after this date. GE Canada also provides an additional warranty against defects in materials and workmanship, breakage of parts or failure of parts to perform on services, parts, non-warranty work and labour associated with such work for 12 months following the completion of the work. GE Canada's sole obligation under this additional warranty is to re-perform the services or repair and such warranty obligations will cease 12 months after the termination or expiration of the Erie Shores O&M Agreement.

GE Canada is entitled to a fee per wind turbine per year (which was equal to $45,411 per wind turbine in 2009 and which is adjusted annually based on changes to the Canadian Consumer Price Index) for providing services under the Erie Shores O&M Agreement. In addition, GE Canada is entitled to receive a bonus equal to 50% of the incremental revenue received by ESWFLP in each successive 12-month period starting from July 26, 2006 where the average availability of the wind turbines exceeds 98%. Also, for work performed by GE Canada that is not covered under the Erie Shores O&M Agreement or any warranty provided by GE Canada in respect of the facility, ESWFLP is required to reimburse GE Canada for labour, parts, materials and all other expenses, subject to applicable discounts and fees.

Both ESWFLP and GE Canada may terminate the Erie Shores O&M Agreement for certain events of default by the other party. The events of default that give rise to the right to terminate include the levy, seizure, assignment or sale for or by any creditor or governmental agency that affects the party's ability to perform under the agreement other than by financial institutions which provide financing for the Erie Shores Wind Farm or which are a party to such financing.

The Erie Shores O&M Agreement provides for the indemnification of each party by the other party in certain circumstances. GE Canada's liability arising from the agreement is limited to the fee paid to GE Canada during the 12-month period immediately preceding the termination or expiration of the agreement. Except in circumstances where GE Canada is at fault or negligent, or where GE Canada is obligated to indemnify ESWFLP or maintain insurance coverage, ESWFLP bears all risk of loss or damage to the Erie Shores Wind Farm. All liability under the agreement terminates one year after the end of the agreement, except for payments due in respect of claims that were made prior to such time. Where the Erie Shores Wind Farm is modified in a manner that has a material effect on health or safety or increases any environmental risk, the agreement may be amended to address the material effects of such modification to the reasonable satisfaction of GE Canada. The agreement contains other standard representations and warranties. ESWFLP has assigned and provided a security interest in the Erie Shores O&M Agreement in favour of the lenders under the Erie Shores Credit Agreement with the consent of GE Canada.

Erie Shores Power Purchase Agreement

ESWFLP is a party to a Renewable Energy Supply Contract (the "Erie Shores PPA") with OEFC which provides for the sale of all of the energy generated by the Erie Shores Wind Farm. The Erie Shores PPA was assigned by OEFC to the Ontario Power Authority ("OPA") on November 10, 2005 and terminates on May 24, 2026.

Electricity sales by the Erie Shores Wind Farm under the Erie Shores PPA commenced in May 2006. The Erie Shores PPA contains specific fixed rates for each year of operation from the date of commissioning of the facility. The fixed rates are comprised of two components: (a) 85% of the rate originally awarded under the Erie Shores PPA is fixed for the term of the Erie Shores PPA; and (b) the remaining 15% of the original rate awarded is adjusted annually for inflation every January 1. The Erie Shores PPA contains no minimum or maximum power delivery obligation and has standard force majeure and termination provisions.

In addition, production from the Erie Shores Wind Farm is eligible to receive WPPI payments of $10 per MW per hour for the first 10 years of production (see "– Power Infrastructure Industry – Regulatory Environment – Federal Wind Power Production Incentive and ecoEnergy for Renewable Power Program").

Land Tenure

ESWFLP has acquired the right to use, operate, maintain and access the facility site by means of: ownership of the substation land; easements relating to the land on which the wind turbines are located; and other transmission and access easements.

Erie Shores Credit Agreement

On June 28, 2005, ESWFLP, Erie Shores Wind Farm General Partner Trust, Sun Life Assurance Company of Canada ("Sun Life"), as agent for the lenders, and certain lenders entered into a credit agreement (the "Erie Shores Credit Agreement") for $120 million of non-recourse project financing for the construction of the Erie Shores Wind Farm. As at December 31, 2009, ESWFLP owed the following amounts under the Erie Shores Credit Agreement: (i) $64.6 million fully amortizing tranche A debt which bears interest at a rate of 5.96% per annum, payable quarterly with a maturity date of April 1, 2026; (ii) $5.6 million fully amortizing tranche B debt which bears interest at a rate of 5.28% per annum, payable quarterly with a maturity date of April 1, 2016; and (iii) $40 million interest-only tranche C debt which bears interest at a rate of 5.05% per annum, payable quarterly with a maturity date of April 1, 2011. ESWFLP's obligations under the Erie Shores Credit Agreement are secured by the property of ESWFLP. CPOT has provided an unsecured guarantee to Sun Life in the amount of $10 million for the tranche C loan and the guarantee may be reduced by an amount equal to 75% of any release from the escrow account established upon the disposition of GRS which occurred prior to the CPIF Acquisition (see “Description of the Fund – Contingency Value Receipts”). In conjunction with the Erie Shores Credit Agreement, CPOT also provided a limited recourse guarantee in favour of Sun Life where CPOT provided as collateral and pledged to Sun Life its direct and indirect ownership interest in ESWFLP. The Erie Shores Credit Agreement provides standard representations and warranties, covenants (including financial covenants and financial ratios) and events of default.

Sechelt Facility

Overview

The Sechelt Facility is a run-of-the-river facility located on Sechelt Creek, approximately 30 kilometres northeast of Sechelt, British Columbia (“B.C.”). The Sechelt Facility has an installed capacity of 16 MW and commercial operation began in March 1997. Electricity from the facility is delivered through a 300 metre transmission line to BC Hydro’s grid. Regional Power operates the Sechelt Facility pursuant to the Waterpower O&M Agreement (see “– Maintenance of Waterpower Facilities and Waterpower O&M Agreement”).

The Sechelt Facility has two vertical Pelton turbine/generator sets of eight MW each, a gross operating head of 343 metres and is designed to use a flow of up to six cubic metres per second. Two intake structures collect water in a small headpond which feeds a buried low pressure steel penstock. The low pressure penstock merges into a buried high pressure steel penstock which carries the water to the powerhouse where a bifurcation distributes the water to the turbine/generators. The water is then returned to Sechelt Creek through the tailrace. The watershed above the intake structures drains an area of the Coast Mountains of approximately 67 square kilometres. In the fourth quarter of 2009, a project was completed at the facility which provides the capability to remotely monitor the Sechelt Lake and use available water during low flow conditions.

Sechelt Power Purchase Agreement

The sale of power from the Sechelt Facility to BC Hydro is governed by a PPA dated August 31, 1990 (the “Sechelt PPA”). The Sechelt PPA has an initial term of 20 years from the commercial operation date, which was March 1, 1997. Following the initial term, the Sechelt PPA will continue in force from year to year unless otherwise terminated upon six months’ notice by either party. BC Hydro has agreed to purchase all power produced by the Sechelt Facility. Under the Sechelt PPA, the Sechelt Facility is required to make available to BC Hydro not less than 57 gigawatt hours per year. The Sechelt Facility has met this requirement every year since commissioning.

Under the Sechelt PPA, BC Hydro pays monthly for the electricity delivered under the agreement. The price is increased on April 1 of each year by three percent over the prior year. In addition, BC Hydro will pay in excess of the three percent annual increase for any extraordinary incremental costs reasonably and properly incurred by the Sechelt Facility that arise as a result of extraordinary changes to government policy, law and regulation or BC Hydro’s established quality requirements for electricity made available by the Sechelt Facility. The Sechelt Facility is required to provide a credit to BC Hydro if any costs are reduced as a result of extraordinary changes in government policy, law and regulation.

The electricity made available to BC Hydro must conform to BC Hydro’s established quality requirements and BC Hydro may refuse to accept deliveries of electricity that do not conform to these requirements. If a disconnection occurs under these requirements and the Sechelt Facility does not take corrective action so that it is in compliance with these requirements within six months, BC Hydro may terminate the Sechelt PPA. Routine and emergency operating procedures for the Sechelt Facility are established through an agreement with BC Hydro, including local operating orders that set forth requirements to be met to allow the interconnection of the Sechelt Facility to BC Hydro’s system. The respective obligations of the parties to the Sechelt PPA are suspended if a forced outage occurs. A “forced outage” is defined as an exceptional situation which prevents either party from performing as required by the Sechelt PPA and which could not be reasonably anticipated or protected against and is beyond the reasonable control of the party claiming that a forced outage has occurred. If a forced outage of the Sechelt Facility continues for more than 18 months, then either party may terminate the Sechelt PPA without notice. Forced outages attributable to BC Hydro require BC Hydro to pay for power not taken after the first 24 hours if the outage has not been corrected within 24 hours.

Land Tenure and Water Rights

The land rights in respect of the Sechelt Facility (including land underlying the intake structures, the powerhouse, penstock and the tailrace) are held pursuant to two leases with B.C. each dated October 10, 1995 as well as a statutory right of way dated April 17, 2001. The leases each have a term of 30 years. Rights to the water used by the Sechelt Facility are governed by conditional water licences dated July 19, 1994 and August 11, 1995 granted by the B.C. Office of the Comptroller of Water Rights. Each of these conditional water licences is appurtenant to the lease relating to the powerhouse. A permit issued by the Comptroller authorizes the occupation of Crown land for a dam site at, and the flooding of, Sechelt Lake.

Access to the Sechelt Facility is governed by an agreement dated April 1, 1995 with Canadian Forest Products Ltd. (the "Canfor Agreement") that is co-terminus with the leases described above and an agreement dated January 1, 2007 with Canfor (the "Canfor Road SRW") (both such agreements were subsequently assigned to the B.C. Ministry of Forests and Range) that is co-terminus with the right of way described above. Rights to access the existing roads and to construct additional roads expire on the earlier of the termination of the Sechelt PPA and the termination of the Canfor Agreement and the Canfor Road SRW. The transmission lines from the Sechelt Facility to the BC Hydro interconnection point are secured by a statutory right of way that expires on the termination of the Sechelt PPA.

Hluey Lakes Facility

Overview

The Hluey Lakes Facility is a waterpower facility with an installed capacity of three MW located in north-western B.C., approximately 20 kilometres southwest of the town of Dease Lake. Electrical power generated by the Hluey Lakes Facility is sold to BC Hydro for distribution in the community of Dease Lake through a non-integrated distribution system. The Hluey Lakes Facility's commercial operation date was January 15, 2000. Regional Power operates the Hluey Lakes Facility pursuant to the Waterpower O&M Agreement (see "– Maintenance of Waterpower Facilities and Waterpower O&M Agreement").

The Hluey Lakes Facility is located in the Tanzilla River watershed and consists of two dams, a buried high-density polyethylene low pressure penstock ("HDPE Penstock"), a surge shaft, a low pressure penstock, powerhouse and turbine/generator, a tailrace conduit, switchyard, transmission lines and access roads. From the intake dam, water is conveyed by way of the HDPE Penstock to the 14-metre deep surge shaft at the edge of the major elevation drop to the Tanzilla River. From the surge shaft, a low pressure penstock carries the water to the powerhouse. The powerhouse houses a single 3 MW Pelton turbine/generator and discharges water via the 1.4 kilometre tailrace to the Tanzilla River. From the powerhouse switchyard, power is transmitted by way of a 28 kilometre wood-pole transmission line to the BC Hydro substation at Dease Lake.

Water for the Hluey Lakes Facility is stored by means of a low diversion dam on Tsenaglode Creek, which drains Sitsa and Tuttiduch Lakes into the Tanzilla River, and a low intake dam on Hluey Creek, which drains Hluey Lake into the Tanzilla River. The Tsenaglode diversion dam is an earth filled dam approximately 400 metres long with a maximum height of five metres. The Hluey Lake intake dam is an earth filled dam approximately 436 metres long with a maximum height of 7.5 metres. These dams raise the water levels in the lakes by approximately five metres. Together they provide a single water reservoir for the Hluey Lakes Facility of approximately 4.95 square kilometres. The total watershed covers an area of 135 square kilometres. Overflow type spillways at both dams have their crests at an elevation so that spill is automatic when the reservoir is full and the inflow exceeds the regulated outflow.

The Hluey Lakes Facility must respond immediately to load changes as it is the main source of power generation for the town of Dease Lake. This is accomplished by using a 100 kilowatt load bank, a system designed to provide regulation and load stabilization. As load demand increases, electricity will automatically be diverted from the load bank to the transmission lines, and vice versa. In order to provide power to the load bank, the facility is run to generate slightly more than the expected load with the excess diverted to the load bank.

The Hluey Lakes Facility is responsible for the ongoing maintenance of the transmission line up to the BC Hydro substation in a manner that meets BC Hydro's technical requirements. These requirements include standard terms regarding maintenance, outages, product quality, protection and control, and equipment inspection.

The Hluey Lakes Facility was designed and constructed to meet the demand for energy not only for the town of Dease Lake, but also for any future integration of the nearby towns of Telegraph Creek and Iskut in order to reduce the degree of reliance by these communities on isolated diesel systems. All necessary civil works, including the reservoir, the water conveyance system and powerhouse foundations, are in place for the potential installation of a second turbine/generator in connection with any expansion of the facility. Any contemplated expansion of the Hluey Lakes Facility would require agreement with BC Hydro on the terms and conditions for the sale of additional electricity.

Hluey Lakes Power Purchase Agreement

Under a PPA dated November 1, 1993, as amended, with BC Hydro (the "Hluey Lakes PPA"), BC Hydro is obligated to purchase all energy required to meet the load demand of Dease Lake from the Hluey Lakes Facility until January 31, 2020. The three MW installed capacity of the Hluey Lakes Facility is expected to meet the requirements of the town of Dease Lake until such time.

BC Hydro has the exclusive right to purchase electricity from the Hluey Lakes Facility for an unspecified additional period at a price and on terms and conditions to be negotiated. The exclusive right terminates 18 months before the termination of the Hluey Lakes PPA unless an agreement regarding price, terms and conditions has been entered into by the parties. Under the Hluey Lakes PPA, the Hluey Lakes Facility may also sell power in excess of Dease Lake's load demand to third parties provided that all regulatory approvals have been obtained, the third party customers are not supplied by BC Hydro, the requirements of Dease Lake are first met and the power quality to Dease Lake is not impaired.

The payments by BC Hydro for power from the Hluey Lakes Facility are generally based on the following three components: (i) debt service and return on equity; (ii) operations, maintenance and insurance payments; and (iii) water rental and school and property taxes paid in the prior year. Monthly payments are made based on all three components (as described below) provided that no payments are made on account of debt service and return on equity during failed reliability testing period(s) (as described below).

The monthly payment in respect of each component is equal to the amount which results from dividing (i) a predetermined base value for such component multiplied by the amount of electricity delivered by the Hluey Lakes Facility to BC Hydro in that month, by (ii) 102.5% of the prior year's load demand, assuming a plant availability of 98%. Therefore, if actual demand grows by 2.5% and the plant achieves 98% availability, or demand is flat and the plant achieves 100% availability, the entire revenue is earned. Should demand decrease (increase) in the future, revenues are affected only until the decline (growth) subsides, at which time the year-over-year load demand ratio is 1:1 and the entire revenue is again earned.

In determining the monthly payments under the Hluey Lakes PPA, the operations, maintenance and insurance payments base value escalates based on an index published by Statistics Canada. The water rental and school and property taxes base value is paid on the basis of actual costs incurred by the Hluey Lakes Facility in the prior year. Adjustments are made in the last month of each year for any variations in the formula described above from actual results subject to a maximum downward adjustment of 15% and a maximum upward adjustment of 25%.

The payments to be made by BC Hydro under the Hluey Lakes PPA are subject to further adjustment under the terms of a collateral agreement dated May 23, 1997. Under this agreement, BC Hydro is required to pay only 50% of the price otherwise established under the Hluey Lakes PPA (other than the incremental cost of water rentals, which is paid at full price) for all electricity provided in excess of 102.5% of the prior year's load demand, but not for electricity provided in excess of 125% of the prior year's load demand, for which full prices are payable as described above.

The Hluey Lakes Facility is entitled to up to 10 days of scheduled outages in any 12-month period beginning each November 1st, without incurring payments for incremental costs incurred by BC Hydro's back-up diesel generating station. The Hluey Lakes Facility is required to use its best efforts not to schedule outages during the winter period. If BC Hydro is unable to accept electricity due to an outage at its substation, BC Hydro will pay for any electricity that would have been delivered by the Hluey Lakes Facility. If the Hluey Lakes Facility is unable to deliver electricity, other than during a scheduled outage, then the Hluey Lakes Facility must pay BC Hydro the incremental cost of running its back-up diesel generator. If the total duration of forced outages in a year exceeds 20 hours, or if the total number of forced outages in a year exceeds 15, then the Hluey Lakes Facility will be required to undergo a reliability testing period. BC Hydro will pay the full price for electricity delivered during the reliability testing period(s) except that the portion of the price for debt service and return on equity is not paid for electricity delivered during a failed reliability testing period(s).

Land Tenure and Water Rights

The land and water rights in respect of the Hluey Lakes Facility are held pursuant to: (i) a lease with B.C. dated May 29, 2000 with a term of 30 years; (ii) statutory rights of way for the transmission line; and (iii) a conditional water licence dated August 1, 1995. Access to the Hluey Lakes Facility is from a public highway over a road situated on Crown land that is subject to a statutory right of way. The BC Hydro interconnect is located at the substation at Dease Lake and the 28 kilometre transmission line is situated on leased lands and rights of way.

Arrangements with the Tahltan First Nation

The Tahltan First Nation (which is comprised of the Tahltan and Iskut Bands) entered into a non-disturbance agreement dated February 27, 1999 regarding any potential acquisition of jurisdiction through the treaty process to the lands on which the Hluey Lakes Facility is located or to the rights to impose taxes, fees, levies or other monetary charges. Pursuant to this agreement, the Tahltan First Nation has agreed that if it obtains any such jurisdiction, it will treat all leases, permits, licences and renewals with respect to the Hluey Lakes Facility in a manner consistent with the present treatment by B.C.

The Tahltan Nation Development Corporation ("TNDC"), has the right to purchase all or a portion of the Hluey Lakes Facility at fair market value within six months following the maturity of the initial 20-year term of the Hluey Lakes PPA. If the Hluey Lakes Facility is offered for sale anytime after the fifth year of the Hluey Lakes PPA, TNDC has the right for a 90-day period to negotiate the purchase of the Hluey Lakes Facility before it is offered for sale to others.

In addition, TNDC is entitled to a 33% net profit interest in the Fund's net profit from sales of power generated by the Hluey Lakes Facility to industrial customers other than BC Hydro. To date, there had been no sales to industrial customers other than BC Hydro.

Wawatay Facility

Overview

The Wawatay Facility is a run-of-the-river facility located on the Black River, 30 kilometres east of Marathon, Ontario. Commercial operation of the Wawatay Facility began in 1992. Electricity from the Wawatay Facility is delivered through the facility's six kilometre transmission line which connects into the Hydro One transmission system. The Wawatay Facility is operated by Regional Power pursuant to the Waterpower O&M Agreement (see "– Maintenance of Waterpower Facilities and Waterpower O&M Agreement").

The Wawatay Facility has an installed capacity of 13.5 MW. It has three double horizontal Francis turbine/generator sets of 4.5 MW each, a gross operating head of 48 metres and is designed to use a flow of up to 34.5 cubic metres per second. The intake structure is located upstream from an existing dam on the Black River. Water at the intake flows through a 0.625 kilometre rock tunnel/steel penstock. A trifurcation in the penstock distributes the water to the turbines and the water is then returned to the river through the tailrace built into the bank of the Black River. The drainage area of the Black River is 1,980 square kilometres.

Wawatay Power Purchase Agreement

Power produced by the Wawatay Facility is sold exclusively to OEFC under a PPA dated April 1, 1992 (the "Wawatay PPA") pursuant to which OEFC has committed to purchase all power produced by the facility. The Wawatay PPA has an initial term of 50 years from the commercial in-service date, which was July 2, 1992. Following the initial term, the Wawatay PPA will automatically continue in force for renewal terms of one year each provided that either party may, with at least one year's prior written notice, terminate the Wawatay PPA upon the expiry of the initial term or any renewal term.

The Wawatay PPA has different pricing provisions for power produced during summer and winter as well as for power produced during On-peak Hours and off-peak hours based on an escalation mechanism established by OEFC. Higher rates are paid for electricity sold to OEFC during the winter or during On-peak Hours than those for electricity sold during the summer or during off-peak hours. The Wawatay PPA contains pricing provisions designed to ensure that payments by OEFC are sufficient to repay the $20 million original aggregate principal amount term loan (the "Wawatay Loan") by the Fund (as successor lender) to CPOT (as successor borrower) secured by the Wawatay Facility, that matures in July 2012 and bears an interest rate of 9.80% calculated and payable monthly over the term of the Wawatay Loan, which coincides with the first 20 years of the Wawatay PPA (the "Wawatay Amortization Period"). Payments made by OEFC during the Wawatay Amortization Period are comprised of: (i) a yearly amount (paid in monthly instalments) necessary to fully amortize and pay the Wawatay Loan over the Wawatay Amortization Period (the "Wawatay Guaranteed Payment"); (ii) a monthly payment based upon the actual generation of power up to 120% of target generation multiplied by the performance rate as set out in the Wawatay PPA (the "Wawatay Performance Payment"); and (iii) a monthly payment based on generation in excess of 120% of target generation multiplied by the rate for excess generation as specified from time to time by OEFC.

Neither party under the Wawatay PPA will be held responsible or liable or be deemed in default or breach of the agreement if an event of force majeure prevents it from fulfilling its obligations thereunder. An event of force majeure is defined in the Wawatay PPA as any cause which is unavoidable or beyond a party's reasonable control which wholly or partially prevents the parties or either of them from carrying out the terms of the agreement.

The Wawatay Guaranteed Payments and the Wawatay Performance Payments under the Wawatay PPA during the Wawatay Amortization Period to date have resulted in aggregate payments from OEFC for power at rates higher than OEFC's base rate as set out in the Wawatay PPA. Accumulated payments in excess of the base rate are known as "generator debt" (referred to as "levelization amount" in the consolidated financial statements of the Fund), and are required to be repaid to OEFC by the end of the term of the Wawatay PPA. At the end of the Wawatay Amortization Period it is expected that OEFC will pay for power delivered up to 120% of the target generation at the performance rate. This payment for each month, which is determined by multiplying the power delivered, up to 120% of the target generation by the difference between the base rate and the performance rate, will then be applied from time to time against the outstanding generator debt balance until the generator debt reaches nil or until the end of the Wawatay PPA in 2042. At the time the Wawatay PPA was entered into, it was originally expected that the accumulated generator debt would be fully or partially offset by increases in the DCR, which was the originally contemplated escalation mechanism previously referenced by the Wawatay PPA. However, anticipated increases in the DCR did not occur. In December 2003, a new agreement was reached with OEFC to replace (retroactive to January 1, 2002) the DCR with an escalator based on the year over year change of a number of factors including Ontario energy prices, wholesale market prices, the transmission service charge as well as other components. This agreement established a floor and ceiling range for the escalator and has the effect of increasing the Wawatay Performance Payments received under the Wawatay PPA. Depending on the escalator applied, generator debt could be eliminated before the end of the Wawatay PPA term. As at December 31, 2009, the balance of the generator debt (principal and accrued interest) associated with the Wawatay Facility was $21.2 million. Interest accrues on the generator debt at a variable rate, which currently approximates 7.17%.

OEFC has the right to take a security interest in the Wawatay Facility to secure payment of the outstanding generator debt. Unless the generator debt is paid, or a compromise is negotiated with OEFC, OEFC will have the right to realize upon the Wawatay Facility pursuant to such security upon termination of the Wawatay PPA in 2042.

The Wawatay PPA also contains a number of provisions that apply if the actual amount of power generated by the facility is below the target generation level specified in the agreement (such deficiency is referred to as the deficiency value and accumulated revenue related to this deficiency is tracked in an Accumulated Deficiency Value account). Where actual generation exceeds 120% of target generation, then the revenue associated with such excess generation is applied to reduce the balance of the Accumulated Deficiency Value account, if any, or paid to the owner of the Wawatay Facility if the balance of the account is nil. In certain circumstances, upon the target generation levels not being met over a specified period of time, OEFC may reduce the Wawatay Performance Payment by an amount equal to the "profit portion" of such payment. The "profit portion" of the Wawatay Performance Payment is calculated as the amount of such payment less the operating and maintenance costs of the Wawatay Facility. Over the past several years, the Wawatay Facility has periodically produced less than the specified target generation level and OEFC is entitled to reduce the Wawatay Performance Payment as described above and apply such amount to reduce the balance of the Accumulated Deficiency Value account (which results in the reduction in the levelization amount.). However, OEFC has not reduced the Wawatay Performance Payment. In addition, in other circumstances, OEFC would be entitled to give a notice of default of the Wawatay PPA, terminate the Wawatay PPA and enforce its security, subject to the right of the owner of the Wawatay Facility to cure such default by making a payment to OEFC calculated in accordance with the terms of the Wawatay PPA. As at December 31, 2009 the balance of the Accumulated Deficiency Value account was approximately $2.8 million.

First Nations Net Profits Interest Agreement

Under a net profits interest agreement made in 1990, the Ojibways of the Pic River First Nation (the "Pic River FN") hold a net profits interest in the Wawatay Facility (the "Wawatay Net Profits Interest"). The Wawatay Net Profits Interest entitles the Pic River FN to 10% of the positive balance in the Wawatay Net Profits Interest account, if any, payable monthly, less the cumulative amounts previously paid on account of the Wawatay Net Profits Interest. The Wawatay Net Profits Interest account equals the excess obtained by subtracting from the cumulative revenues of the Wawatay Facility the sum of the cumulative costs and the cumulative deemed interest charges. In accordance with the Wawatay Net Profits Interest agreement, the Pic River FN received a payment of $236,273.50 in respect of the period from June 15, 2009 (the date the Pic River FN first became entitled to a payment) to December 31, 2009.

Under the terms of the Wawatay Net Profits Interest agreement, the Pic River FN has agreed that if its claim to any aboriginal interest in or rights to any lands or waters or activities carried on in, on or over any lands or waters shall at any time be upheld by a court, the Pic River FN will not exercise any such interest or rights so as to in any manner interfere with the operation of the Wawatay Facility or any modification or expansion thereof. The agreement requires the Wawatay Facility to use its best efforts to give priority to employing members of the Pic River FN who are equally qualified with other persons being offered employment and to require its contractors and subcontractors to use their best efforts to give such priority in employing personnel to work at the Wawatay Facility.

Under the terms of the Wawatay Net Profits Interest agreement the Pic River FN is entitled to 90 days' notice of any proposed sale of the Wawatay Facility and to purchase all the assets proposed to be sold at the price and upon the terms specified in the notice within said 90-day period.

Land Tenure and Water Rights

The land and water rights in respect of the Wawatay Facility are held: (i) pursuant to a water power lease with the Province of Ontario made January 1, 1992 for a term of 20 years from June 18, 1992 with three rights of renewal of 10 years each and which provides for certain annual payments; (ii) freehold with respect to certain lands; and (iii) pursuant to two perpetual easements each dated May 1, 1992 for roads and transmission lines from the facility to a public highway and Hydro One's transmission system interconnect.

Dryden Facility

Overview

The Dryden Facility is comprised of three waterpower generating stations with a total installed capacity of 3.25 MW. The Wainwright generating station was built in 1922 on the Wabigoon River in Dryden, Ontario, five kilometres downstream of the outlet of Wabigoon Lake. The Eagle River generating station was built in 1928 at the outlet of Eagle Lake about 30 kilometres west of Dryden. The McKenzie Falls generating station was built in 1938 on the Eagle River two kilometres downstream of the Eagle River generating station. The generating stations were originally built by the Dryden Paper Company Limited to supply electricity to its mill in Dryden. The Dryden Facility is operated by Regional Power pursuant to the Waterpower O&M Agreement (see "– Maintenance of Waterpower Facilities and Waterpower O&M Agreement").

The generating stations comprising the Dryden Facility obtain water from large drainage areas, which include large lakes. The size of these drainage areas mitigates against changes in water flow which might otherwise be caused by variations in precipitation. The Wainwright generating station has a single vertical fixed blade propeller turbine that operates under a head of 8.8 metres and with a flow of up to 17 cubic metres per second. The Eagle River generating station has a single vertical Francis turbine that operates under a head of 10 metres and a flow of up to 17 cubic metres per second. The McKenzie Falls generating station has a single vertical double regulated Kaplan turbine that operates under a head of eight metres and with a flow of up to 17 cubic metres per second.

Commencing in the third quarter of 2009, the Wainwright generating station did not produce any electricity while a new turbine was installed. The installation was successfully completed in February 2010 and the facility commenced producing electricity at that time.

Dryden Power Purchase Agreement

Power produced from the Dryden Facility is sold exclusively to OEFC under a PPA dated October 23, 1990 (the "Dryden PPA"). OEFC has agreed under the Dryden PPA to purchase all power produced by the generating stations that comprise the Dryden Facility. The Dryden PPA has an initial term of 30 years ending on November 1, 2020. Following the initial term, the Dryden PPA will automatically continue in force for renewal terms of one year each, provided that either party may, with at least one year's prior written notice, terminate the Dryden PPA upon the expiry of the initial term or any renewal term thereafter.

The Dryden PPA has different pricing provisions for power produced during summer and winter as well as for power produced during On-peak Hours and off-peak hours. Higher rates are paid for electricity sold to OEFC during the winter or during On-peak Hours than those for electricity sold during the summer or during off-peak hours.

The Dryden PPA contains provisions regarding generator debt that function similarly to those in the Wawatay PPA. On August 31, 2008, the generator debt associated with the Dryden Facility was fully repaid. As the guaranteed payments ended in October 2005 and the generator debt is now nil, for the remaining term of the Dryden PPA, OEFC will pay for the actual power generated at the Dryden Facility in each month at the base rate.

Land Tenure and Water Rights

The land and water rights in respect of the Wainwright generating station are held: (i) pursuant to a water power lease which will expire December 31, 2022, subject to renewal rights, and (ii) freehold with respect to the flood plain and lands on which a portion of the dam is located. Access to the Wainwright generating station from Highway 17 is by private road egressing to Kellar road, which intersects with the highway. The transmission line to the Hydro One interconnect is a 12.5 kV line running over the Wainwright generating station land and connects to the Hydro One distribution line along Kellar Road.

The land and water rights in respect of the Eagle River generating station and the McKenzie Falls generating station are held: (i) pursuant to a water power lease with the Province of Ontario which expires December 31, 2022, subject to renewal rights; and (ii) freehold with respect to the flood plain. A transmission line connects the McKenzie Falls generating station to the Eagle River generating station. While this line was originally laid out under rights granted to Dryden Paper Company Limited, those rights were withdrawn from title, perhaps inadvertently, by Dryden Paper Company Limited. Although the Fund believes that it is unlikely to affect the transmission line, the lack of registered title could require the construction of a new transmission line in the event of a challenge by owners of the land over which the transmission line runs. Regional Power has agreed to indemnify the Fund in the event of such an occurrence. Hydro One's distribution grid interconnect is located on the land rights held by an affiliate of the owner of the Dryden Facility. Access to the Eagle River generating station and the McKenzie Falls generating station is directly off of Highway 594.

Maintenance of Waterpower Facilities and Waterpower O&M Agreement

The Waterpower Facilities have maintenance programs that include regular inspections and overhauls and repairs and modifications are conducted in accordance with the equipment manufacturers' recommendations and industry standards. There are routine maintenance programs for each turbine and generator. In addition, the turbines and generators require periodic major maintenance, during which time the turbine and generator may not operate for a number of weeks.

The Waterpower Facilities are operated by Regional Power. Regional Power and its predecessors have operated the Wawatay Facility since its completion in 1992, the Sechelt Facility since its completion in 1997, the Hluey Lakes Facility since its completion in 2000 and the Dryden Facility since 1986. Under the Waterpower O&M Agreement dated November 14, 2001, Regional Power operates, maintains and manages the Waterpower Facilities in accordance with prudent industry practice and an annual operating plan developed by Regional Power and approved by CPOT.

The Waterpower O&M Agreement provides for an initial fee of $450,000 per year to Regional Power, which escalates annually for increases in the Consumer Price Index for Canada. The Waterpower O&M Agreement has an initial term of 10 years, expiring in November 2011, which is renewable for two additional five-year terms at the option of Regional Power. Each such right of renewal is subject to the Waterpower Facilities having been available to produce for a specified percentage of hours per calendar year (after adjusting for force majeure events, insurable events and scheduled major replacement and/or overhauls of major components) on average over the last five years and for any three of the last five years of the previous term of the agreement. CPOT has the right to terminate the Waterpower O&M Agreement if an independent review determines that Regional Power is not operating any Waterpower Facility in a manner consistent in all material respects with industry practice or that the practices of Regional Power have led to a material deterioration of the economic or physical performance or condition of any Waterpower Facility. In addition, the Waterpower O&M Agreement contains other customary termination provisions.

Regional Power is entitled to receive an incentive payment (up to a maximum of $50,000) equal to 50% of the amount by which the adjusted operating cash flow of the Waterpower Facilities for such year (other than from the sale of emission reduction credits or a retroactive adjustment to the DCR or reduction in generator debt) exceeds the reference cash flow agreed to between CPOT and Regional Power. To the extent that adjusted operating cash flow in a year (other than from the sale of emission reduction credits or a retroactive adjustment to the DCR or reduction in generator debt) is lower than the reference cash flow specified for such year, Regional Power is required to pay 50% of such shortfall to CPOT, up to a maximum payment of $25,000 in any year, with 50% of any additional shortfall, up to a maximum amount of $25,000, to be set off against future incentive payments.

Whitecourt Facility

Overview

The Whitecourt Facility is a wood waste-fired electricity generating plant located near Whitecourt, Alberta, with a gross installed capacity of 28 MW. The Whitecourt Facility is comprised of one steam turbine and one generator. Other major components of the Whitecourt Facility include: a 236,000 lbs/hr fluidized bubbling bed boiler with combustion air re-injection; wood receiving, hogging, conveying, stockpiling and reclaiming systems; a four compartment 'Wheelabrator' fly-ash handling system with supporting ash handling equipment; a cooling tower with a two-pass condenser; and self-unloading trucks for the transport of wood waste materials.

Whitecourt O&M Agreement

Under the Whitecourt O&M Agreement dated as of November 14, 2001 between Whitecourt Power Limited Partnership ("WPLP") and Probyn Whitecourt Management Inc. ("PWMI"), PWMI was engaged to operate, maintain and manage the Whitecourt Facility in accordance with prudent industry practice and an annual operating plan developed by the Whitecourt Facility and PWMI.

On January 5, 2009, WPLP terminated the Whitecourt O&M Agreement in accordance with its terms. Services previously performed by PWMI were assumed by the Whitecourt Facility's management staff. PWMI has informed WPLP that it disagrees with the basis upon which WPLP terminated the Whitecourt O&M Agreement and while PWMI has taken no action to date, PWMI has indicated that it is considering its legal options. In the event that PWMI does commence legal proceedings in connection with the termination of the Whitecourt O&M Agreement, WPLP intends to vigorously defend its position that the Whitecourt O&M Agreement was appropriately terminated in accordance with its terms.

Whitecourt Power Purchase Agreement

Power produced at the Whitecourt Facility is sold pursuant to a PPA dated November 6, 1990 (the "Whitecourt PPA") with TransAlta Utilities Corp. ("TransAlta"). The terms of the Whitecourt PPA were specified by the *Small Power Research and Development Act* (Alberta) ("SPRDA"). The Whitecourt PPA requires TransAlta to purchase the first 20.7 MW of power produced by the Whitecourt Facility on a continuous basis. The Whitecourt PPA has a term of 20 years from the date on which the Whitecourt Facility received its final allocation under the SPRDA, which was in December 1994. Pursuant to amendments to the *Electric Utilities Act* (Alberta) (the "EU Act") in 2000, the rights and obligations of TransAlta under the Whitecourt PPA have been transferred to the Balancing Pool and TransAlta simply functions as a flow-through entity between the Whitecourt Facility and the Balancing Pool. See "Power Infrastructure Industry – Regulatory Environment – Alberta".

The contract price for power under the Whitecourt PPA was set by the SPRDA and escalated annually until 2004 and has remained fixed at the 2004 price as a result of a ruling of the Alberta energy utility regulatory authority.

TransAlta may disconnect the Whitecourt Facility upon 30 days' written notice if the Whitecourt Facility is in violation of any term or condition of the Whitecourt PPA and the violation is not remedied within the notice period. TransAlta may also disconnect the Whitecourt Facility without notice in the event of substandard power delivery or safety risks. All remedial expenses to reconnect are for the account of the Whitecourt Facility.

The balance of the net capacity of the Whitecourt Facility (which historically has averaged approximately 3.75 MW) is not contracted under the Whitecourt PPA. Prior to January 1, 2010, such power was sold at the monthly hourly average Power Pool spot price but since that date, such power has been sold at the hourly Power Pool spot price. See "– Power Infrastructure Industry – Regulatory Environment – Alberta".

Wood Waste Supply Arrangements

The Whitecourt Facility consumes approximately 300,000 green metric tonnes of wood waste per year. Wood waste fuel is delivered at the Whitecourt Facility's cost by the facility's fleet of three tractor trailer trucks. During the past several years, approximately 275,000 green metric tonnes has been supplied under an agreement with Millar Western Industries Ltd. and Millar Western Pulp Ltd. (collectively, "Millar Western"). The remaining wood waste fuel requirement is supplied by other producers.

Millar Western operates a sawmill and a pulp mill that are located approximately three kilometres away from the Whitecourt Facility. Millar Western has agreed to supply a minimum of 275,000 green metric tonnes of wood waste per year to the Whitecourt Facility for a term of 20 years that commenced in July 1996. Millar Western pays the Whitecourt Facility a flat fee of $0.50 per metric tonne during the term of the contract. On February 11, 2009, WPLP was notified by Millar Western that it intended to reduce the amount of wood waste supplied to the Whitecourt Facility by 7,000 green metric tonnes per month effective immediately. To date, Millar Western has complied with its contractual obligation to supply the Whitecourt Facility with 275,000 green metric tonnes of wood waste by procuring supplemental wood waste from third parties at Millar Western's expense.

Major Maintenance

The Whitecourt Facility has a maintenance program which includes regular inspections and overhauls, and repairs and modifications conducted in accordance with equipment manufacturers' recommendations. There is a routine maintenance program for the boiler and auxiliaries, which are inspected and maintained twice a year, with each inspection typically requiring a four-day outage. In addition, the turbine and generator follow a major maintenance overhaul scheduled approximately every seven years, during which time the facility does not operate.

During 2009, the Whitecourt Facility experienced a total of 1,578 hours of outage, primarily for repairs and maintenance to address a higher than normal vibration of the turbine, which was identified following the completion of the major maintenance overhaul in 2008. The extended outage allowed for additional preventive maintenance and enhancements to be undertaken on the generator and balance of plant, thereby extending the useful life of various components and incrementally improving the facility's efficiency. The extended outage also eliminated the need for the previously scheduled four-day maintenance outage in the fall of 2009.

Chapais Facility

Overview

The Chapais Facility is a wood waste-fired electricity generating plant located in the town of Chapais, Québec, approximately 600 kilometres northwest of Québec City, with a gross installed capacity of 31 MW. The Chapais Facility is owned by Chapais Énergie, Société en commandite ("CHESEC"), a limited partnership whose sole general partner is Chapais Électrique Limitée ("CHEL") and whose limited partners are CHEL and a wholly-owned subsidiary of CHEL. The Chapais Facility has a gross installed capacity of 31 MW. The power from the Chapais Facility is sold to Hydro-Québec through an interconnect point at a substation approximately 1.5 kilometres from the facility.

The Chapais Facility includes: one steam turbine; one generator; a 250,000 lbs/hr fixed pin hole grate boiler with combustion air reinjection; wood receiving, conveying, screening, hogging, stockpiling and reclaiming systems; an ash handling unit; and a cooling tower with a condenser. In May and October of each year, there are scheduled shut-downs at the Chapais Facility to perform maintenance and mechanical inspections.

Fund's Investment

The Fund's indirect minority equity interest in CHEL is comprised of 105 of the 336 outstanding Class B preferred shares in the capital of CHEL (the "CHEL Class B Shares"). The remaining outstanding capital of CHEL consists of 50 common shares and 400 Class A shares, all of which are owned by third parties (among them an affiliate of Probyn Power Service Inc. ("Probyn Power"), the manager of the facility). Although the CHEL Class B Shares are non-voting, pursuant to a shareholders agreement dated December 6, 1999 between CHEL and its shareholders, the approval of 70% of the holders of the CHEL Class B Shares is required to approve certain matters, including the entering into by CHEL of agreements other than in the ordinary course of business or the entering into by CHEL of any material agreement. The approval of all holders of CHEL Class B Shares is required to approve certain matters, including the issuance of any securities of CHEL, the taking of any action to liquidate, dissolve or wind-up CHEL, the sale of all or substantially all of CHEL's assets or for CHEL to borrow money. The CHEL Class B Shares entitle the holders to a preferential dividend from CHEL on the basis of 95% to the holders of CHEL Class B Shares and 5% to the holders of common shares until the amount of $12,300,000 plus 11.789% interest per annum, compounded semi-annually, has been paid to holders of CHEL Class B Shares by way of preferential dividends. The Class A shares of CHEL are also non-voting and are only entitled to receive dividends once the holders of the CHEL Class B Shares have received their preferential dividend.

CPOT Holdings Corp., an indirect, wholly-owned subsidiary of the Fund, is also a lender to CHESEC. As at December 31, 2009, CHESEC indirectly owed this subsidiary: (i) $6.3 million constituting the CHESEC Tranche A Senior Debt, which bears interest at a rate of 10.789% per annum and is payable by monthly blended payments of principal and interest to fully repay the debt by the maturity date in December 2015; (ii) $3.6 million constituting the CHESEC Tranche B Senior Debt, which bears interest at a rate of 4.91% per annum, payable by semi-annual interest payments with annual principal payments based on CHESEC's free cash flow and which matures in December 2015; and (iii) $2.6 million of subordinated debt of CHESEC, which matures in December 2015, does not bear interest and under which no principal payments are due until all of CHESEC's outstanding Tranche A and Tranche B senior debt owed to all lenders (including amounts owed to the Fund's subsidiary) is fully paid off.

As a result of certain Québec legislation limiting timber cutting, which was enacted in 2006, the average price of fuel supplied to the Chapais Facility has increased, resulting in the suspension by CHESEC of the semi-annual interest payments on CHESEC's Tranche B senior debt. The date on which interest payments are expected to resume is uncertain due to the continued impact of the above-noted legislation and current economic conditions. Interest is accrued on the unpaid interest and is added to the outstanding amount owed under CHESEC's Tranche B senior debt during the period of the suspension of interest payments.

Chapais Power Purchase Agreement

Power produced at the Chapais Facility is sold pursuant to a PPA with Hydro-Québec dated March 30, 1992, as amended (the "Chapais PPA"). The Chapais PPA has an initial term ending in 2015, but which may be extended to 2020 at the request of CHESEC. This extension is subject to obtaining certification by an engineering firm acceptable to Hydro-Québec as to the Chapais Facility's useful life over the requested extension. The price for electricity to be paid during the extension period will be agreed upon with Hydro Québec at that time.

The Chapais PPA requires the Chapais Facility to produce (a) a minimum of 198,064 MWh annually and (b) 95% of the contractual capacity of 28 MW during the winter months of December to March. The Chapais PPA provides for a penalty in the event that the annual production at the Chapais Facility falls below the contractual energy threshold. Pursuant to the Chapais PPA, a shortfall in the delivery of the 95% contractual winter capacity for two consecutive years would permit Hydro-Québec to impose a permanent pro rata reduction in the contractual capacity. Since it began production, the Chapais Facility has not had any major mechanical difficulties and has exceeded both the minimum contractual annual energy threshold and the 95% contractual winter capacity required by the Chapais PPA for the past 14 years.

Electricity delivered to Hydro-Québec in excess of 105% of 208,488 MWh (209,060 MWh in leap years) is paid at an occasional energy rate that is significantly lower than the rates paid for amounts of power sold under that threshold. Both the energy rate and the capacity rate are escalated annually by the Consumer Price Index for Greater Montréal, subject to a minimum escalation of three percent and a maximum of six percent per year.

Chapais O&M Agreement

Pursuant to the Chapais O&M Agreement, the base fee payable to Probyn Power is $16,666 per month and is adjusted at the beginning of each contract year by a percentage equal to the rate of increase paid by Hydro-Québec for capacity pursuant to the Chapais PPA (the "Chapais PPA Escalator"). Probyn Power is entitled to receive a bonus of 30% of the positive difference between the operating income and the operating income target of the Chapais Facility provided that the maximum bonus in any year shall not exceed $150,000 as adjusted upwards by the Chapais PPA Escalator. Probyn Power employs the Chapais Facility's 29 operating and maintenance personnel.

Probyn Power has been retained directly by CHESEC. The ability of the Fund and the Manager to control or influence the operations of the Chapais Facility is limited as a result of the Chapais O&M Agreement and the Fund's indirect minority equity interest in CHEL.

Wood Waste Supply Arrangements

The Chapais Facility consumed approximately 488,000 green metric tonnes of wood waste during the year ended December 31, 2009. Approximately 193,000 green metric tonnes, including sawdust, was supplied by the Barrette-Chapais Mill ("Barrette"), located approximately 10 kilometres from the Chapais Facility, 190,000 green metric tonnes (including stockpile) was supplied by the Chantiers Chibougamau Mill ("Chantiers"), located approximately 40 kilometres from the Chapais Facility, 41,000 green metric tonnes was supplied by Société en commandite Sciere Opitciwan, located approximately 325 kilometres from the Chapais Facility, and 64,000 green metric tonnes were acquired at spot prices from existing forest biomass, wood waste industry operations and stock piles.

Barrette supplies wood waste to the Chapais Facility under a 20-year supply agreement ending in 2015. This agreement may be renewed on the same terms by CHESEC for an additional five years. The price for wood waste under the agreement is escalated annually by the Consumer Price Index for Greater Montréal (with a minimum escalation of three percent and a maximum escalation of six percent per year). In January 2009, Barrette provided notice that it would be reducing the amount of wood waste supplied to the Chapais Facility by approximately 20%.

Chantiers supplies wood waste to the Chapais Facility under a 20-year supply agreement ending in 2015. Wood waste is supplied under this agreement at no cost. Effective January 1, 2007, CHESEC commenced paying Chantiers for fuel handling charges. This agreement may be renewed on the same terms by CHESEC for an additional five years. In May 2008, Chapais signed a contract with Chantiers providing Chapais with the exclusive right to recover Chantiers' old bark pile consisting of an estimated 200,000 green metric tonnes.

In October 2005, Chapais signed a contract with Société en commandite Sciere Opitciwan for the supply of 40,000 green metric tonnes of wood waste per year, for a term of five years. The price is escalated annually by three percent and adjusted for diesel fuel price escalation. This contract may be renewed for an additional term of five years. The price will be re-negotiated at the time of renewal, with negotiations currently ongoing.

Transportation vehicles and employees to haul the wood waste and to dispose the ash from the Chapais Facility are provided under a contract with Transport Lepage Inc.

Operational Permits and Environmental Matters

The Power Infrastructure Facilities hold all necessary permits and approvals required for their respective operations. The Power Infrastructure Facilities and their respective operations are subject to a complex and stringent environmental, health and safety regulatory regime, including: (a) federal, provincial, municipal and local laws; (b) regulations, by-laws, common law, licences, permits and other approvals; (c) government directions and orders; and (d) government guidelines and policies and other requirements governing or relating to, among other things: (i) air emissions; (ii) taking of water and discharges into water; (iii) the storage, handling, use, transportation and distribution of dangerous goods and hazardous and residual material (such as chemicals); (iv) the prevention of releases of hazardous materials into the environment; (v) the prevention, presence and remediation of hazardous materials in soil and ground water, both on and off site; and (vi) workers' health and safety issues (collectively, "Environmental, Health and Safety Laws"). The Power Infrastructure Facilities are managed in a manner designed to maintain compliance with Environmental, Health and Safety Laws. The Fund believes that the Power Infrastructure Facilities and their respective operations are in compliance in all material respects with Environmental, Health and Safety Laws.

In particular, the Cardinal Facility is subject to various regulations promulgated under the *Canadian Environmental Protection Act* ("CEPA"), *Environmental Protection Act* (Ontario) and by the Ontario Ministry of the Environment. The *Ontario Emission Trading Regulation* (OR 397/01) establishes the Emissions Trading Registry which provides for the reporting, allocation and retirement of NOx and sulphur dioxide emission allowances. In order to comply with the requirements of OR 397/01, a continuous emission monitoring system was installed in January 2005 at the Cardinal Facility at a cost of approximately $229,000. Both federal and Ontario regulatory authorities have recently implemented new reporting requirements for emissions of other GHGs, including reactive hydrocarbons and CO_2. In 2010, pursuant to a notice given under section 46(1) of CEPA, facilities with GHG emissions of 50,000 tonnes CO_2 equivalent or more per year are required to report their GHG emissions to Environment Canada (starting with 2009 emissions). In 2011, under the Ontario *Greenhouse Gas Emissions Reporting Regulation* (OR 452/09Z), facilities with GHG emissions of 25,000 tonnes CO_2 equivalent or more per year are required to report their GHG emissions to the Ontario Ministry of the Environment (starting with 2010 emissions). Reports prepared in accordance with these new requirements will need to be verified by an accredited third party. A new Water Intake Reporting System under the Permit to Take Water 92-P-4076 requires annual reporting of the volume of water taken by the plant to the Ontario Ministry of the Environment starting in 2010. In addition, the intake and discharge of water from the St. Lawrence River, which is used at the facility for cooling purposes and other processes, is subject to regulation under the Certificate of Approval – Industrial Sewage Works. Chemicals that are used in boiler chemical treatment processes are all received and stored in bulk storage tanks provided by the vendors and are used, stored and disposed of in accordance with applicable regulations. All chemical tanks and oil reservoirs are 110% bermed. Each of the transformers located at the Cardinal Facility has a concrete containment pit as part of its foundation in order to hold any potential oil spill in the event of a transformer failure. The Fund does not believe that the improper discharge of emissions, untreated water, chemicals or oil at the Cardinal Facility could have an adverse impact upon the business, operating results and financial condition of the facility. The Cardinal Facility incurs the following annual expenses in order to comply with environmental requirements: quality assurance and quality control review of approximately $12,000 per year; ongoing costs associated with the continuous emissions monitoring system of approximately $36,000 per year; and municipal/industrial strategy for abatement monthly and annual reports of approximately $13,000 per year. Total costs associated with environmental protection requirements were approximately $60,000 in 2009.

The Whitecourt Facility is subject to limits governing the emissions of carbon monoxide, sulphur dioxide, NOx and particulates in accordance with the facility's Alberta Environment Approval 291-01-02. The Alberta Environmental Approval requires stack emissions monitoring with two relative accuracy test audits per year and compliance testing for sulphur dioxide and particulate readings through the stack. Pond emissions and groundwater, industrial wastewater and soil monitoring is also mandated at the facility. As well, the handling of wood ash must comply with standards and guidelines for the use of wood ash as a liming material for agricultural soils. Average annual emission levels at the Whitecourt Facility are approximately 50% below the levels of permitted emissions as set out in the Whitecourt Facility's environmental permit. In 2005, the Whitecourt Facility renewed its environmental permit and, as part of the renewal, has the ability to average its emissions for two hours based on a fuel interruption to the furnace. Previously, approximately 20 to 25 times per year, for a period of approximately one hour, emissions levels temporarily exceeded permitted levels due to the unavoidable occasional intake of high-moisture content fuel and fuel plugs and fuel feed interruptions caused by the non-uniform nature of wood waste and poor fluidized bed quality. The capital bed drain project that was completed in the spring of 2005 has enabled the facility to maintain more uniform fluidized bed characteristics to help eliminate the excedences since 2005. The Whitecourt Facility is also subject to certain reporting requirements under the Alberta *Specified Gas Emitters Regulation* ("SGER") and the *Specified Gas Reporting Regulation* ("SGRR"). Emissions from biomass combustion are considered CO_2 neutral under the Alberta regulatory regime, so the Whitecourt facility is not required to submit compliance reports to the Alberta Ministry of the Environment under the SGER due to the facility's low level of GHG emissions once CO_2 emissions from biomass are excluded. However the Whitecourt Facility is required to report total GHG emissions to the Alberta Ministry of the Environment on an annual basis under the SGRR. The most significant expense associated with complying with environmental regulations at the Whitecourt Facility relates to the monitoring and reporting of wastewater effluent, air pollutants and GHGs with an aggregate annual cost of approximately $131,000. The Whitecourt Facility also incurs annual aggregate expenses associated with the purchase of baghouse bags and associated labour of approximately $40,000. The Fund does not believe that the improper discharge of emissions, untreated water, chemicals or particulate could have an adverse impact upon the business, operating results and financial condition of the Whitecourt Facility.

Due to the nature of their operations, none of the Power Infrastructure Facilities are subject to any material contingent environmental liabilities or environmental remediation costs upon the retirement of assets. The Waterpower Facilities' operations are governed by water management plans which specify the hydrological conditions during which production may proceed.

See "Risk Factors – Environmental, Health and Safety Regime".

Climate Change and the Environment

The Fund's assets are subject to a complex and stringent environmental, health and safety regime, which includes environmental laws, regulations and guidelines at the federal, provincial and local levels. As the Biomass Facilities and the Cardinal Facility emit CO_2, these facilities must also comply with emerging federal and provincial requirements, including programs to offset emissions. The Fund complies, in all material respects, with current federal, provincial and local environmental legislation and guidelines.

Federal Requirements

Greenhouse Gases

In 2008, the Canadian government released a broad framework for the regulation of greenhouse gas emissions and air pollution entitled *Turning the Corner: Taking Action to Fight Climate Change*, in which it established the structure of GHG targets and compliance mechanisms for the years 2010 to 2020. In 2009, the federal government indicated that this proposed framework will be redesigned to reflect a common North American approach to GHG management, including the implementation of a cap-and-trade system and targets that are consistent with GHG reduction targets established by the U.S. On January 30, 2010, the federal Environment Minister announced a new target to reduce GHG emissions by 17% (from 2005 emission levels) by 2020, matching the target in proposed U.S. climate change legislation. This target will be adjusted to reflect any changes to the final reduction target established by the U.S. The federal government's previous target under the *Turning the Corner* plan called for a 20% reduction in GHG emissions from 2006 levels.

The approach outlined in the *Turning the Corner* framework was designed to provide an incentive for high-efficiency cogeneration. This would be achieved by treating the baseline for cogeneration as equal to the emission levels if the electricity and heat were produced separately. For the heat component, the baseline would be equivalent to a stand-alone conventional boiler at 80% efficiency. For the electricity component, the baseline intensity would be that of natural gas combined cycle generation, or 0.418 tonne/MWh, with no requirement for further reduction. All current equipment at the Cardinal Facility is designed to produce emissions below these applicable standards. There has been no indication whether the anticipated revisions to the federal climate change plan will include a similar incentive for cogeneration.

As part of the *Turning the Corner* framework, in June 2008, the federal government released its *Credit for Early Action Program*, which was designed to recognize and provide a limited number of carbon credits to certain facilities that took steps to reduce their GHG emissions between 1992 and 2006 and that would likely find themselves subject to mandatory greenhouse gas reductions. Credits would be available for reductions of CO_2, methane and NOx, among other gases. The Fund has determined that no projects carried out at its facilities during this period of time are eligible to earn credits under the *Credit for Early Action Program*. There has been no indication whether the anticipated revisions to the federal climate change plan will include a similar program for early action.

The Canadian government announced an offset credit program for GHG emissions in June 2009. Two draft guides published in the *Canada Gazette* in June 2009 set out the proposed offset program rules and guidance for both offset project proponents and verification bodies. The final version of these proposed rules and guidance, together with the *Guide for Protocol Developers* (a draft of which was published in the *Canada Gazette* in August 2008), have yet to be issued. The federal government has stated that Canadian offset program rules, federal regulations and enforcement mechanisms will be reviewed to ensure they are comparable with any U.S. climate change legislation that is implemented. In the U.S., the *American Clean Energy and Security Act of 2009* ("ACES") was passed by the U.S. House of Representatives in June 2009. The ACES sets out the framework for a U.S. cap-and-trade system, energy efficiency initiatives and incentives for the development of clean energy technologies. The ACES is currently being reviewed by U.S. Senate committees.

Numerous design details of the Canadian government's proposed framework are yet to be released and the coordination of this approach with provincial plans has not yet been negotiated. As noted above, the federal government's framework is expected to be made consistent with any climate change legislation that is implemented in the U.S. As a result, the Fund cannot estimate the full impact of this framework on its operations at this time. However, the Fund's exposure to evolving GHG regulations is mitigated by its portfolio of renewable power generation facilities, which could create viable GHG offset credits provided that those facilities meet the applicable eligibility requirements under the proposed federal offset program.

Other Air Pollutants

The Canadian government is also developing a parallel framework for managing air pollutant emissions such as NOx, sulphur oxides, volatile organic compounds and particulate matter. A draft proposal, known as the *Comprehensive Air Management System* ("CAMS"), was put forward in 2009 as an alternative to the *Turning the Corner* plan. The purpose of the CAMS proposal, which is currently under consultation, is to provide a national framework for regulating industrial emissions of air pollutants. The federal government is working with the provinces, territories, industry and non-governmental organizations to finalize the CAMS proposal, however there is no indication of when this proposal will be implemented. Specific caps on pollutants for each sector, including electricity generation, are being contemplated under the CAMS proposal but these would not likely come into effect before 2015. Until emission standards and compliance mechanisms for these air pollutants are announced, the Fund cannot estimate the impact of such standards and compliance mechanisms on its operations.

Provincial Requirements

Ontario

Ontario legislation that came into effect in 2004 introduced a cap-and-trade system with respect to NOx emissions. Under this system, facilities subject to the legislation receive a maximum yearly emission compliance limit, which may be achieved by source emission control or reduction, or by trading NOx allowances. For 2009, the Cardinal Facility received 679 tonnes of NOx allowances based on actual generation in 2007. The Cardinal Facility expects to retire 374 tonnes of NOx allowances for 2009, leaving a cumulative allowance balance of 3,879 tonnes. NOx emissions from the Cardinal Facility's existing generating equipment fall below the levels mandated by legislation.

Ontario's *Climate Action Plan*, which was released in August 2007, sets out GHG emission reduction targets of six percent by 2014 and 15% by 2020 from 1990 levels across a range of sectors, including electricity generation.

In June 2008, the Ontario and Québec governments announced a memorandum of understanding on a regional cap-and-trade system to reduce GHG emissions. Further, in July 2008, the Ontario government announced that it had joined the Western Climate Initiative ("WCI"), an organization that also includes B.C., Québec, Manitoba and seven U.S. states. The WCI seeks to develop regional strategies to address climate change, including setting an overall regional goal to reduce GHG emissions and the design of a market-based mechanism to help achieve the reduction goal. The WCI released draft design recommendations for its regional cap-and-trade program (the "WCI Program") in September 2008. The WCI Program limits the use of offsets as a compliance mechanism to 49% of total emission reductions from 2012 to 2020. The existence of the WCI Program is expected to increase liquidity for carbon instruments across its member jurisdictions and create potential opportunities for eligible Fund assets to generate offset credits. As a member of the WCI, Ontario intends to implement a cap-and-trade system as part of its strategy to reduce GHG emissions. The Ontario government has indicated that once the WCI cap-and-trade system begins trading as anticipated on January 1, 2012, Ontario's trading system will be linked to the WCI system. In December 2009, the *Environmental Protection Amendment Act (Greenhouse Gas Emissions Trading)* was passed, which allows Ontario's program to link to other systems in North America and abroad. The Ontario government has indicated that by mid-2010 the necessary groundwork will be laid for implementing its cap-and-trade system in 2012. Finally, a discussion paper issued by the Ontario government in June 2009, entitled *Moving Forward: A Greenhouse Gas Cap-and-Trade System for Ontario*, suggests that the most likely threshold for the electricity sector will be 25,000 tonnes of CO_2 per year. The Cardinal facility may be captured by Ontario's proposed cap-and-trade regime as it emits in excess of 100,000 tonnes of CO_2 per year.

The details of the above noted regulations and the impact on emitting entities have not yet been determined. Moreover, it is not yet clear how these initiatives would coordinate with federal and other provincial plans. As a result, the Fund cannot estimate the impact of these regulations on its operations at this time.

Alberta

Alberta regulates GHGs from large industrial emitters through the *Climate Change and Emissions Management Act* and associated regulations, including the SGER and SGRR. The Whitecourt Facility complies with the requirements of the SGER, which sets GHG intensity limits for all facilities in Alberta that emit 100,000 tonnes or more per year of CO_2 equivalent. The Whitecourt facility is not required to submit compliance reports to the Alberta Ministry of the Environment under the SGER because emissions from biomass combustion are considered CO_2 neutral under the Alberta regulatory regime, however it is required to report total GHG emissions on an annual basis under the SGRR.

British Columbia

The B.C. government introduced legislation in April 2008 to create a cap-and-trade system for GHG. This enabling legislation provides the framework for the Province to participate in the WCI's cap-and-trade system. The details of B.C.'s cap-and-trade system are expected to be developed in conjunction with the WCI Program. The details of the above noted regulations and the impact on emitting entities have not yet been determined. Moreover, it is not yet clear how these initiatives would coordinate with federal and other provincial plans. As a result, the Fund cannot estimate the impact of these regulations on its operations at this time.

Québec

Under the Regulation respecting mandatory reporting of certain emissions of contaminants into the atmosphere, R.S.Q. c. Q-2, r. 3.3, reporting thresholds for GHG emissions track those set by Environment Canada for the National Pollutant Release Inventory. In June 2009, the Québec government adopted enabling legislation for a GHG emissions cap-and-trade system.

Seasonality

As both the Cardinal PPA and the Cardinal GPA are long-term contracts with fixed prices, the results of the Cardinal Facility are not significantly affected by fluctuations in the market prices for electricity or natural gas. However, the Cardinal PPA contains lower power rates during the six-month period from April to September (and higher rates from October to March), which is reflected in the variations in the facility's quarterly results. The Whitecourt Facility sells a portion of the power produced to the Power Pool at spot prices which can vary significantly at different times of the year depending on energy consumption and supply in Alberta. In addition, the major maintenance activities at both the Cardinal Facility and the Whitecourt Facility are generally performed during the April to July period, which affects operating results during that time. Excess natural gas not consumed at the Cardinal Facility is periodically sold under the Cardinal Gas Mitigation Agreement, which can partially offset this seasonality. Exposure to fluctuations in the market prices of gas from these sales of surplus gas are partially hedged with gas swap contracts until 2011.

Electricity production generated by the Erie Shores Wind Farm fluctuates with the natural wind speed and density in the area of the facility. During the autumn and winter periods, wind speed and density are generally greater than during the spring and summer periods.

A significant portion of electricity generated by the Waterpower Facilities fluctuates with the natural water flows of the respective watersheds. During the spring and autumn periods, water flows are generally greater than during the winter and summer periods. The Wawatay PPA and the Dryden PPA have different pricing provisions for electricity produced, depending on the time of year. OEFC pays higher rates for electricity produced during the months of October to March.

The PPA with Hydro Québec relating to the Chapais Facility also has different pricing provisions for electricity produced depending on the time of year. During the months of December to March, Hydro Québec pays an additional capacity premium. This could result in fluctuations in equity accounted income (loss) from long term investments, but does not affect cash flows to the Fund.

The seasonality of wind speed and density, water flows and pricing provisions within certain of the Power Infrastructure Facilities' PPAs may result in fluctuations in the Fund's revenue and net income during the year. The Fund maintains reserve accounts and free cash in order to offset the seasonality and other factors that may impact electricity production. The Fund believes that the active management of the reserve accounts and free cash will be sufficient to maintain level monthly distributions to Unitholders in 2010. See "Distributions – Distribution Policy".

Reserve Accounts

The Fund has established a general reserve account, a capital expenditure reserve account and a major maintenance reserve account (collectively referred to as the "Reserve Accounts"). As at December 31, 2009, the balance in each of the Reserve Accounts was: $5.0 million for the general reserve account; $0.9 million for the capital expenditure reserve account; and $4.7 million for the major maintenance reserve account. The amounts in the Reserve Accounts are held in accounts with a Canadian chartered bank.

The funds in the major maintenance reserve account are available to fund major maintenance expenses at the Power Infrastructure Facilities. The funds in the capital expenditure reserve account are available to the Power Infrastructure Facilities for capital expenditures. The funds in the general reserve account are available to the Fund for distribution to Unitholders, at the discretion of the Trustees, in the event that the cash available for distribution to Unitholders is less than the amount that had been 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 operational performance of the Power Infrastructure Facilities and servicing of the related debt obligations (see "Risk Factors").

Power Infrastructure Industry

Overview

Historically, the Canadian electricity industry was characterized by vertically-integrated monopolies, such as Ontario Hydro. During the late 1980s, several jurisdictions began a process of restructuring by moving away from these 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 ("IPPs"). IPPs generate electricity from a number of sources, including water, natural gas, coal, waste products such as biomass and landfill gas, geothermal sources such as heat or steam, the sun and wind.

Provincial governments have legislative authority over the generation, transmission and distribution of electricity within the provinces of Canada. The movement toward restructuring the Canadian electricity industry has been uneven, as each province has determined its policy in this area based on its assessment of its unique regional circumstances and issues. Alberta restructured its electricity market over a five-year period culminating in full retail access on January 1, 2001. In B.C., while it appears there are no plans to introduce full retail competition, the transmission systems provide open access, allowing IPPs to move electricity to the export market or to distribution utilities and large industrial customers within the Province. In Ontario, full, open competition in electricity markets was introduced in May 2002, but has been modified several times since then. In the fall of 2003, the Ontario government initiated a full-scale review of the Ontario energy sector and introduced new legislation in December 2004 that substantially modified the sector again.

Electricity Demand & Supply

The Canadian Electricity Association estimates that electricity demand in Canada is growing at an annual average rate of 1.5% to 2%, primarily reflecting population and economic growth. At the same time, limited net generation capacity has been added. With the anticipated retirement by 2020 of about 20% of power generation facilities currently operating, the Canadian Electricity Association projects that 60,000 MW of generation capacity will need to be added by 2020 to meet both system demand growth and plant replacement needs. Canada's electricity demand is expected to be met through a mix of conventional generation facilities as well as renewable or emerging generation technologies, representing a mix of base load and peaking plants to manage and respond to changes in electricity consumption.

Federal Wind Power Production Incentive and ecoEnergy for Renewable Power Program

The Wind Power Production Incentive ("WPPI") was a Canadian federal government program that provided incentive payments to producers of wind energy. The 2001 federal budget provided an initial $260 million for the program, to be paid by way of a per kWh incentive to eligible wind energy projects commissioned between March 31, 2002 and April 1, 2007. The 2005 federal budget provided an additional $200 million over five years and a total of $920 million over 15 years to expand WPPI from 1,000 MW to 4,000 MW of wind power capacity. Under the program, projects were eligible to receive an incentive payment of between $0.008 and $0.012 per kWh for the first 10 years of operation, depending upon the commissioning date. The Erie Shores Wind Farm qualifies for WPPI and will receive a WPPI payment of $0.01 per kWh until 2016.

In January 2007, the Canadian government announced the ecoEnergy Renewable Power Program. The ecoEnergy Renewable Power Program officially replaced WPPI, effective April 1, 2007, and essentially combined WPPI with the new "Renewable Power Production Incentive". The objective of the new $1.48 billion program is to encourage the development of clean power generation projects in Canada and to bring electricity prices from such projects more in line with those of conventional sources of electricity. An incentive of $0.01 per kWh for up to 10 years is offered to eligible projects constructed over the four-year program. The program is intended to support the development of up to 4,000 MW of new renewable electricity capacity by March 31, 2011. The program is open to all low-impact renewable-energy technologies, including wind, small waterpower, biomass, solar photovoltaic, geothermal, tidal and wave technologies that generate few or no harmful emissions. The ecoEnergy Renewable Energy Power Program is still in place and qualifying projects that meet the program requirements are eligible to access the balance of the remaining uncommitted funds. However, without a commitment from the federal government to extend the ecoEnergy Renewable Power Program, renewable energy projects that are commissioned after March 31, 2011 are not expected to receive any federal government funding.

Regulatory Environment

Ontario

The regulatory environment for electricity in Ontario was restructured in October 1998 following the passage of the *Energy Competition Act, 1998*, which, in turn, enacted two pieces of legislation necessary to create the legislative framework for the restructured Ontario electricity market — the *Electricity Act, 1998* and the *Ontario Energy Board Act, 1998*. The *Electricity Act, 1998* restructured Ontario Hydro's integrated electricity businesses into the following five separate corporations: (i) Ontario Power Generation ("OPG"), which assumed the electricity generation, wholesale energy and ancillary services businesses; (ii) Hydro One Inc., which assumed the transmission, rural distribution and retail energy services businesses; (iii) the IESO, 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) OEFC. OEFC is responsible for servicing and retiring Ontario Hydro's outstanding debt and other obligations. In addition, OEFC administers the PPAs previously entered into by Ontario Hydro with IPPs, including the Cardinal PPA, the Dryden PPA and the Wawatay PPA.

Ontario's wholesale and retail electricity markets were opened to competition on May 1, 2002 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 counterparties under bilateral contracts or bid their power into the IESO-administered markets and receive the market-clearing price. Pursuant to the rules made and enforced by the IESO that govern the IESO-controlled grid and that establish and govern the IESO-administered markets relating to electricity and ancillary services in Ontario, the IESO schedules and dispatches dispatchable generators and settles the purchase and sale of energy and ancillary services made through the IESO-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 Ontario government instituted retail price controls for electricity charged to consumers which, as at December 31, 2009, continued in a modified form.

In December 2004, the Ontario legislature passed the *Electricity Restructuring Act 2004* (the "ERA") which further restructured the electricity industry in Ontario and established the OPA which oversees and facilitates electricity supply adequacy and conservation for Ontario. 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 IESO to the OPA, including medium and long-term electricity forecasting and planning.

The legislative amendments, government announcements and OPA initiatives referred to above do not contain any provisions that specifically relate to or affect PPAs such as the Cardinal PPA, the Wawatay PPA or the Dryden PPA now being administered by OEFC, although, the Erie Shores Wind Farm was one of the capacity initiatives solicited by the Ontario Ministry of Energy and its PPA is now administered by OPA. The implementation of the new market rules, however, has necessitated negotiations between the holders of existing PPAs and OEFC, including for the purpose of replacing the index used to adjust rates in many PPAs (including those for the Cardinal Facility, the Wawatay Facility and the Dryden Facility).

OPG is the dominant generator of electricity in the Province of Ontario, controlling approximately 62% of existing generation capacity in 2009. Although OPG's generator licence contains conditions requiring it to transfer effective control over portions of its output, it is difficult to ascertain whether the Ontario government remains committed to these decontrol targets. The government has committed to close OPG's coal fired plants by 2014 and in September 2009 it announced OPG will close two of eight units at its Nanticoke station near Simcoe and two of four units at its Lambton plant near Sarnia by October 2010. The closure of these four coal-fired units represent approximately 2,000 MW of generation capacity.

In May 2009, the Ontario legislature passed the *Green Energy and Green Economy Act, 2009.* This legislation provides the framework to significantly expand Ontario's use of clean and renewable generation, streamlines the approval processes for such projects, and establishes a feed-in tariff program with standardized rules, contracts and pricing for the procurement of electricity from renewable sources such as wind, water and solar. The feed-in tariff program is expected to create investment opportunities for the development of new renewable generation in Ontario.

Alberta

The government of Alberta passed the EU Act in 1996 and amended the EU Act in 1998 and 2000 to separate generation, transmission and distribution of electrical power in Alberta for regulatory purposes. The purpose of the EU Act is to permit the development of a competitive marketplace for electricity in Alberta. The EU Act created the Power Pool, through which all electrical power must be traded in Alberta except for electricity within exempted industrial systems, electricity from generators in remote locations not connected to the grid and certain direct sales. Under the EU Act, owners of existing electricity generation facilities in Alberta and importers of electrical power into Alberta offer power into the Power Pool at such prices as they determine.

Of particular interest to some clean power facilities in Alberta, the amendments to the EU Act and corresponding regulations in 1999 also created the Balancing Pool that commenced operation on January 1, 2001. The amended legislation provides for the purchase of power from small producers at the prices set out in the PPAs entered into pursuant to the SPRDA. All revenues associated with the sale of such power into the Power Pool are to be paid into the Balancing Pool and all costs associated with such PPAs are to be paid out of the Balancing Pool. The effect of the amendments is to render a utility that is party to such a PPA a flow-through entity for the rights and obligations under that PPA. The Balancing Pool is intended to net out to zero with respect to all payments received and made in respect of those PPAs. Any net amount greater than zero in the Balancing Pool is to be allocated to consumers of electricity of Alberta and to the Alberta Electric System Operator (formerly the Transmission Administrator) under the EU Act. The Balancing Pool prepares an annual budget and provides that budget to the Independent System Operator for review. The Independent System Operator then considers that budget when setting tariff rates. If the Balancing Pool forecasts a budget deficit, the Independent System Operator may increase tariff rates to enable the Balancing Pool to meet its obligations.

The government of Alberta proclaimed in force in June 2003 the *Electric Utilities Act (2003)*. The *Electric Utilities Act (2003)* effected alterations to the governance of institutional entities such as the Power Pool and the related regulations addressed payments to be made to and by the Balancing Pool, but neither served to alter the SPRDA-related arrangements described above.

On January 1, 2008, the Alberta Energy Utilities Board was separated into two regulatory entities, the Energy Resources Conservation Board and the Alberta Utilities Commission. The Energy Resources Conservation Board regulates the development of energy resources and the Alberta Utilities Commission regulates the utilities industry in Alberta. The Alberta Utilities Commission's responsibilities also include approving infrastructure and tariffs for electricity transmission through electric transmission and distribution lines.

British Columbia

BC Hydro, a B.C. Crown corporation regulated by the British Columbia Utilities Commission, is the main generator and distributor of electricity in B.C.. BC Hydro accounts for approximately 80% of the Province’s total generating capacity (primarily from dams on the Peace and Columbia rivers). The remaining capacity is provided mainly by large and small industrial self-generators, FortisBC Inc., which provides utility service in the south-eastern part of the Province, and IPPs.

In 2003, the transmission operations of BC Hydro’s business were moved to a new B.C. Crown corporation, the British Columbia Transmission Corporation. The British Columbia Transmission Corporation is regulated by the British Columbia Utilities Commission, and is responsible for the planning, management and operation of BC Hydro’s transmission assets, including the management of an open access transmission tariff (effective on March 1, 2006), aimed at improving access to the transmission system for all generators and marketers.

Private sector development of new electricity generation has been one of the most significant developments in B.C.’s regulatory environment during the last five years and is a goal of the Government’s current energy plan, which was introduced in 2007. Under this plan, the B.C. government continues its commitment to “clean” energy sources, including a target of 90% of all electricity generation from clean or renewable sources and a target of electricity self-sufficiency for the Province by 2016. Among other things, this plan provides that all new electricity projects developed in B.C. are to achieve zero net GHG emissions and existing thermal generation power plants are to achieve zero net GHG emissions by 2016. In addition, the plan sets a goal of satisfying 50% of all of BC Hydro’s incremental resource needs through conservation by 2020. During 2008, a variety of legislative amendments were made to the *Utilities Commission Act* (British Columbia) to enable the achievement of some of the energy plan goals.

BC Hydro’s generation division, which operates as a separate line of business from BC Hydro’s distribution division, is required to supply electricity from its existing waterpower and thermal generating stations to the distribution division at embedded cost under a “heritage contract” between the generation and distribution divisions. The distribution division acquires new power on a least cost basis from all potential sources (including IPPs, customer-owned generation, power imports and conservation and energy efficiency), subject to regulatory oversight by the British Columbia Utilities Commission. BC Hydro’s existing electricity purchase contracts with IPPs include natural gas cogeneration, biomass, small waterpower, and wind projects that are both in service and under development, based on historical contracts from the 1990s and more recent ones initiated by the B.C. government’s 2003 direction to BC Hydro to establish a competitive bidding process to acquire electricity from IPPs. BC Hydro held an “Open Call for Power” in 2003 and 2006. In 2008, BC Hydro also developed a standing offer program for generators of 10 MW or less to sell to BC Hydro and a separate request for proposals for biomass generators. In late 2008, BC Hydro closed bidding on a “Clean Power Call” seeking to secure about 5,000 gigawatt hours of clean electricity. In mid March 2010, BC Hydro announced the award of 19 electricity purchase agreements, under this Clean Power Call, to a combination of hydro and wind projects, amounting to a total generation of over 2,400 gigawatt hours. BC Hydro has indicated that it is continuing to evaluate the remaining bidders in the Clean Power Call and that additional electricity purchase agreement awards are expected before March 31, 2010. In addition, in early November 2009, the B.C. government announced the creation of a Green Energy Advisory Task Force with the stated goal of ensuring B.C. remains a leader in clean and renewable energy by developing resources, maximizing opportunities and establishing B.C.'s potential as the supplier of choice for clean power. The Green Energy Advisory Task Force is composed of four committees: Procurement and Regulatory Reform; Carbon Pricing, Trading and Export Market Development; Community Engagement and First Nations Partnerships; and Resource Development. Submissions from the public, including the IPPs of B.C., have been made to the Green Energy Advisory Task Force. As at March 25, 2010, no additional information is available about the Green Energy Advisory Task Force's work.

Québec

Québec is served principally by Hydro-Québec, a government-owned monopoly with major cost-competitive hydroelectric resources. Early private sector generation development occurred in Québec between 1991 and 1993. Hydro-Québec signed agreements at that time with private producers for the purchase of a total of 474 MW of electricity generated by hydroelectric generating facilities, windpower facilities and cogeneration plants fuelled by biomass and natural gas.

To meet the Province's increasing demand, Hydro-Québec's distribution division has recently initiated a system of competitive bidding for the development of supply. Hydro-Québec's production division is allowed to bid alongside private producers, subject to a code of ethics overseen by Québec's Régie de l'énergie. Supply contracts are generally awarded on the basis of the lowest tendered price and factors such as applicable transmission costs. Final contracts require the approval of the Régie de l'énergie. Hydro-Québec purchases all of the electricity produced by IPPs, other than the electricity used by certain producers in their own operations.

In May 2006, the Québec government unveiled its energy strategy. The strategy defines the Province's goals and plan of action in relation to energy issues for a 10-year period. The Québec government announced that it would strengthen its energy supply security by giving priority to hydroelectricity. The government intends to create a portfolio of projects totalling no less than 4,500 MW to be initiated within the first five years of the plan. The energy strategy also calls for the continued development of Québec's wind energy potential, hydrocarbon reserves and the diversification of natural gas supplies. The energy strategy also ends Québec's moratorium on small, privately-owned hydroelectric power stations (50 MW or less).

Two significant calls for tenders in the area of wind energy (totalling an aggregate of 3,000 MW) have already occurred. A third call for tenders relating to 500 MW of wind power proceeded in 2009. In November 2008, two decrees were published enacting regulations governing two separate 250 MW blocks of wind energy, one earmarked for aboriginal projects and the other earmarked for community projects.

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. Under the Fund Declaration of Trust, the Fund is generally restricted to investing in and otherwise dealing with securities issued by MPIIT and the securities of any other person which is involved directly or indirectly in the Power Business with a focus on operating power generation facilities in Canada and the U.S. 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). The Fund qualifies as a "mutual fund trust" for the purposes of the Tax Act and is expected to continue to so qualify at all material times in the future, subject to the Conversion Transaction being effected.

Units

The following is a summary of the material attributes 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”).

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. No Unitholder has or is deemed to have any right of ownership in any of the assets of the Fund. All Units are of the same class with equal rights and privileges. Each Unit entitles the holder 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, and rights, warrants and options to acquire Units or securities convertible into or exchangeable for Units (“Other Securities”), 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. New Units or Other Securities may be issued for cash through public offerings, through rights offerings to existing Unitholders (i.e., offerings in which Unitholders receive rights to subscribe for new Units or Other Securities in proportion to their existing holdings of Units or Other Securities, which rights may be exercised or sold to other investors), through private placements (i.e., offerings to specific investors which are not made generally available to the public or existing Unitholders) or as a result of conversion rights exercised under convertible securities, including warrants and subscription receipts. 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.

Purchase 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 may constitute an “issuer bid” under Canadian provincial securities legislation and must be conducted in accordance with the applicable requirements thereof.

Redemption at the Option of Unitholders

Units are redeemable at any time on demand by the holders thereof upon delivery to the Fund of a duly completed and properly executed notice requesting redemption. Upon receipt of the redemption request by the Fund, all rights to and under the Units tendered for redemption will be surrendered and the holder thereof will be entitled to receive a price per Unit (the “Redemption Price”) equal to the lesser of: (i) 90% of the “market price” (as defined in the Fund Declaration of Trust) of the Units as of the date on which the Units are surrendered for redemption; and (ii) the “closing market price” (as defined in the Fund Declaration of Trust) as of the date that the Units are surrendered for redemption.

The aggregate Redemption Price payable by the Fund in respect of any Units surrendered for redemption during a particular calendar month will be satisfied by 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 does 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 are 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 date on which Units are surrendered for redemption or for more than five trading days during the ten-day trading period ending on such 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* of notes (the “Exchange Notes”) of a wholly-owned subsidiary to be established by the Fund in satisfaction of the Redemption Price. No fractional Exchange Notes in integral multiples of less than $100 will be distributed and, where the amount of Exchange Notes to be received by a Unitholder includes a fraction or a multiple less than $100, that number or amount shall be rounded to the next lowest whole number or integral multiple of $100. 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 the Exchange Notes and they may be subject to resale restrictions under applicable securities laws.

It is anticipated that the redemption right described above will not be the primary mechanism for Unitholders to dispose of their Units.

Meetings of Unitholders

The Fund Declaration of Trust provides that meetings of Unitholders must be called and held for, among other things, the presentation of the audited annual financial statements of the Fund, the election of the Trustees independent of the Manager, the appointment of the auditors of the Fund and the transaction of such other business as Unitholders are entitled to vote upon. Unitholders may attend and vote at all meetings of the Unitholders either in person or by proxy and a proxyholder 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

The Fund will be deemed not to be a “mutual fund trust” for the purposes of the Tax Act after any time when it can reasonably be considered that the Fund was established or is maintained primarily for the benefit of non-resident persons within the meaning of the Tax Act, unless at that time all or substantially all of the Fund’s property is property other than taxable Canadian property as defined by the Tax Act for those purposes. 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 of Canada or that such a situation is imminent, the transfer agent and registrar shall 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 of Canada. If, notwithstanding the foregoing, the Trustees, in their sole discretion, determine that 49.9% or more of the Units are held by non-residents of Canada, the Trustees may send a notice to holders of Units who are non-residents of Canada, 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 of Canada 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 a resolution passed by the affirmative votes of the holders of not less than two-thirds of the Units 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 entitled to vote on such resolution. The Trustees, however, in their discretion and without the approval of the Unitholders, are entitled to make certain amendments to the Fund Declaration of Trust, including amendments:

(a) 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" within the meaning of the Tax Act;

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

(c) 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

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

Notwithstanding the foregoing, the Trustees may not amend the Fund Declaration of Trust in a manner which would result in the Fund failing to qualify as a "mutual fund trust" under the Tax Act.

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 same terms on which the offeror acquired Units from Unitholders who accepted the take-over bid.

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 and which are similar to those contained in the *Canada Business Corporations Act*. These provisions require each Trustee and officer 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 or her remuneration as a Trustee or officer of the Fund, (ii) insurance or indemnity or (iii) a contract or transaction with MPIIT or another wholly-owned subsidiary of the Fund.

Class B Exchangeable Units and Exchange Agreement

LTC Holding LP, a limited partnership established under the laws of the Province of Ontario, has issued (i) general partnership units to MPT LTC Holding Ltd. ("LTC Holding GP"), its general partner; (ii) Class A LP Units to MPIIT; and (iii) Class B Exchangeable LP Units (the "Class B Exchangeable Units") to the LSCLP Vendors. The LSCLP Vendors own all of the Class B Exchangeable Units which have economic rights equivalent in all material respects to those of the Units.

The distributions on the Class B Exchangeable Units are supported through an arrangement contained in an exchange agreement dated October 18, 2005 (the "Exchange Agreement") among the Fund, MPIIT, LTC Holding LP and the LSCLP Vendors (see "Material Contracts"). Pursuant to the Exchange Agreement, following the closing of the LSCC IPO, distributions on the Class B Exchangeable Units will be funded by the subscription for additional Class A LP Units by MPIIT.

The Exchange Agreement and the provisions of the Class B Exchangeable Units grant the LSCLP Vendors the right to require LTC Holding LP and the Fund to directly or indirectly exchange each Class B Exchangeable Unit for a Unit on a one-for-one basis (subject to customary anti-dilution provisions and other conditions contained in the Exchange Agreement). The Exchange Agreement also provides that on or after October 18, 2015, so long as certain conditions are not in effect, any outstanding Class B Exchangeable Units will be automatically exchanged for Units on a one-for-one basis. Assuming the exchange of all of the Class B Exchangeable Units for Units of the Fund in accordance with the Exchange Agreement, the LSCLP Vendors would own, in aggregate, approximately 7% of the total number of Units outstanding following such exchange.

MSHL and LWC have agreed that they will not acquire any additional Units (other than pursuant to the exchange of the Class B Exchangeable Units or pursuant to a distribution reinvestment plan of the Fund) without the consent of the Fund before October 18, 2015. MSHL and LWC have also agreed not to sell more than 5% of the aggregate outstanding Units in any four-month period and to not vote any Units each receives on exchange of their Class B Exchangeable Units until they, together, hold one percent or less of the aggregate outstanding Units. In addition, the LSCLP Vendors have agreed not to transfer any of the Class B Exchangeable Units held by them, other than to an affiliate or spouse or child of the holder of such Class B Exchangeable Units or otherwise for estate planning purposes.

In the event of a take-over bid for the Units, a holder may exchange its Class B Exchangeable Units for Units on a conditional basis in order to tender to such bid or, if such holder does not tender and Units representing more than 90% of the aggregate number of outstanding Units and Units for which outstanding Class B Exchangeable Units may be exchanged are tendered to such bid, then the offeror will have the right to acquire the Class B Exchangeable Units held by such holder on the same terms as the Units were acquired under the take-over bid.

2016 Debentures

The following is a summary of the material attributes of the 2016 Debentures and certain provisions of the Debenture Indenture (described below), which summary does not purport to be complete and is subject to and qualified in its entirety by the full text of the Debenture Indenture. Reference should be made to the Debenture Indenture for a complete description of the 2016 Debentures and the full text of its provisions (see "Material Contracts").

General

An aggregate principal amount of $57.5 million 2016 Debentures have been issued by the Fund pursuant to an indenture (the "Debenture Indenture") dated as of December 22, 2009 between the Fund and Computershare Trust Company of Canada (the "Debenture Trustee"). The outstanding 2016 Debentures have a maturity date of December 31, 2016 (the "2016 Debenture Maturity Date") and are listed on the Toronto Stock Exchange and trade under the symbol "MPT.DB.A".

Conversion Transaction

In the event that the Fund converts to a Continuing Corporation pursuant to a Conversion Transaction, the 2016 Debentures will become obligations of the Continuing Corporation having substantially the same terms as the 2016 Debentures, without the consent of the holders of 2016 Debentures. In addition, in connection with a Conversion Transaction, adjustments will be made to the terms of the conversion privilege as described below under "– Conversion Privilege" and in any circumstance in which holders of 2016 Debentures would otherwise receive Units under the terms of the Debenture Indenture, such holders will instead be entitled to receive securities of the Continuing Corporation which a holder of 2016 Debentures would have been entitled to receive had it been a holder of the number of Units into which the 2016 Debentures were convertible prior to the effective date of the Conversion Transaction.

Interest Payments

The 2016 Debentures bear interest at an annual rate of 6.50%, payable in semi-annual instalments, in arrears, on June 30 and December 31 of each year (or the immediately following business day if such date would not otherwise be a business day) (the “2016 Debenture Interest Payment Date”), with the first payment of interest due on June 30, 2010. At the option of the Fund, and subject to regulatory approval, the Fund may issue and solicit bids to sell sufficient Units in order to raise funds to satisfy all or any part of the Fund’s obligations to pay interest on the 2016 Debentures, but, in any event, the holders of 2016 Debentures shall be entitled to receive cash payments equal to the interest otherwise payable on the 2016 Debentures.

Conversion Privilege

2016 Debentures are convertible at a holder’s option into fully-paid, non-assessable and freely-tradable Units at any time prior to 5:00 p.m. (Toronto time) on the earlier of the 2016 Debenture Maturity Date and the business day immediately preceding the date specified by the Fund for redemption of the 2016 Debentures, at a conversion price of $7.00 per Unit (the “2016 Debenture Conversion Price”), being a ratio of 142.8571 Units per $1,000 principal amount of 2016 Debentures**,** all subject to certain terms and conditions and in the manner set forth in the Debenture Indenture. No adjustment to the 2016 Debenture Conversion Price will be made for distributions on Units issuable upon conversion or for interest accrued on 2016 Debentures surrendered for conversion; however, holders converting their 2016 Debentures will be entitled to receive, in addition to the applicable number of Units, accrued and unpaid interest in respect thereof for the period from and including the latest 2016 Debenture Interest Payment Date up to, but excluding, the date of conversion. Notwithstanding the foregoing, no 2016 Debentures may be converted during the period from the close of business on June 15 and December 15 of each year (or the first business day following such date if not a business day) to and including the next 2016 Debenture Interest Payment Date, as the registers of the Debenture Trustee will be closed during such periods.

Subject to the provisions of the Debenture Indenture, the 2016 Debenture Conversion Price will be adjusted on account of certain events including: (a) the subdivision or consolidation of the outstanding Units; (b) the distribution of Units to all or substantially all Unitholders by way of distribution or otherwise, other than pursuant to any distribution reinvestment or unit purchase plans or similar arrangements of the Fund; (c) the issuance of options, rights or warrants to all or substantially all Unitholders entitling them for a period of not more than 45 days after June 15 and December 15 of each year (or the first business day following such date if not a business day) to acquire Units or other securities convertible into Units at less than 95% of the then current market price of the Units (as calculated pursuant to the terms of the Debenture Indenture, the “Current Market Price”); and (d) the distribution to all holders of any units (other than Units), rights, options or warrants (other than those referred to in paragraph (c) above), evidences of indebtedness of the Fund, or other assets (other than cash distributions and equivalent distributions in securities paid in lieu of cash distributions in the ordinary course). There will be no adjustment of the 2016 Debenture Conversion Price in respect of any event described in (b), (c) or (d) above if, subject to prior regulatory approval, the holders of the 2016 Debentures are allowed to participate as though they had converted their 2016 Debentures prior to the applicable record date or effective date. The Fund will not be required to make adjustments in the 2016 Debenture Conversion Price unless the cumulative effect of such adjustments would change the 2016 Debenture Conversion Price by at least one percent..

In the case of any reclassification of the Units or a capital reorganization of the Fund (other than a change resulting only from consolidation or subdivision) or in the case of any amalgamation, consolidation, arrangement or merger of the Fund with or into any other entity, or in the case of any sale or conveyance of the properties and assets of the Fund as, or substantially as, an entirety to any other entity, or a liquidation, dissolution or winding-up of the Fund, including in each case in connection with or as part of a Conversion Transaction, the terms of the conversion privilege will be adjusted so that each 2016 Debenture will, after such reclassification, capital reorganization, amalgamation, consolidation, arrangement or merger, sale or conveyance or liquidation, dissolution or winding-up, be exercisable for the kind and number of securities of the Continuing Corporation, or such continuing, successor or purchaser entity, as the case may be, which the holder thereof would have been entitled to receive as a result of such reclassification, capital reorganization, amalgamation, consolidation, arrangement or merger, sale or conveyance or liquidation, dissolution or winding-up, if on the effective date or record date thereof it had been the holder of the number of Units into which the 2016 Debenture was convertible prior to the effective date of such event.

In addition, no 2016 Debentures may be converted at any time on or following the record date for determining Unitholders entitled to receive securities in respect of a Conversion Transaction if the issuance of Units upon such conversion were to prohibit the Fund from being wound up on a tax deferred basis as a result of there being Units held by persons other than the Continuing Corporation or if the issuance of Units would otherwise adversely affect the tax consequences associated with the Conversion Transaction.

No fractional Units will be issued on any conversion of the 2016 Debentures, but in lieu thereof, the Fund will satisfy such fractional interest by a cash payment equal to the Current Market Price of such fractional interest.

Redemption and Purchase

The Fund may not redeem the 2016 Debentures prior to December 31, 2012, except in the event of the satisfaction of certain conditions after a Change of Control has occurred as described below under "— Put Right upon a Change of Control". On and after December 31, 2012, but prior to December 31, 2014, the 2016 Debentures may be redeemed at the option of the Fund, in whole at any time or in part from time to time, on not more than 60 days' and not less than 30 days' prior written notice, at a price equal to the principal amount thereof plus accrued and unpaid interest in respect thereof for the period from and including the latest 2016 Debenture Interest Payment Date up to, but excluding, the date of redemption, provided that the Current Market Price immediately preceding the date upon which the notice of redemption is given is not less than 125% of the 2016 Debenture Conversion Price. On and after December 31, 2014, and prior to the 2016 Debenture Maturity Date, the Fund may redeem the 2016 Debentures in whole at any time or in part from time to time, on not more than 60 days' and not less than 30 days' prior written notice, at a price equal to the principal amount thereof plus accrued and unpaid interest in respect thereof for the period from and including the latest 2016 Debenture Interest Payment Date up to, but excluding, the date of redemption.

The Fund may purchase 2016 Debentures in the market, by tender or by private contract, subject to regulatory requirements; provided, however, that if an event of default in respect of the 2016 Debentures has occurred and is continuing, the Fund will not have the right to purchase the 2016 Debentures by private contract.

In the case of redemption of less than all of the 2016 Debentures, the 2016 Debentures to be redeemed will be selected by the Debenture Trustee on a *pro rata* basis or in such other manner as the Debenture Trustee deems equitable, subject to the consent of the Toronto Stock Exchange.

Payment upon Redemption or Maturity

On redemption or the 2016 Debenture Maturity Date, the Fund will repay the indebtedness represented by the 2016 Debentures by paying to the Debenture Trustee in lawful money of Canada an amount equal to the principal amount of the outstanding 2016 Debentures, together with accrued and unpaid interest thereon. The Fund may, at its option, on not more than 60 days' and not less than 40 days' prior notice and subject to any required regulatory approvals, unless an event of default in respect of the 2016 Debentures has occurred and is continuing, elect to satisfy its obligation to repay, in whole or in part, the principal amount of the 2016 Debentures which are to be redeemed or which have matured by issuing freely-tradable Units, in whole or in part, to the holders of the 2016 Debentures. The number of Units to be issued will be determined by dividing the principal amount of the 2016 Debentures by 95% of the Current Market Price on the date fixed for redemption or the 2016 Debenture Maturity Date, as the case may be. Any accrued and unpaid interest will be paid in cash. No fractional Units will be issued to holders of 2016 Debentures, but in lieu thereof, the Fund will satisfy such fractional interest by a cash payment equal to the Current Market Price of such fractional interest.

Cancellation

All 2016 Debentures converted, redeemed or purchased will be cancelled and may not be reissued or resold.

Subordination

The 2016 Debentures are direct obligations of the Fund, are not secured by any mortgage, pledge, hypothec or other charge and are subordinated to all indebtedness of the Fund (whether outstanding as at the date of the Debenture Indenture or thereafter incurred) which, by the terms of the instrument creating or evidencing such indebtedness, is not expressed to be *pari passu* with, or subordinate in right of payment to, the 2016 Debentures. The Fund and its subsidiaries are not restricted from incurring additional indebtedness for borrowed money, including indebtedness that ranks senior to the 2016 Debentures, or from mortgaging, pledging or charging the Fund's real or personal property or properties to secure any indebtedness. As a result, the 2016 Debentures are effectively subordinate to claims of creditors (including trade creditors) of the Fund's subsidiaries, except to the extent the Fund is itself a creditor of such subsidiaries ranking at least *pari passu* with such other creditors.

Put Right upon a Change of Control

The Debenture Indenture provides holders of 2016 Debentures with a right, in the event of a change of control of the Fund, to require the Fund to purchase the 2016 Debentures at 101% of the principal amount thereof, plus accrued and unpaid interest thereon. Subject to certain conditions, the Fund may satisfy the purchase price, in whole or in part, for any put 2016 Debentures through the issuance of Units. If, in the event of a change of control, 90% or more of the then outstanding 2016 Debentures are put to the Fund, the Fund has the right, but not the obligation, to redeem all of the remaining outstanding 2016 Debentures at the same price paid for the put 2016 Debentures.

For these purposes, a change of control of the Fund means the acquisition by any person, or group of persons acting jointly or in concert, of voting control or direction of 66 2⁄3% or more of the votes attaching, collectively, to all outstanding Units, except when such acquisition occurs solely in connection with a Conversion Transaction.

Events of Default

If an event of default in respect of the 2016 Debentures has occurred and is continuing, the Debenture Trustee may, in its discretion, and will, upon the request of holders of not less than 25% of the principal amount of the then outstanding 2016 Debentures, declare the principal of (and premium, if any) and interest on all outstanding 2016 Debentures to be immediately due and payable. Certain events of default in respect of the 2016 Debentures may be waived by the holders 2016 Debentures or by the Debenture Trustee, in accordance with the terms of the Debenture Indenture.

Offers for 2016 Debentures

If an offer is made for the 2016 Debentures which is a take-over bid for 2016 Debentures within the meaning of the *Securities Act* (Ontario) and not less than 90% of the outstanding principal amount of the 2016 Debentures (other than 2016 Debentures held at the date of the take-over bid by or on behalf of the offeror or associates or affiliates of the offeror or any person acting jointly or in concert with the offeror) are taken up and paid for by the offeror, the offeror will be entitled to acquire the 2016 Debentures held by holders of 2016 Debentures who did not accept the offer on the terms offered by the offeror.

Limitation of Non-Resident Ownership

At no time may non-residents of Canada be the beneficial owners (on either a basic or fully diluted basis) of more than 49.9% of the Units, whether by way of conversion of 2016 Debentures into Units, repayment of 2016 Debentures by issuance of Units, or otherwise (see also "Description of the Fund – Units – Limitation on Non-Resident Ownership"). The Debenture Trustee may, upon the instruction of the Fund, require declarations as to the jurisdictions in which beneficial owners of 2016 Debentures are resident. If the Fund notifies the Debenture Trustee that the beneficial owners (on either a basic or fully diluted basis) of at least 49.9% of the Units then outstanding are, or may be, non-residents of Canada, or that such a situation is imminent, the Fund may require the Debenture Trustee to make a public announcement thereof and the Fund may instruct the Debenture Trustee not to register a transfer of 2016 Debentures to a person unless the person provides a declaration that the person is not a non-resident of Canada and does not hold his or her 2016 Debentures for the benefit of a non-resident of Canada. If, notwithstanding the foregoing, the Fund notifies the 2016 Debenture Trustee that at least 49.9% of the Units are held by non-residents of Canada, the Fund may instruct the Debenture Trustee to, or the Trustees may, send a notice to holders of 2016 Debentures or Units who are non-residents of Canada and holders of 2016 Debentures or Units for the benefit of non-residents of Canada, chosen in inverse order to the order of acquisition or registration of the 2016 Debentures or Units or in such manner as the Debenture Trustee or the Trustees may consider equitable and practicable, requiring them to sell their 2016 Debentures or Units or a portion thereof within a specified period of not more than 60 days and in the interim will suspend the voting and distribution rights attached to such Units and the rights attached to the 2016 Debentures. If the 2016 Debenture holders or Unitholders receiving such notice have not sold the specified number of 2016 Debentures or Units or provided the Debenture Trustee and the Fund with satisfactory evidence that they are not non-residents of Canada or holders of 2016 Debentures or Units for the benefit of non-residents of Canada, the Fund may instruct the Debenture Trustee, on behalf of such 2016 Debenture holder or Unitholder, and the Fund or the Debenture Trustee, as applicable, will have the power of attorney of such holder to, sell or redeem, as the case may be, such 2016 Debentures or Units. Upon such sale or redemption, the affected holders will cease to be holders of 2016 Debentures or Units, as the case may be, and their rights will be limited to receiving the net proceeds of sale or redemption upon surrender of such 2016 Debentures or Units.

Contingency Value Receipts

In connection with the CPIF Acquisition, the Fund issued one CVR and 0.5581 of a Unit for (a) each CPIF Unit properly deposited and not properly withdrawn to the CPIF Offer; and (b) each CPIF Unit redeemed pursuant to the CPIF Subsequent Acquisition Transaction. The CVRs are not listed for trading and, except for certain permitted transfers, are not assignable or otherwise transferable by holders thereof. The CVRs represent a contingent right of the holders to receive an amount calculated on the basis of 80% of the balance, if any, less certain costs and expenses, of US$7.593 million deposited in an escrow account established by PEET U.S. Holdings Inc. ("PEET"), now a subsidiary of CPOT, in connection with PEET's sale of Gas Recovery Systems, LLC ("GRS") prior to the CPIF Acquisition, and payments, if any, that might be made by the purchaser of GRS to PEET if the purchaser receives certain refunds from Commonwealth Edison Co. ("ComEd") relating to GRS (after certain specified adjustments and deductions for certain payments, claims, costs and expenses). The funds in escrow relate to an ongoing dispute over the methodology used by ComEd, a customer of GRS, to historically calculate the amount paid to GRS under its power purchase agreement with GRS. The Fund has no control over the outcome of the dispute related to the escrow account. If the dispute is not resolved prior to December 10, 2010, the CVRs will expire in accordance with their terms on that date. The Fund's view is that the funds in the escrow account will be fully paid in accordance with the terms of the escrow agreement to ComEd and that the CVRs are unlikely to have any value for holders.

Further explanation of the terms and conditions of the CVRs, as well as the risks associated with the ownership of CVRs, can be found in the CPIF Offering Circular under heading "Contingency Value Receipts and Contingency Value Receipt Agreement" appearing on pages 38-50 and under the heading "CVRs issuable under the Offer may involve a number of risks" appearing on pages 61-64 of the CPIF Offering Circular, respectively, all of which specific sections of the CPIF Offering Circular (along with the associated definitions) are incorporated by reference into this AIF and which are available on SEDAR at www.sedar.com.

MPIIT

MPIIT Declaration of Trust

MPIIT is an unincorporated, open-ended, limited purpose trust established under the laws of the Province of Ontario pursuant to a declaration of trust dated as of March 15, 2004, as amended and restated as of April 16, 2004 (the "MPIIT Declaration of Trust").

The MPIIT Declaration of Trust contains provisions substantially similar to those of the Fund Declaration of Trust. The principal differences between MPIIT Declaration of Trust and the Fund Declaration of Trust are those described below. The description below is a summary only of certain provisions of the MPIIT 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 MPIIT Declaration of Trust. Reference should be made to the MPIIT Declaration of Trust for the full text of its provisions (see "Material Contracts").

The Fund is the sole holder of all of the outstanding units of MPIIT (the "MPIIT Units"). Pursuant to the Fund Declaration of Trust, the MPIIT Units held by the Fund are to be voted by the Fund to cause the appointment as trustees of MPIIT (the "MPIIT 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 MPIIT Trustee, who may not be removed by the holder of MPIIT Units for so long as the Administration Agreement is in effect. The five MPIIT Trustees are the same individuals as those serving as the Trustees.

MPIIT Units are redeemable at any time on demand by the holders thereof upon delivery to MPIIT of a duly completed and properly executed notice requiring MPIIT to redeem MPIIT Units, in a form reasonably acceptable to the MPIIT Trustees, together with certificates representing the MPIIT Units to be redeemed. Upon receipt by MPIIT of the notice to redeem MPIIT Units, the holder of MPIIT Units tendered for redemption will thereafter cease to have any rights with respect to such MPIIT Units other than the right to receive the redemption price for such MPIIT Units. The redemption price for each MPIIT Unit tendered for redemption is calculated in accordance with the terms of the MPIIT Declaration of Trust and is based on: (a) the cash redemption price per Unit; (b) the aggregate number of Units outstanding; (c) the aggregate unpaid principal amount and accrued interest thereon of indebtedness of MPIIT to the Fund (including the MPIIT Notes) and the fair market value of any other assets or investments held by the Fund (other than MPIIT Units); (d) the aggregate unpaid liabilities of the Fund; and (e) the aggregate number of MPIIT Units outstanding held by the Fund.

The aggregate redemption price payable by MPIIT in respect of any MPIIT Units tendered for redemption by the holders thereof during any month will be satisfied, at the option of MPIIT Trustees, (i) in immediately available funds by cheque; (ii) by the issuance of such aggregate amount of a series of MPIIT Notes as is equal to the aggregate redemption price payable to such holder of MPIIT Units rounded down to the nearest $100, with the balance paid in immediately available funds by cheque; or (iii) by any combination of funds and such aggregate amount of a series of MPIIT Notes as the MPIIT Trustees shall determine in their discretion.

MPIIT'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 MPIIT, any cash redemptions or repurchases of MPIIT Units or MPIIT Notes, and any tax liability. Such distributions are intended to be received by the Fund prior to its related cash distribution to Unitholders.

CPOT

CPOT Trust Indenture

CPOT is an unincorporated, open-ended, limited purpose trust established under the laws of the Province of Ontario pursuant to a trust indenture made as of October 31, 2001, as amended and restated as of May 9, 2005 and as further amended and restated as of June 26, 2007 (the "CPOT Trust Indenture"). CPOT's activities are restricted to the conduct of the business of, and the ownership, operation and lease of assets and property in connection with, the generation, transmission, distribution and purchase and sale of electricity, having investments and other direct or indirect rights in companies or other entities involved in the business of the generation, transmission, distribution, purchase and sale of electricity, and engaging in all activities ancillary or incidental thereto.

The CPOT Trust Indenture contains provisions substantially similar to those of the MPIIT Declaration of Trust. The principal differences between the CPOT Trust Indenture and the MPIIT Declaration of Trust are those described below. The description below is a summary only of certain provisions of the CPOT Trust Indenture, which summary does not purport to be complete and is subject to and qualified in its entirety by the full text of the CPOT Trust Indenture. Reference should be made to the CPOT Trust Indenture for the full text of its provisions (see "Material Contracts").

The Fund is the sole holder of all of the outstanding units of CPOT (the "CPOT Units"). As long as the Fund is a reporting issuer (or equivalent) in any jurisdiction in Canada, a majority of the CPOT Trustees must be independent of CPOT (a "CPOT Independent Trustee"), as determined in accordance with NI 52-110. During the term of the CPOT Management Agreement, the Manager is entitled to appoint two CPOT Trustees and to remove such CPOT Trustees provided that at the time of such appointment there are at least five CPOT Trustees, failing which the Manager is entitled to appoint one CPOT Trustee. The remaining CPOT Trustees will be appointed by the CPOT Unitholder at annual or special meetings of the CPOT Unitholder. The CPOT Trustees appointed by the CPOT Unitholder must be CPOT Independent Trustees. There are six CPOT Trustees, five of whom are the same individuals who serve as the Trustees with Mr. Michael Bernstein, the President and Chief Executive Officer of the Fund, serving as the sixth CPOT Trustee.

CPOT Units are redeemable at any time on demand by the holders thereof upon delivery to CPOT of a duly completed and properly executed notice requiring CPOT to redeem CPOT Units, in a form reasonably acceptable to the CPOT Trustees, together with certificates representing the CPOT Units to be redeemed. Upon receipt by CPOT of the notice to redeem CPOT Units, the holder of CPOT Units tendered for redemption will thereafter cease to have any rights with respect to such CPOT Units other than the right to receive the redemption price for such CPOT Units. The redemption price for each CPOT Unit tendered for redemption is calculated in accordance with the terms of the CPOT Trust Indenture and is based on: (a) the cash redemption price per Unit; (b) the aggregate number of Units outstanding; (c) the aggregate unpaid principal amount and accrued interest thereon of indebtedness of CPOT to the Fund (including CPOT Notes) and the fair market value of any other assets or investments held by the Fund (other than CPOT Units); (d) the aggregate unpaid liabilities of the Fund; and (e) the aggregate number of CPOT Units outstanding held by the Fund.

The aggregate redemption price payable by CPOT in respect of any CPOT Units tendered for redemption by the holders thereof during any month will be satisfied, at the option of CPOT Trustees, (i) in immediately available funds by cheque; (ii) by the issuance of such aggregate amount of a series of CPOT Notes as is equal to the aggregate redemption price payable to such holder of CPOT Units rounded down to the nearest $100, with the balance paid in immediately available funds by cheque; or (iii) by any combination of funds and such aggregate amount of a series of CPOT Notes as the CPOT Trustees shall determine in their discretion.

CPOT may call for redemption at any time all or any part of the outstanding CPOT Units other than CPOT Units registered in the name of the Fund.

CPOT'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, plus any amounts transferred from CPOT's reserve account, and less any estimated cash amounts required for expenses and other obligations of CPOT, any amounts determined by the CPOT Trustees to be required for foreseeable capital expenditures, any cash redemptions or repurchases of CPOT Units or CPOT Notes, any tax liability, and subject to reasonable adjustment by the CPOT Trustees for the levelization of monthly distributions throughout the year. Such distributions are intended to be received by the Fund prior to its related cash distribution to Unitholders.

MANAGEMENT OF THE FUND

Trustees

The Fund Declaration of Trust provides that the Fund must have a minimum of four and a maximum of 10 Trustees, as determined from time to time by the Trustees. Presently, the Fund has five Trustees. Each of the Trustees, other than the Trustee appointed by the Manager in accordance with the Administration Agreement, is "independent" (as such term is defined under NI 52-110) and is to be elected by Unitholders. During the term of the Administration Agreement, the Manager is entitled to appoint one Trustee. The term of office of any Trustee continues until: (a) the next annual meeting of Unitholders following his or her election or appointment; (b) 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 (c) his or her term of office is terminated for any other reason in accordance with the Fund Declaration of Trust and, in the case of the Trustee appointed by the Manager, the Administration Agreement. Mr.

V. James Sardo was appointed to the Board of Trustees effective November 4, 2009 and will be nominated for election by Unitholders at the next Unitholders' meeting.

Subject to the terms and conditions of the Fund Declaration of Trust, the Trustees have full, absolute and exclusive power, control and authority over the assets 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 they are to supervise the investments and conduct the affairs of the Fund. 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 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 NI 52-110). The members of such committees are indicated below.

The name, province or state and country of residence, and principal occupation for the last five years for each Trustee are as follows:

Name, Jurisdiction of Residence and Date elected Trustee	Principal Occupation and Employment
Derek Brown (1)(2)(3) .... Ontario, Canada Trustee since March 15, 2004	Derek Brown is a corporate director and currently sits on the boards of SNP Split Corp. and Sixty Split Corp. Mr. Brown is also a member of the finance committee of the Canadian Opera Foundation. From 1996 to 2005, Mr. Brown was a 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 earned a Bachelor of Commerce and Bachelor of Laws degree from Dalhousie University as well as a Doctor of Laws. He is also a Chartered Business Valuator and was a Governor of the Canadian Institute of Chartered Business Valuators from 1998 to 2003. Mr. Brown was a director of DALSA Corporation from 2005 to 2010.
Patrick J. Lavelle (1)(2)(5) .... Ontario, Canada Trustee since April 15, 2004	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. Mr. Lavelle is also a director of the Ontario Financing Authority and a trustee of Retrocom Mid-Market Real Estate Investment Trust. Mr. Lavelle was the Chairman and Chief Executive Officer of Unique Broadband Systems Inc. (until 2002) and the Chairman of Specialty Foods Group Income Fund (until 2009). He previously held the position of Chairman of Export Development Canada from 1998 to 2001 and he served a three-year term as Chairman of the Board of the Business Development Bank of Canada commencing in 1994.
François R. Roy (1)(2)(4) .... Québec, Canada Trustee since March 15, 2004	François R. Roy is Vice-Principal (Administration and Finance) of McGill University. Mr. Roy is also a director or trustee (as applicable) and a member of the audit committees of SFK Pulp Fund, Transcontinental Inc. and the Caisse de dépôt et placement du Québec. Mr. Roy earned his Bachelor of Arts and Masters of Business Administration from the University of Toronto. Mr. Roy was a director of Pixman Nomadic Media Inc. from 2006 to 2009. Mr. Roy was the Chief Financial Officer of Telemedia Corporation between 2000 and 2003.

V. James Sardo[(1)(2)] .... Ontario, Canada Trustee since November 4, 2009	V. James Sardo is a corporate director with significant operational and corporate governance expertise. He is currently a director of New Flyer Industries Inc. (since 2005) and Northstar Healthcare Inc. (since 2008). Mr. Sardo earned his Bachelor of Arts at the University of Western Ontario and his Masters of Business Administration at McMaster University. Mr. Sardo was a director of Hydrogenics Corporation from 2003 to 2009, SonnenEnergy Corp from 2008 to 2009 and Royal Group Technologies Limited from 2003 to 2006 (serving as its interim Chief Executive Officer from 2004 to 2005). Mr. Sardo was also a trustee of Countryside Power Income Fund and its Chairman (from 2004 to 2007), UE Waterheater Income Fund (from 2003 to 2007), and Custom Direct Income Fund (from 2003 to 2007). Prior to these appointments, Mr. Sardo was President of the Canadian Operations of Moore Corporation Limited, a business forms and communications company, from 1999 to 2001 and President and CEO of SMK Speedy International Inc., an international automotive repair company, from 1997 to 1999. Prior to 1997, Mr. Sardo was Chief Executive Officer of Amre Inc., a Dallas based marketer of home improvement products, from 1994 to 1995 and Chief Executive Officer of SNE Inc., a manufacturer and marketer of windows and doors, from 1991 to 1994. Previously, he was Chairman and Chief Executive Officer of Firestone Canada Inc. Mr. Sardo is a member of the Institute of Corporate Directors and holds the ICD.D designation.
Stephen Mentzines [(6)] .... New York, USA Trustee since November 1, 2007	Stephen Mentzines is a senior managing director of the Macquarie group and head of Macquarie Capital Funds – North America. He is a key member of the senior management team of Macquarie Capital Funds which, as at December 31, 2009, managed approximately $43 billion of equity under management globally. Mr. Mentzines has previously worked within the Macquarie group as the global Chief Operating Officer of Macquarie Capital Funds, joint Chief Financial Officer/Chief Operating Officer of Macquarie Capital Funds' largest listed fund, Macquarie Infrastructure Group, and had primary responsibility for the launch and early development of Macquarie Capital Funds' activities in the Middle East. Prior to joining the Macquarie group in 1998, Mr. Mentzines worked at Westpac Banking Corporation for eight years as Chief Financial Officer of several operating divisions, including the international and institutional banking group, and worked for KPMG LLP both in Sydney and London in the 1980s. He graduated with a Bachelor in Economics degree from the University of Sydney and is a member of the Institute of Chartered Accountants in Australia. Mr. Mentzines is also the Alternate Chairman of Macquarie Infrastructure Company, which is listed on the New York Stock Exchange.

Notes:

(1) Member of the Audit Committee of the Board.
(2) Member of the Governance Committee of the Board.
(3) Chairman of the Board.
(4) Chairman of the Audit Committee of the Board.
(5) Chairman of the Governance Committee of the Board.
(6) Appointed by the Manager pursuant to the Administration Agreement.

Executive Officers

The name, province or state and country of residence, and principal occupation for the last five years for each executive officer of the Fund as at March 25, 2010 are as follows:

Name and Jurisdiction of Residence	Fund Office	Principal Occupation and Employment
Michael Bernstein Ontario, Canada	President and Chief Executive Officer	Senior Managing Director of MGL and President of Macquarie Capital Funds Canada Ltd. (1)
Michael Smerdon Ontario, Canada	Vice President, Chief Financial Officer and Secretary	Managing Director of Macquarie Capital Funds Canada Ltd. (2)
Stuart M. Miller Ontario, Canada	Vice President and General Counsel	Senior Vice President and General Counsel of Macquarie Capital Funds Canada Ltd. (3)
Sarah Borg-Olivier Ontario, Canada	Vice President, Investor Relations	Senior Manager of Macquarie Capital Funds Canada Ltd. (4)

Notes:

(1) Mr. Bernstein was appointed President and Chief Executive Officer of the Fund effective July 6, 2009, after serving as the Fund's President and Chief Executive Officer on an interim basis since April 15, 2009. From 2005 to 2009, Mr. Bernstein served as head of the infrastructure and utilities advisory practice for Macquarie Capital Markets Canada Ltd. Previously, Mr. Bernstein was a senior member of the Power & Utilities Group at CIBC World Markets, where he worked for nine years.

(2) Mr. Smerdon was appointed Vice President and Chief Financial Officer of the Fund effective August 14, 2009. Mr. Smerdon joined MGL in 1998. From 1998 to 2002, he served with Macquarie's infrastructure advisory group. Most recently, Mr. Smerdon served as a key member of the senior management team of New York-based Macquarie Infrastructure Partners Inc.

(3) Mr. Miller joined Macquarie Capital Funds division in November 2006 and was appointed Vice President and General Counsel of the Fund in February 2007. Previously, Mr. Miller was the Executive Director, Corporate Services and Compliance and Corporate Secretary of Fairmont Hotels & Resorts Inc. and Senior Legal Counsel and Secretary of Legacy Hotels Real Estate Investment Trust since June 2005. Prior to June 2005, Mr. Miller was a partner with McCarthy Tétrault LLP, a Canadian law firm.

(4) Ms. Borg-Olivier joined Macquarie Capital Funds division in September 2006 and was appointed Vice President, Investor Relations of the Fund effective May 6, 2008. Previously, Ms. Borg-Olivier was Director of Communications of PreMD Inc. since 2004.

As at March 25, 2010, the Trustees and the executive officers of the Fund as a group own, directly or indirectly, or exercise control or direction over 105,759 Units, representing less than 1% of the outstanding number of Units, and no other voting securities of the Fund or any subsidiary thereof.

To the knowledge of the Fund, no Trustee or executive officer of the Fund (or a personal holding company of such person) (A) is or has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; (B) is or has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision; (C) is or has been in the last 10 years, a director, trustee, chief executive officer or chief financial officer of any company that (i) was subject to a cease trade order or similar order or an order that denied the issuer access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued while the person was acting in the capacity as director, trustee, chief executive officer or chief financial officer or (ii) was subject to a cease trade order or similar order or an order that denied the issuer access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued after the person ceased to be a director, trustee, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, trustee, chief executive officer or chief financial officer; (D) is or has been in the last 10 years, a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (E) has in the last 10 years become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold such person's assets, except for the following:

> Mr. Roy ceased to be a director of Komunik Corporation on April 1, 2008. Komunik Corporation filed for protection under the *Companies' Creditors' Arrangement Act* (Canada) (the "CCAA") in the fall of 2008.
>
> Mr. Roy ceased to be a director of Pixman Nomadic Media Inc. on November 27, 2009. Between November 5, 2009 and February 17, 2010, the Alberta Securities Commission, British Columbia Securities Commission, the Ontario Securities Commission and the Autorité des marchés financiers issued cease trade orders in respect of Pixman Nomadic Media Inc. in connection with its failure to file annual audited financial statements for the year ended June, 30 2009 and interim unaudited financial statements for the interim period ended September 30, 2009, as well as related continuous disclosure documents. On February 2, 2010, Pixman Nomadic Media Inc. filed a notice of intention to make a proposal to creditors under the *Bankruptcy and Insolvency Act* (Canada).
>
> Mr. Lavelle was a director of Slater Steel Inc. when it filed for protection on June 2, 2003 under the CCAA in Canada and under Chapter 11 of the U.S. Bankruptcy Code and Mr. Lavelle was also a director of SR Telecom Inc., when it filed for protection under the CCAA on November 19, 2007, and Tahera Diamond Corporation, which filed for protection under the CCAA on January 16, 2008.
>
> Between April 3, 2006 and May 3, 2006, Mr. Sardo, who was then a director of Royal Group Technologies Limited, was prohibited from trading in securities of Royal Group Technologies Limited pursuant to a management cease trade order issued by the Ontario Securities Commission in connection with the delay in filing of certain of Royal Group Technologies Limited's financial statements.

Audit Committee Information

Charter of the Audit Committee

The text of the Charter of the Audit Committee of the Board of Trustees of the Fund (the "Audit Committee") is set out in Schedule "A" to this Annual Information Form.

Composition of the Audit Committee

The Audit Committee is composed of four Trustees, namely Derek Brown, Patrick Lavelle, V. James Sardo and François Roy (Chair). Each member of the Audit Committee is "independent" and "financially literate", each as defined under NI 52-110.

Relevant Education and Experience of the Audit Committee Members

The education and experience of each Audit Committee member that is relevant to the performance of his responsibilities as an member of the Audit Committee are set forth in their respective biographies above under the heading "– Trustees".

External Audit Fees

The following table outlines the fees billed to the Fund by PricewaterhouseCoopers LLP, the Fund's external auditors, for each of the Fund's last two fiscal years, categorized by audit fees, audit-related fees, tax fees, and all other fees and includes a description of the nature of services comprising such non-audit fees.

	January 1, 2008 - December 31, 2008	**January 1, 2009 - December 31, 2009**
Audit Fees	$311,791	$231,935
Audit-Related Fees[(1)]	$131,264	$315,384
Tax Fees[(2)]	$174,640	$278,069
All Other Fees[(3)]	$51,820	$34,650
Total	$669,515	$860,038

Notes:

(1) The Fund's audit-related fees include fees paid to the Fund's auditors for statutory audits, attestation services assistance with and review of documents filed with regulators, services provided in connection with the Fund's offering of the 2016 Debentures, as well as fees for French translation of financial statements and management's discussion and analysis in connection with the Fund's securities regulatory filings.
(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 include accounting related fees regarding conversion to International Financial Reporting Standards.

The Fund's Audit Committee has implemented a policy restricting the services that may be provided by the Fund's external auditors. Any service to be provided by the Fund's external auditors must be permitted by law and by the policy, and must be pre-approved by the Audit Committee pursuant to the policy. The policy provides for the annual pre-approval of specific types of services, and gives detailed guidance to management as to the specific services that are eligible for such annual pre-approval. All other services must also be specifically pre-approved by the Audit Committee as they arise throughout the year. In making its determination regarding services to be provided by the Fund's external auditors, the Audit Committee considers the compliance with the policy and the provision of services in the context of avoiding any impact on auditor independence. This includes considering applicable regulatory requirements and guidance and whether the provision of the services would place the auditors in a position to audit their own work, result in the auditors acting in the role of the Fund's management or place the auditors in an advocacy role on behalf of the Fund. Four times a year, the Fund's Vice President, Chief Financial Officer and Secretary makes a presentation to the Audit Committee detailing the services performed by the Fund's external auditors on a year-to-date basis and provides details of any proposed assignments for consideration by the Audit Committee and pre-approval, if appropriate.

The Audit Committee has determined that PricewaterhouseCoopers LLP's provision of non-audit services during the financial year ending December 31, 2009 was compatible with maintaining its independence.

Environmental and Social (including Occupational Health and Safety) Responsibility Management Policy

The Fund adopted an updated environmental and social responsibility management policy (the "ESRM Policy") in February 2007, which incorporates its occupational health and safety ("OH&S") policy. In general, the ESRM Policy aims to ensure compliance by the Fund with applicable laws and regulations relating to environmental and social responsibility matters. The Fund's ongoing environmental and social responsibilities are managed as follows:

- *Asset acquisition due diligence* – Where such information is available, environmental and social responsibilities are considered by the Fund during the due diligence process in its review and evaluation of possible acquisitions. The asset's environmental and OH&S risk management frameworks are reviewed as part of the broader risk management framework assessment. Where regulatory obligations exist, the Fund views such obligations as minimum standards for environmental and social responsibility management post-acquisition. The ESRM Policy outlines the key steps to be taken during the due diligence phase, including engaging an appropriate expert to identify issues and obligations relating to any investment.

- *Ongoing management* – Each asset owned by the Fund maintains its own environmental and OH&S risk management framework and support infrastructure to manage its obligations and risks. The Fund's ability to control or influence such a framework and infrastructure differs based on its level of ownership/control and the regulatory framework that governs environmental and OH&S risks. In general, the regulatory/governing framework and the minimum standards under which an asset operates is not controlled by the Fund or its assets. It is the Fund's policy to confirm compliance by its assets with such minimum standards. For each asset, Board reporting enables compliance with environmental and OH&S requirements to be monitored and issues to be identified and resolved on a timely basis.

- *Stakeholder reporting* – The ESRM 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 ESRM Policy and key responsibilities, and a statement on the regulatory compliance of the applicable assets during the reporting period.

Administration Agreement

The description below is a summary only of certain provisions of the Administration Agreement, which summary does not purport to be complete and is subject to and qualified in its entirety by the full text of the Administration Agreement. Reference should be made to the Administration Agreement for the full text of its provisions (see "Material Contracts").

The Manager, the Fund, and MPIIT have entered into the Administration Agreement pursuant to which the Manager has been appointed as administrative agent of the Fund and MPIIT, subject to the supervision of the Trustees and the MPIIT Trustees, as applicable. Under the Administration Agreement, the Manager provides or arranges for the provision of administrative services to the Fund and MPIIT, as applicable, including legal, investor relations, and financial accounting and administration services. In addition, under the Administration Agreement, the Manager assists in and supervises the analysis of potential acquisitions and dispositions and carries out or supervises the making of acquisitions, dispositions or investments, as agreed by the Manager and subject to the control and direction of the Trustees and the MPIIT Trustees, as applicable. In connection with the Administration Agreement, 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 each of the Fund and MPIIT. Such services are provided on an "as needed basis" and are not full time positions.

In consideration for providing the services under the Administration Agreement, the Manager receives: (i) an annual management fee equal to $100,000, subject to adjustment for inflation; and (ii) payments representing cost reimbursement (except for compensation payable by the Manager to the persons whose services may be supplied to act as the President and Chief Executive Officer and the Vice President, Chief Financial Officer and Secretary of the Fund and MPIIT). In the event that the Fund or MPIIT were to acquire assets other than through Cardinal LP or another entity for which the Manager is appointed manager, the annual fee will be increased by an amount agreed to by the Fund or MPIIT, as applicable, and the Manager, as approved by the Trustees and the MPIIT Trustees, as applicable, 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 Manager earned a management fee under the Administration Agreement in the amount of $109,507 for the year ended December 31, 2009. Total costs incurred by the Manager in the amount of $2,921,695 were recoverable for the same period pursuant to the Administration Agreement, the Cardinal LP Management Agreement, the LTC Holding LP Management Agreement and the CPOT Management Agreement (each described below). All cost recovery was on an "as incurred" basis without any margin or profit component.

Under 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 MPIIT Trustees, as applicable, and/or, in certain circumstances, the approval of a majority of the Trustees or the MPIIT Trustees, as applicable, independent of the Manager. Included among such material actions are the Manager, on behalf of the Fund or MPIIT, entering into any transaction with the Manager or an affiliate of the Manager and amending the terms of the Administration Agreement or the fees payable thereunder.

The Administration Agreement has an initial 20-year term ending on April 30, 2024 and will be automatically renewed for additional five-year terms unless terminated in accordance with its terms. In addition to standard termination provisions, the Administration Agreement provides that the Manager may also terminate at will upon 90 days' prior written notice. The Fund and MPIIT may terminate the Administration Agreement upon: (i) 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. ("MNAL"), 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 and MPIIT, which consent may not be unreasonably withheld; (ii) the termination of all outstanding management agreements between the Manager or its affiliates, Cardinal LP and any other subsidiaries of the Fund or MPIIT; or (iii) 90 days' prior written notice if the lease for the Cardinal Facility expires and a subsidiary of the Fund no longer operates the Cardinal Facility and the Cardinal Facility then represents all or substantially all of the assets of the Fund.

Cardinal LP Management Agreement

The description below is a summary only of certain provisions of the Cardinal LP Management Agreement, which summary does not purport to be complete and is subject to and qualified in its entirety by the full text of the Cardinal LP Management Agreement. Reference should be made to the Cardinal LP Management Agreement for the full text of its provisions (see "Material Contracts").

The Manager, the Fund, MPIIT and Cardinal LP have entered into the Cardinal LP Management Agreement pursuant to which the Manager has been engaged to provide or cause to be provided certain management services to Cardinal LP for the Cardinal Facility, as well as any facilities that may be acquired directly or indirectly by Cardinal LP in the future, including overseeing operations and maintenance of the Cardinal Facility, human resources, legal, and financial accounting and administration. In addition, under the Cardinal LP Management Agreement, the Manager assists in and supervises the analysis of potential acquisitions and dispositions and carries out or supervises the making of acquisitions, dispositions or investments, as agreed by the Manager and subject to the control and direction of the board of directors of Cardinal GP. In connection with the Cardinal LP Management Agreement, 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 Cardinal GP. Such services are provided on an "as needed basis" and are not full time positions. The obligations of Cardinal LP under the Cardinal LP Management Agreement are guaranteed by the Fund and MPIIT.

In consideration for providing the services under the Cardinal LP Management Agreement, the Manager receives: (i) an annual management fee equal to $575,000, subject to adjustment for inflation and future acquisitions; (ii) payments representing cost reimbursement (except for compensation payable by the Manager to the persons whose services may be supplied to act as the President and Chief Executive Officer and the Vice President, Chief Financial Officer and Secretary of Cardinal GP); and (iii) an incentive fee based on Distributable Cash per Unit. The Manager earned a management fee in the amount of $629,665 and an incentive fee of $404,247 for the year ended December 31, 2009 under the Cardinal LP Management Agreement. See "– Administration Agreement" for information regarding cost reimbursement.

Under the Cardinal LP Management Agreement, a number of material actions may not be authorized by the Manager without first obtaining the approval of a majority of the directors of Cardinal GP and/or, in certain circumstances, the approval of a majority of the directors of Cardinal GP independent of the Manager. Included among such material actions are the Manager, on behalf of Cardinal GP, entering into any transaction with the Manager or an affiliate of the Manager and amending the terms of the Cardinal LP Management Agreement or the fees payable thereunder. There are six directors of Cardinal GP, five of whom are the same individuals who serve as Trustees, with Mr. Michael Bernstein serving as the sixth director.

The Cardinal LP Management Agreement has an initial 20-year term ending on April 30, 2024 and will be automatically renewed for additional five-year terms unless terminated in accordance with its terms. In addition to standard termination provisions, the Cardinal LP Management Agreement provides that the Manager may also terminate at will upon 90 days' prior written notice. Cardinal LP may terminate the Cardinal LP Management Agreement upon 90 days' prior written notice: (i) should the Manager cease to be a wholly-owned subsidiary of at least one of Macquarie Bank Limited, MNAL, Macquarie North America Holdings Ltd. or Macquarie Canada Holdings Ltd. at any time during the term of the Cardinal LP Management Agreement without the prior written consent of Cardinal LP, which consent may not be unreasonably withheld; or (ii) if the lease for the Cardinal Facility expires and a subsidiary of the Fund no longer operates the Cardinal Facility and the Cardinal Facility then represents all or substantially all of the assets of the Fund.

LTC Holding LP Management Agreement

The LTC Holding LP Management Agreement was terminated on March 23, 2010 in connection with the closing of the LSCC IPO.

The LTC Holding LP Management Agreement contained provisions substantially similar to those of the Cardinal LP Management Agreement. The principal differences between the LTC Holding LP Management Agreement and the Cardinal LP Management Agreement were those described below. The description below is a summary only of certain provisions of the LTC Holding LP Management Agreement, which summary does not purport to be complete and is subject to and qualified in its entirety by the full text of the LTC Holding LP Management Agreement. Reference should be made to the LTC Holding LP Management Agreement for the full text of its provisions (see "Material Contracts").

The Manager, the Fund, MPIIT and LTC Holding LP entered into the LTC Holding LP Management Agreement pursuant to which the Manager was engaged to provide or cause to be provided certain management services to LTC Holding LP in respect of its investment in MLTCLP, as well as any other investments that may be acquired directly or indirectly by LTC Holding LP in the future. The LTC Holding LP Management Agreement had an initial term ending on April 30, 2024 and could be automatically renewed for additional five-year terms unless terminated in accordance with its terms.

In consideration for providing the services under the LTC Holding LP Management Agreement, the Manager received: (i) an annual management fee equal to $450,000, subject to adjustment for inflation and future acquisitions; (ii) payments representing cost reimbursement (except for compensation payable by the Manager to the persons whose services may be supplied to act as the President and Chief Executive Officer and the Vice President, Chief Financial Officer, and Secretary of LTC Holding GP); and (iii) an incentive fee based on Distributable Cash per Unit. The Manager earned a management fee in the amount of $483,356 and an incentive fee of $125,339 for the year ended December 31, 2009 under the LTC Holding LP Management Agreement. See "– Administration Agreement" for information regarding cost reimbursement.

CPOT Management Agreement

The CPOT Management Agreement contains provisions substantially similar to those of the Cardinal LP Management Agreement. The principal differences between the CPOT Management Agreement and the Cardinal LP Management Agreement are those described below. The description below is a summary only of certain provisions of the CPOT Management Agreement, which summary does not purport to be complete and is subject to and qualified in its entirety by the full text of the CPOT Management Agreement. Reference should be made to the CPOT Management Agreement for the full text of its provisions (see "Material Contracts").

The Manager, the Fund, CPOT and CPIF have entered into the CPOT Management Agreement pursuant to which the Manager has been engaged to provide or cause to be provided certain management services to CPIF and CPOT in respect of the Erie Shores Wind Farm, the Biomass Facilities and the Waterpower Facilities as well as any other investments that may be acquired directly or indirectly by CPOT in the future. In consideration for providing the services to CPOT under the CPOT Management Agreement the Manager receives: (i) an annual management fee equal to $650,000, subject to adjustment for inflation and future acquisitions; and (ii) an incentive fee based on the per Unit aggregate amount of cash flows from operating activities and all cash from equity and debt investments of the Fund and its direct and indirect wholly-owned subsidiary entities on a consolidated basis less amounts used for the establishment and maintenance of reasonable reserves. Further, in respect of services provided to each of CPOT and CPIF, the Manager receives payments representing cost reimbursement (except for compensation payable by the Manager to the persons whose services may be supplied to act as the President and Chief Executive Officer and the Vice President, Chief Financial Officer and Secretary of CPOT or CPIF). Notwithstanding the foregoing, for the services provided by the Manager to CPIF, the Fund will pay an amount that is to be agreed upon between the Manager and CPIF and that is to be approved by the trustee of CPIF in accordance with the terms set out in the CPOT Management Agreement. The Manager earned a management fee in the amount of $671,389 and an incentive fee of $207,642 for the year ended December 31, 2009 under the CPOT Management Agreement. See "– Administration Agreement" for information regarding cost reimbursement.

The CPOT Management Agreement has an initial term ending on April 30, 2024 and which may be renewed at the option of the Manager for two additional five-year terms. The CPOT Management Agreement will automatically terminate with respect to CPIF upon the wind-up of CPIF. Also, each of CPOT or CPIF, with respect to itself, may terminate the CPOT Management Agreement upon 90 days' prior written notice: (i) should the Manager cease to be a wholly-owned subsidiary or affiliate of at least one of Macquarie Bank Limited, MGL, Macquarie Corporate Finance Limited, Macquarie Corporate Finance Holdings Pty Ltd., MNAL or Macquarie Canada Holdings Ltd. at any time during the term of the CPOT Management Agreement without the prior written consent of CPOT, which consent may not be unreasonably withheld; or (ii) if CPOT sells all or substantially all of its assets.

Non-Exclusivity and Rights of First Offer

Pursuant to the terms of the Administration Agreement and the Management Agreements, 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, MPIIT, Cardinal LP or CPOT, as applicable.

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. Notwithstanding the foregoing and subject to certain exceptions (including those described below), the Manager and its Canadian Affiliates are prohibited from acquiring, as principal, an interest in operating power generating facilities in Canada or the U.S. when such investments would meet the Fund Acquisition and Investment Guidelines, unless such interest has first been offered to the Fund on the terms available to the Manager or the Fund has otherwise been given the opportunity to pursue such investment, subject to the terms of the Administration Agreement and the Management Agreements, as applicable. 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, as applicable, Macquarie Essential Assets Partnership ("MEAP").

Affiliates of the Manager currently act as the manager of 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. Each of the Administration Agreement and the Cardinal LP Management 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. In addition, the other Management Agreements contain similar protocols to address potential conflicts of interest which may arise as a result of the management of existing and future infrastructure investment vehicles by the Manager's Affiliates. However, 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.

Subject to certain exceptions contained in the Administration Agreement, 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 or the U.S. that meets the Fund's investment criteria 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. However, 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. The Manager believes that it is unlikely that an investment opportunity will arise in relation to an operating power generation facility located in Canada or the U.S. that will meet the acquisition and investment guidelines of both MEAP and the Fund. The foregoing right of first offer does 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 also not, during the term of the Management Agreements 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 or long term care homes in Canada.

CONFLICTS OF INTEREST

Certain conflicts of interest could arise as a result of the relationships among the Manager, the Fund, MPIIT, Cardinal GP, Cardinal LP and CPOT. The Fund, MPIIT, Cardinal GP and CPOT are dependent upon the Manager, through the Administration Agreement and the Management Agreements, for management and administrative services relating to the Fund, MPIIT, Cardinal LP's business and CPOT's business. The officers of the Fund are also officers of the Manager. The directors and officers of the Manager have a fiduciary duty to manage the Manager in the best interests of the Manager, subject to the terms of the Administration Agreement and the Management Agreements. The Administration Agreement and the Management Agreements provide that a number of material actions may not be authorized by the Manager without first obtaining the approval of a majority of the trustees or directors of the Fund, MPIIT, Cardinal GP or CPOT, as applicable, and/or, in certain circumstances, the approval of a majority of the trustees or directors of the applicable entity independent of the Manager. See "Management of the Fund – Administration Agreement", "Management of the Fund – Cardinal LP Management Agreement", "Management of the Fund – CPOT Management Agreement", and "Management of the Fund – Non-Exclusivity and Rights of First Offer".

As at the date of this Annual Information Form, the Fund is not aware of any conflict of interest in any transaction since the creation of the Fund or in any proposed transaction that has materially affected or will materially affect the Fund.

RISK FACTORS

The Fund, its subsidiaries and the facilities in which they have invested face a number of risks and uncertainties, including the risk factors set out below that could have an adverse impact on their businesses, operating results and financial condition, which could, in turn, adversely affect the Fund's ability to pay distributions to Unitholders. The Fund attempts to mitigate the risks and uncertainties that may affect its performance through a process of identifying, assessing, reporting and managing risks of significance. 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, including the Fund's management's discussion and analysis for the year ended December 31, 2009. Holders of CVRs should refer to "Description of the Fund – Contingency Value Receipts" for information regarding risk factors relating to the CVRs.

Operational Performance

The Fund's revenue is proportional to the amount of electrical energy generated by the Power Infrastructure Facilities. The Power Infrastructure Facilities are subject to risks related to premature wear or failure, defects in design, material or workmanship and longer than anticipated down times for maintenance and repair. These risks are partially mitigated by the proven nature of the technologies employed at each facility, regular maintenance and the design of each facility.

The operational performance of the Erie Shores Wind Farm and the Waterpower Facilities are dependent upon wind speed and density and water flows, respectively. This risk is partially offset by the geographic diversification of the Waterpower Facilities in the three different watersheds.

Any of these circumstances could have an adverse impact upon the business, operating results, and financial condition of one or more of the Power Infrastructure Facilities, which could, in turn, adversely affect the Fund's results and its ability to pay distributions on the Units.

Power Purchase Agreements

Most of the electricity that is generated by the Power Infrastructure Facilities is sold to large utilities or creditworthy customers under long-term PPAs, which provide a specified rate for a defined period of time. Additionally, certain excess power generated by certain of the facilities may be sold in the open market. As a result, distributions to Unitholders depend, in part, upon prices paid for energy sold in the open market.

As PPAs expire, there can be no assurance that the Power Infrastructure Facilities will be able to renegotiate or enter into power supply contracts on terms that are commercially reasonable, if at all. If the Power Infrastructure Facilities choose to sell the power they produce on the open market, there can be no assurance that the market price they will receive for the electricity so offered will exceed the marginal cost of operations.

Fuel Costs and Supply

The supply of natural gas required by the Cardinal Facility is contracted under the Cardinal GPA, which expires on May 1, 2015. The Whitecourt Facility and Chapais Facility each have long-term contracts with substantial forest products companies to supply a majority of their respective wood waste fuel requirements (see "Narrative Description of the Business – Whitecourt Facility – Wood Waste Supply Arrangements" and "Narrative Description of the Business – Chapais Facility – Wood Waste Supply Arrangements", respectively). Upon the expiry of each of these supply agreements, the Fund will have to renegotiate the agreement or enter into a new supply agreement. There can be no assurance that such agreements will be able to be renegotiated, or new supply agreements be entered into, on terms that are similar to the existing agreements, if at all. Furthermore, there can be no assurance as to the supply or price of gas or wood waste available on the open market or at the time of the expiry of the supply agreements. If, at the time of the expiry of a particular supply agreements, the price of natural gas or wood waste, as applicable, available to the relevant facility is in excess of the price available under the current supply arrangements, this could have an adverse impact upon the business, operating results and financial condition of such facilities, which could, in turn, adversely affect the Fund's results and the Fund's ability to pay distributions on its Units.

Furthermore, each of these facilities is also dependent on the supply of fuel to it. Any interruption in the supply of fuel (as a result of transportation or otherwise) or increases in fuel transportation costs, which is regulated by the Natural Energy Board in the case of natural gas, may result in a significant reduction in Distributable Cash. In the case of the Chapais Facility, certain suppliers of wood waste fuel have reduced the amount of wood waste supplied and the facility has had to purchase replacement wood waste from other sources at spot prices. There can be no assurance as to the continued supply or the price of such fuel on the open market. Any increase in prices or shortages in availability of wood waste fuel currently purchased by the Biomass Facilities on the open market may also result in significant reduction in Distributable Cash.

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

The Fund's wind and water power facilities have no fuel costs but rely on the availability and constancy of wind and water resources, which could vary due to abnormal weather conditions. The Erie Shores Wind Farm may be affected by abnormal weather conditions or changing wind patterns. Similarly, the Waterpower Facilities may be significantly affected by hydrological conditions, such as low and high water flows within the watersheds on which the facilities are located.

Contract Performance

The amount of Distributable Cash available for distribution to Unitholders is highly dependent upon the parties to the various agreements relating to the Power Infrastructure Facilities fulfilling their contractual obligations, particularly OEFC under various PPAs, Husky Marketing under the Cardinal GPA and Millar Western under its wood waste supply agreement for the Whitecourt Facility. An inability or failure by any such party to meet its contractual commitments could have an adverse impact upon the business, operating results and financial condition of one or more of the Power Infrastructure Facilities, which could, in turn, adversely affect the Fund's results and the Fund's ability to pay distributions on its Units.

Default under Credit Agreements

The Fund and its subsidiaries have the following credit agreements in place relating to the Power Infrastructure Facilities: the Fund Credit Agreement (which expires in June 2012) and the Erie Shores Credit Agreement (which expires in 2026). These credit agreements contain a number of customary financial and other covenants. A failure by Cardinal LP, CPOT or ESWFLP to comply with their obligations under these credit agreements could result in a default, which, if not cured or waived, could result in the termination of distributions by the applicable facilities and permit acceleration of the relevant indebtedness. If the indebtedness under the credit agreements were to be accelerated, there could be no assurance that the assets of Cardinal LP, CPOT or ESWFLP, or the applicable guarantors, would be sufficient to repay that indebtedness in full. There can be no assurance that Cardinal LP, CPOT or ESWFLP 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 these credit agreements or obtain additional financing on commercially reasonable terms, if at all. Borrowings under the Fund Credit Agreement may be at variable rates of interest, which exposes the Fund to the risk of increased interest rates. This factor may increase the sensitivity of Distributable Cash to interest rate variations.

Land Tenure and Related Rights

The Power Infrastructure Facilities have various land tenure and resource access rights upon which they depend for their operation. There can be no assurance that these rights will not be challenged, and, if challenged, whether such challenge will be successful. Furthermore, there can be no assurance that such rights will be able to be renegotiated or extended on commercially reasonable terms, if at all. At such time as any of these rights are successfully challenged or expire and cannot be renewed or renegotiated upon acceptable terms, the affected Power Infrastructure Facility will likely be unable to continue to operate. In addition, in these circumstances there can be no assurance that the Fund or its subsidiaries will have the necessary financial resources or will be able to obtain the necessary financial resources to fund or cause to be funded any required restoration and remediation works.

Regulatory Regime and Permits

The performance of the Power Infrastructure Facilities in part depends on a favourable regulatory climate. Should the regulatory regime in an applicable jurisdiction be modified in a manner which adversely affects one or more of the Power Infrastructure Facilities, including increases in taxes and permit fees, the Fund's ability to pay distributions on its Units could be adversely affected. The failure to obtain all necessary approvals, licences or permits, including renewals or modifications, could adversely affect the ability of the Power Infrastructure Facilities to operate. The failure to operate the Power Infrastructure Facilities in strict compliance with applicable regulations and standards may expose owners or operators of the Power Infrastructure Facilities to claims, costs or possible enforcement actions. Any new law or regulation could require significant additional expenditures to achieve or maintain compliance. The Waterpower Facilities are highly regulated as water rights are generally owned by governments and government agencies reserve the right to control water levels. The Cardinal Facility and the Biomass Facilities are subject to government regulations, including environmental regulations and/or approvals relating to the operations, wood waste fuel supply and wood ash disposal and handling, as applicable. The Erie Shores Wind Farm is highly regulated, including regulations and/or approvals relating to birds, mammals and other animals, and to noise. Government regulations and incentives currently have a favourable impact on wind facilities in Canada. Should the current governmental incentives be modified, the Erie Shores Wind Farm may be adversely affected.

Force Majeure

The occurrence of a significant event which disrupts the ability of the Power Infrastructure Facilities to produce or sell power for an extended period, including events which preclude existing customers from purchasing power, could have a material negative impact on Distributable Cash. A significant portion of the events giving rise to *force majeure* are mitigated by the Fund's contractual arrangements, diversified asset base and applicable insurance programs.

Changes in Federal Tax Rules for Flow-Through Entities

SIFT Rules

On October 31, 2006, the Federal Department of Finance announced a Tax Fairness Plan which, in part, proposed changes to the manner in which certain specified investment flow-through entities ("SIFTs"), which include certain publicly-listed Canadian income funds (such as the Fund), and the distributions from SIFTs are taxed under the Tax Act. On June 22, 2007, Bill C-52 which contained such proposals became law (the "SIFT Rules"). In general, the SIFT Rules apply a trust level tax on certain income earned and distributed by a SIFT trust (as defined for purposes of the SIFT Rules), and also treat distributions received by investors from such entities as dividends eligible for the enhanced gross-up and dividend tax credit rules.

The Fund is a SIFT trust (as defined by the SIFT Rules) and, as a result, both the Fund and its Unitholders will be subject to the SIFT Rules

There is a four-year transition period for an income trust (such as the Fund) that would have been a SIFT trust on October 31, 2006 had the SIFT Rules been in effect on that date and the SIFT Rules generally will not apply until 2011; however, if such SIFT trust issues new equity resulting in undue expansion in excess of the safe harbour limits (described below) allowed by guidelines (the "Guidelines") issued by the Federal Department of Finance on December 15, 2006, as revised, the SIFT Rules will begin to apply to the SIFT trust for its taxation year that includes that time. The Guidelines provide that the SIFT Rules will not apply prior to 2011 in respect of any SIFT that would otherwise have qualified for deferral whose equity capital grows as a result of issuances of new equity (which includes trust units, debt that is convertible into trust units and potentially other substitutes for such equity) in any year prior to 2011 by an amount that does not exceed the greater of $50 million and an objective "safe harbour" amount based on a percentage of the SIFT's market capitalization as of the end of trading on October 31, 2006 (measured in terms of the value of a SIFT's issued and outstanding publicly-traded units, not including debt, options or other interests that were convertible into units of the SIFT). Prior to the revision of the Guidelines on December 4, 2008, the safe harbour percentages of the October 31, 2006 benchmark were 40% for the period from November 1, 2006 to the end of 2007 and 20% for each of 2008, 2009 and 2010. The safe harbour amounts are cumulative. Pursuant to that revision of the Guidelines, the safe harbour amount for each of 2009 and 2010 is accelerated so that new equity may be raised at any time before 2011 equal to the balance of the October 31, 2006 benchmark.

The Guidelines contain exceptions from the safe harbour limits for mergers of two or more SIFTs, each of which was publicly-traded on October 31, 2006 and state that these mergers would not be considered undue expansion, to the extent that there is no net addition to equity as a result of the merger. On June 26, 2007, the Fund completed the CPIF Acquisition (see "General Development of the Business"). Each of CPIF and the Fund would be considered to be a SIFT trust whose units were publicly-traded on October 31, 2006. The Guidelines also provide that the issuance of new equity by a SIFT will not be relevant for determining undue expansion to the extent that such issuance of equity is made in satisfaction of the exercise by another person or partnership of a right to exchange a partnership interest or share of a corporation, which right was in place on October 31, 2006. The Class B Exchangeable Units were outstanding on October 31, 2006.

The issuance of Units pursuant to the CPIF Acquisition would have resulted in the Fund exceeding its safe harbour limit if the exceptions described above did not apply. Based on discussions the Fund's external counsel had with an official of the Federal Department of Finance, the Fund is of the view that the CPIF Acquisition should not be viewed by the Federal Department of Finance as undue expansion for purposes of the SIFT Rules and that the SIFT Rules do not currently apply to the Fund. However, no assurance can be given that the issuance of the Units in connection with CPIF Acquisition would not be regarded as undue expansion with the result that the SIFT Rules would immediately apply to the Fund and Unitholders. If that were the case, the Fund would be subject to trust level tax on certain income earned and distributed by the Fund and certain distributions by the Fund would be required to be treated by Unitholders as dividends eligible for the enhanced gross-up and dividend tax credit rules, all with immediate effect.

Taking into account all issuances of equity and convertible securities (including the 2016 Debentures) since November 1, 2006, determined in accordance with the Guidelines, the Fund has not exceeded the safe harbour amounts.

The Fund anticipates that the SIFT Rules will, commencing on January 1, 2011, reduce the amount of cash available to the Fund to distribute to its Unitholders. A reduction in distributions as a result of the SIFT Rules could adversely affect the value of the Units. While the Fund intends to convert into a publicly-traded corporation pursuant to the Conversion Transaction, there can be no assurance that the Conversion Transaction will be effected or that the Fund will be able to otherwise reorganize its legal and tax structure to reduce the expected impact of the SIFT Rules. In addition, there can be no assurance that the Fund will not, other than as described above, lose its "grandfathered" status under the SIFT Rules (as provided for in the Guidelines) before 2011. Loss of grandfathered status could have a material and adverse effect on the value of the Units.

Furthermore, no assurance can be given that Canadian federal income tax law respecting the taxation of income trusts and other flow-through entities will not be further changed in a manner that adversely affects the Fund and its Unitholders.

Other Tax-Related Risks

On October 31, 2003, the Department of Finance announced a tax proposal (the "October 31 Proposal") relating to the deductibility of losses under the Tax Act which is proposed to apply to taxation years beginning after 2004. Under the October 31 Proposal, a taxpayer will be considered to have a loss from a business or property for a taxation year only if, in that year, it is reasonable to assume that the taxpayer will realize a cumulative profit from the business or property during the time that the taxpayer has carried on, or can reasonably be expected to carry on, the business or has held, or can reasonably be expected to hold, the property. Profit, for this purpose, does not include capital gains or capital losses. On February 23, 2005, the Minister of Finance announced that an alternative proposal to replace the October 31 Proposal would be released at an early opportunity. No such alternative proposal has been released to date. There can be no assurance that such alternative proposal will not directly or indirectly adversely affect the Fund with after-tax returns to Unitholders being reduced as a result.

The Tax Act currently provides that, in order for the Fund to qualify as a mutual fund trust, it may not, at any time, reasonably be considered to be established or maintained primarily for the benefit of non-resident persons unless, at all times, all or substantially all of the property is property other than "taxable Canadian property" within the meaning of the Tax Act. If certain tax proposals, released on September 16, 2004 (the "September 16 Proposals") are enacted as proposed, the Fund would cease to qualify as a mutual fund trust for purposes of the Tax Act if, at any time, the fair market value of all Units held by non-residents or partnerships which are not "Canadian partnerships" for the purpose of the Tax Act is more than 50% of the fair market value of all issued and outstanding Units, unless no more than 10% (based on fair market value) of the Fund's property is at any time taxable Canadian property and certain other types of specified property. These proposals did not provide for any means of rectifying the loss of mutual fund trust status. On December 6, 2004, the Minister of Finance suspended implementation of the September 16 Proposals pending further discussion with the private sector. Included in Bill C-52, which received Royal Assent on June 22, 2007, was an amendment to the then current provision such that a trust will be deemed not to be a mutual fund trust after any time when it can be reasonably considered that the trust was established or maintained primarily for the benefit of non-resident persons, unless at that time all or substantially all of its property is property other than taxable Canadian property. It is not clear whether this amendment supersedes the September 16 Proposals.

There can also be no assurance that income tax laws and the tax treatment of "mutual fund trusts" will not be changed in a manner which adversely affects Unitholders. In addition, adverse tax consequences may arise to Unitholders and to the Fund in the event that the Fund ceases to qualify as a "mutual fund trust" under the Tax Act, including potential liability for Part XII.2 taxes under the Tax Act.

Variability of Distributions

The actual amount of cash distributions to Unitholders will depend on numerous factors, including the financial performance of the Fund's investments, the ability to meet debt covenants and obligations, working capital requirements, future capital requirements and tax-related matters. As well, the establishment of reserves for expenses could adversely affect cash distributions. The market value of the Units may deteriorate if the Fund is unable to maintain its cash distribution levels in the future, and that deterioration may be material. See "Distributions".

Geographic Concentration and Non-Diversification

The Cardinal Facility, the Erie Shores Wind Farm, the Dryden Facility and the Wawatay Facility, which together contributed in 2009 in excess of 73% of the Distributable Cash generated by the Fund (with the Cardinal Facility contributing approximately 58% of the Distributable Cash generated by the Fund in 2009), are all located in the Province of Ontario. If the Ontario market was to generally experience a severe decline in financial performance as a result of changes in local or regional economic conditions or an adverse change to the regulatory environment in Ontario, the market value of the Cardinal Facility and the other Power Infrastructure Facilities located in Ontario, as applicable, the income generated from them and the overall financial performance of the Fund could be negatively affected.

Dependence on the Manager and Potential Conflicts of Interest

The Fund, MPIIT, Cardinal GP and CPOT are dependent upon the Manager, through the Administration Agreement and the Management Agreements, for management and administrative services relating to the Fund, MPIIT, Cardinal LP's business and CPOT's business, respectively. The Manager, its Affiliates, its employees or its 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 Power Business or other infrastructure businesses. The Management Agreements, the Administration Agreement, the MPIIT Declaration of Trust, the CPOT 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.

Insurance

The Fund maintains insurance coverage in respect of potential liabilities and the accidental loss of value of their assets 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. However, not all risk factors are covered by such insurance, and no assurance can be given that insurance will be consistently available or available on an economic 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 the Fund.

Environmental, Health and Safety Regime

The Power Infrastructure Facilities are subject to a complex and stringent environmental, health and safety regulatory regime, which includes Environmental, Health and Safety Laws. As such, the operation of these facilities 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 facilities 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 and which could adversely affect the Fund's ability to pay distributions on the Units. The Fund has not been notified of any such civil or regulatory action in regards to its operations. However, it is not possible to predict with 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 unanticipated liabilities or expenditures for investigation, assessment, remediation or prevention, capital expenditures, restrictions or delays in the facilities' activities, the extent of which cannot be predicted.

The primary environmental risks associated with the operation of the Waterpower Facilities include possible dam failure which results in upstream or downstream flooding, and equipment failure which results in oil or other lubricants being spilled into the waterway. In addition, the operation of a hydroelectric facility may cause the water in the associated waterway to flow faster, or slower, which could result in water flow issues which impact fish population, water quality and potential increases in soil erosion around a dam facility. In order to monitor and mitigate these risks, the Fund completes facility inspections and ensures its facilities are in compliance with the appropriate regulatory requirements for the specific facility.

The primary environmental risks associated with the operation of the Erie Shores Wind Farm include potential harm to the local migratory bird population, harm to the local bat population as well as concerns over noise levels and visual 'harm' to the scenic environment around the wind facility. In order to monitor and mitigate these risks, the Fund completes facility inspections and ensures its facilities are in compliance with the appropriate regulatory requirements for the specific facility.

The primary environmental risks associated with the operation of the Cardinal Facility and the Biomass Facilities include potential air quality and emissions issues, soil contamination resulting from oil spills, issues around the storage and handling of chemicals used in normal operations and, in the case of the Biomass Facilities, the storage of wood waste fuel on site. The Fund's procedures, in place to prevent and minimize any impact of the foregoing, meet generally acceptable industry practices. As such, the Fund does not believe that it engages in the improper discharge of emissions, untreated water, chemicals or oil at these facilities which could have an adverse impact upon the business, operating results and financial condition of the Fund.

To mitigate the risk of administrative sanctions and to minimize safety risks to employees and contractors, the Fund works continuously with all employees to ensure the development and implementation of a progressive, proactive safety culture within all operations. The Fund has safety committees operating within each operating unit and has a dedicated staff to ensure existing safety programs are continuously improved.

Availability of Financing

In recent years, global financial conditions and market events have increased volatility and resulted in tightening of credit that has reduced available liquidity and overall economic activity. There can be no assurance that debt or equity financing, will be available or, together with internally-generated funds, will be sufficient to meet or satisfy the Fund's objectives or requirements or, if the foregoing are available to the Fund, that they will be on acceptable terms. The inability of the Fund to access sufficient capital on acceptable terms could have a material adverse effect on the Fund's business, prospects, distribution paying capability and financial condition and ability to pursue further enhancement opportunities or acquisitions.

Unitholder Dilution

The Fund Declaration of Trust permits the issuance of an unlimited number of Units on such terms as the Trustees determine without the approval of Unitholders, who have no pre-emptive rights in connection with such issuances. In addition, the Fund is required to issue Units upon conversion of the 2016 Debentures in accordance with their terms and the Fund may, in certain circumstances, determine to redeem outstanding 2016 Debentures for Units or to repay outstanding principal or interest amounts thereunder by issuing additional Units. Accordingly, holders of Units may suffer dilution.

Volatile Market Price for Units

The market price for Units may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Fund's control, including the following: actual or anticipated fluctuations in the Fund's quarterly results of operations; recommendations by securities research analysts; changes in the economic performance or market valuations of other issuers that investors deem comparable to the Fund; addition or departure of the Fund's executive officers and other key personnel; sales or perceived sales of additional Units; significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving the Fund or its competitors; and news reports relating to trends, concerns, technological or competitive developments, regulatory changes and other related issues in the Fund's industry or target markets.

In recent years, financial markets have experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of issuers and that have, in many cases, been unrelated to the operating performance, underlying asset values or prospects of such issuers. Accordingly, the market price of the Units may decline even if the Fund's operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue for a protracted period of time, the Fund's operations could be adversely impacted and the trading price of the Units may be adversely affected.

International Financial Reporting Standards

Canada's Accounting Standards Board recently confirmed its strategic plan that will result in Canadian Generally Accepted Accounting Principles ("GAAP"), as used by publicly accountable enterprises, being fully converged with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board over a transitional period to be completed by 2011. Accordingly, there will be a requirement to report using the converged standards effective for interim and annual financial statements relating to fiscal years beginning no later than on or after January 1, 2011, following the expected conversion of the Fund into a Continuing Corporation pursuant to the Conversion Transaction.

IFRS will require increased financial statement disclosure as compared to Canadian GAAP and the Fund is currently assessing which accounting policies will be affected by the change from Canadian GAAP to IFRS, and the potential impact of these changes on the Fund's financial position and results of operations. On adoption of IFRS, the financial position and results of operations reported in accordance with IFRS may differ as compared to Canadian GAAP and these differences may be material. Implementing IFRS will have an impact on accounting, financial reporting and supporting information technology systems and processes. It may also have an impact on taxes, contractual commitments involving Canadian GAAP-based clauses (including covenants in indebtedness documentation) and performance metrics. Additionally, the International Accounting Standards Board currently has projects underway that are expected to result in new pronouncements and, accordingly, IFRS continues to evolve in Canada.

Nature of Units

As holders of Units, Unitholders do 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 and do not represent a direct investment in the Power Infrastructure

Facilities and should not be viewed by investors as direct securities of Cardinal LP or CPOT.

The Units are equity securities of the Fund. Although the Fund's distribution policy is to make monthly distributions of its Distributable Cash to the extent amounts are received by the Fund, the Units are not traditional fixed income securities. 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 and does not promise to return the initial purchase price of a Unit on a certain date in the future. The Fund has the ability to reduce or suspend distributions if circumstances warrant. See "Distributions". The Fund's ability to consistently make distributions to Unitholders will fluctuate depending on the operations of the Power Infrastructure Facilities. In addition, unlike interest payments 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. 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.

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 the Province of Ontario and certain other provinces 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 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.

DISTRIBUTIONS

Distribution Policy

Effective January 2010, Unitholders have received monthly distributions of $0.0550 per Unit, or $0.66 per Unit on an annualized basis, compared with the Fund's prior monthly distribution of $0.08750 per Unit, or $1.05 per Unit annually. Based on the Fund's current portfolio and outlook, the new distribution level is expected to be sustainable for the foreseeable future. This distribution level is expected to result in an average payout ratio of approximately 70-75% of Distributable Cash over a five-year period based on the Fund's current portfolio. As a result of the divestment of Leisureworld, the Fund currently anticipates that the 2010 payout ratio will be slightly above this range.

In approving the new distribution policy and Conversion Transaction, the Board of Trustees and management considered the:

- Impact of taxation in 2011, which will apply an approximately 29% tax on the Fund's taxable income, thereby reducing the amount of cash available for distribution to Unitholders;
- Expiry of the Cardinal PPA in 2014 and the current uncertainty regarding the terms of any future contract;
- Strengthening of the Fund's financial flexibility;
- Enhanced ability to pursue growth initiatives that will diversify and increase the value of the Fund's portfolio while extending the Fund's cash flow profile; and the
- Benefit of positioning the Fund to attract new investors, improve access to capital and achieve improved liquidity for investors.

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 or about the 15th day of the following month. The Fund may also 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.

Monthly Distributions

For the month ended May 31, 2004, the Fund distributed $0.08177 per Unit to Unitholders. For each of the months ended June 30, 2004 through to and including December 31, 2005, the Fund distributed $0.07917 per Unit. For each of the months ended January 31, 2006 through to and including July 31, 2006, the Fund distributed $0.08333 per Unit. For each of the months ended August 31, 2006 through to and including December 31, 2007, the Fund distributed $0.08583 per Unit. For each of the months ended January 31, 2008 through to and including December 31, 2009, the Fund distributed $0.08750 per Unit. For each of the months ended January 31, 2010 through to and including February 26, 2010, the Fund distributed $0.0550 per Unit. See "– Distribution Policy".

Since October 2005, holders of Class B Exchangeable Units have received distributions from LTC Holding LP equivalent to those paid on the Units. Pursuant to the Exchange Agreement, following the closing of the LSCC IPO, distributions on the Class B Exchangeable Units will be funded by the subscription by MPIIT for additional Class A LP Units of LTC Holding LP.

The Fund is currently substantially dependent on the operations of the Power Infrastructure Facilities to generate Distributable Cash. In turn, the earnings and cash flows of the Power Infrastructure Facilities are affected by certain risks described elsewhere in this Annual Information Form (see "Risk Factors").

MARKET FOR SECURITIES

Units

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:

	Price Per Unit		Trading Volume
	High	Low	
2009			
January	6.25	4.77	3,229,390
February	5.50	5.00	1,586,455
March	5.36	4.15	3,011,275
April	5.99	5.00	1,998,588
May	6.65	5.81	2,705,413
June	6.95	6.24	1,989,576
July	6.86	6.00	2,530,588
August	6.40	5.76	2,460,253
September	6.45	5.37	2,658,737
October	6.60	5.75	3,003,127
November	6.14	5.62	2,278,949
December	6.20	5.70	2,342,158
2010			
January	6.94	6.09	2,032,573
February	7.26	6.12	2,181,045
March (to March 25)	7.34	6.76	1,810,497

Debentures

CPIF Debentures

The outstanding CPIF Debentures were redeemed in full on January 11, 2010, as described under the heading "General Development of the Business". The CPIF Debentures were traded on the Toronto Stock Exchange under the symbol "MPT.DB".

2016 Debentures

The outstanding 2016 Debentures are listed on the Toronto Stock Exchange and commenced trading under the symbol "MPT.DB.A" on December 22, 2009. The following table sets forth the high and low sales prices per outstanding 2016 Debenture and trading volumes for the outstanding 2016 Debentures on the Toronto Stock Exchange for the periods indicated:

	Price Per Debenture		Trading Volume
	High	Low	
2009			
December (22-31)	101.45	100.00	78,620
2010			
January	104.00	100.80	50,980
February	105.10	103.00	31,410
March (to March 25)	105.50	104.00	22,350

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Units is Computershare Investor Services Inc. and the register for the Units is located at its office in Montréal, Québec.

The transfer agent and registrar for the 2016 Debentures is Computershare Trust Company of Canada and the register for the 2016 Debentures is located at its office 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 within the three most recently completed financial years of the Fund, or during 2010 (up to March 25, 2010) that has materially affected or is reasonably expected to materially affect the Fund.

INTEREST OF EXPERTS

The Fund's auditors are PricewaterhouseCoopers LLP, Chartered Accountants, who have prepared an independent auditors' report dated March 2, 2010, in respect of the Fund's consolidated financial statements with accompanying notes as at and for the years ended December 31, 2009 and 2008. PricewaterhouseCoopers LLP has advised that they are independent with respect to the Fund within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario.

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 is subject and no such proceedings are contemplated.

MATERIAL CONTRACTS

Except for certain contracts entered into in the ordinary course business of the Fund and its subsidiaries, the following are the only contracts entered into by the Fund or its subsidiaries on or after January 1, 2009 (or prior to January 1, 2009 if still in effect) that are material to the Fund:

(a) the Administration Agreement (described under "Management of the Fund – Administration Agreement");
(b) the Cardinal LP Management Agreement (described under "Management of the Fund – Cardinal LP Management Agreement");
(c) the CPOT Management Agreement (described under "Management of the Fund – CPOT Management Agreement");
(d) the CPOT Trust Indenture (described under "Description of the Fund – CPOT – CPOT Trust Indenture");
(e) the Debenture Indenture (described under "Description of the Fund – 2016 Debentures);
(f) the Erie Shores Credit Agreement (described under "Narrative Description of the Business – Power Infrastructure – Erie Shores Wind Farm – Erie Shores Credit Agreement");
(g) the Exchange Agreement (described under "Description of the Fund – Class B Exchangeable Units and Exchange Agreement");
(h) the Fund Credit Agreement;
(i) the Fund Declaration of Trust (described under "Description of the Fund" and elsewhere in this AIF);
(j) the Leisureworld Acquisition Agreement (described under "General Development of the Business"); and
(k) the MPIIT Declaration of Trust (described under "Description of the Fund – MPIIT – MPIIT Declaration of Trust").

A general description of the Fund Credit Agreement is set out below. This description is a summary only of certain provisions of such agreement, which summary does not purport to be complete and is subject to and qualified in its entirety by the full text of the applicable agreements. Reference should be made to such agreement for the full text of its provisions. 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 SEDAR at www.sedar.com.

Fund Credit Agreement

CPOT and Cardinal LP, as borrowers (collectively, the "Fund Credit Facility Borrowers"), MPIIT, CPOT Title Corp., Clean Power Income Fund (Alberta) Inc., Cardinal GP, Clean Power Limited Partnership, WPLP, and Whitecourt, as guarantors (collectively, the "Fund Credit Facility Guarantors", and together with the Fund Credit Facility Borrowers, the "Restricted Group Members"), LTC Holding GP, as a limited recourse guarantor, the lenders that are parties thereto from time to time, TD Securities Inc., as sole lead arranger and sole bookrunner, and a Canadian chartered bank, as administration agent (the "Fund Credit Facility Agent"), are parties to the Fund Credit Agreement. All of the equity interests of each of the Restricted Group Members are owned directly or indirectly by the Fund.

The Fund Credit Facility consists of (i) a revolving facility in the amount of $40,625,000, which includes a swing line facility in the amount of $5,000,000 (the "Fund Revolving Facility") and (ii) a non-revolving term facility in the amount of $141,875,000 (the "Fund Term Facility"). Upon securing additional commitments from the Lenders, the Fund Credit Facility may be increased by up to $17,500,000. The maturity date of the Fund Credit Facility is June 29, 2012.

Borrowings under the Fund Credit Facility are available by way of floating rate loans bearing interest at a rate per annum equal to the Canadian prime rate or U.S. base rate, as applicable, from time to time plus an applicable margin, LIBOR (London Interbank Offered Rate) loans bearing interest at a rate per annum equal to the LIBOR rate for the applicable interest period plus an applicable margin and/or bankers' acceptances bearing interest at the applicable CDOR (Canadian Deposit Offering Rate) for the applicable contract period plus an applicable margin. Borrowings under the Fund Revolving Facility may also be made by way of the issuance of standby instruments. The Fund Credit Facility Borrowers are required to pay a standby instrument fee and a fronting fee in respect of each standby instrument issued at a rate per annum equal to an applicable margin calculated on the maximum amount payable under such standby instrument.

The proceeds of the Fund Credit Facility may be used to (a) repay existing indebtedness of the Fund relating to its outstanding CPIF Debentures, (b) finance the working capital requirements of the Fund Credit Facility Borrowers and the other Restricted Group Members arising in the ordinary course of their operations, (c) repay the existing debt owing by CPOT in connection with the Wawatay PPA, (d) refinance the outstanding indebtedness under the Cardinal Credit Facility and the CPOT Credit Facility, (e) finance certain permitted acquisitions, and (f) finance other general corporate purposes of the Restricted Group Members.

The Fund Credit Facility is secured by, among other things, (i) unconditional and unlimited guarantees from each of the Fund Credit Facility Guarantors, (ii) an unconditional and limited recourse guarantee from LTC Holding GP, (iii) a first ranking security interest over all present and future business, operations, undertaking, property and assets (including both real and personal property) of each Restricted Group Member, (iv) first ranking specific assignments of certain material agreements by Cardinal LP, Cardinal GP and MPIIT, (v) first ranking securities pledge agreements made by each Restricted Group Member and LTC Holding GP in favour of the Fund Credit Facility Agent of all equity and debt of each Restricted Group Member and other direct subsidiaries owned by them, (vi) various subordination agreements, and (vii) first ranking assignments by Cardinal LP and Cardinal GP in favour of the Fund Credit Facility Agent of all policies of insurance of Cardinal LP and Cardinal GP and all proceeds thereunder.

Pursuant to the Credit Agreement, the Restricted Group Members are subject to certain affirmative covenants, negative covenants, financial covenants, and reporting obligations. Affirmative covenants include, without limitation, maintenance of corporate structure and existence, compliance with laws, compliance with contracts, prompt notice of the occurrence of certain events, maintenance of the business, operations, undertaking, property and assets (both real and personal) of each Restricted Group Member, maintenance of liens, maintenance of insurance, maintenance of bank accounts, payment of taxes and claims, payment of money and taxes due and payable, and proper use of the proceeds of the Fund Credit Facility. Negative covenants include, without limitation, restrictions (subject in each case to exceptions) on the incurrence of indebtedness, the sale of assets, the disposal of subsidiaries, the creation of liens or the granting of negative pledges, the entering into of any merger or similar transaction with any person, the making of distributions, corporate changes, amendments to material agreements, the acquisition of subsidiaries and the entering into of transactions with affiliates. Financial covenants include a ratio of consolidated total debt to consolidated EBITDA of no greater than 4:00:1 for each Test Period (as defined below) ending before June 30, 2011 and no greater than 3.50:1 for each Test Period ending on or after June 30, 2011. In addition, the ratio of consolidated EBITDA to consolidated interest expense may not be less than 3.00:1 for each Test Period ending before June 30, 2011, and may not be less than 3.50:1 for each Test Period ending on or after June 30, 2011. The foregoing ratios will be calculated on a rolling four quarter basis, based on the most recently completed period of four consecutive fiscal quarters most recently ended (the "Test Period").

The Fund Credit Facility is subject to certain events of default (including without limitation a change of control of the Fund).

ADDITIONAL INFORMATION

Additional information, including Trustees' and officers' remuneration and indebtedness, will be contained in the Fund's information circular. Additional financial information is provided in the Fund's 2009 Annual Report, which contains the Fund's audited annual consolidated financial statements and management's discussion and analysis for the year ended December 31, 2009. Such documentation, along with the information incorporated herein by reference as well as additional information relating to the Fund may be found on SEDAR at www.sedar.com.

GLOSSARY

In this Annual Information Form, unless the context otherwise requires:

"2016 Debenture Conversion Price" means the conversion price for the 2016 Debentures of $7.00 per Unit, being a ratio of 142.8571 Units per $1,000 principal amount of 2016 Debentures.

"2016 Debenture Interest Payment Date" means June 30 and December 31 of each year (or the immediately following business day if such date would not otherwise be a business day).

"2016 Debenture Maturity Date" means the date on which the 2016 Debentures mature, being December 31, 2016.

"2016 Debenture" means the 6.50% convertible unsecured subordinated debentures of the Fund, due December 31, 2016, as described under the heading "Description of the Fund – 2016 Debentures".

"ACES" means the *American Clean Energy and Security Act of 2009*.

"Administration Agreement" means the agreement dated as of April 30, 2004 among the Fund, MPIIT and the Manager, as amended as of October 18, 2005, pursuant to which the Manager provides administrative services to the Fund and MPIIT.

"Affiliate" has the meaning ascribed thereto in the Fund Declaration of Trust.

"Audit Committee" means the Audit Committee of the Board of Trustees of the Fund.

"B.C." means the Province of British Columbia.

"Balancing Pool" means the Balancing Pool created under the EU Act and corresponding regulations.

"Barrette" means the Barrette-Chapais Mill owned by Barrette-Chapais Ltée.

"BC Hydro" means British Columbia Hydro and Power Authority.

"Biomass Facilities" means the Chapais Facility and the Whitecourt Facility.

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

"CAMS" means the *Comprehensive Air Management System*.

"Canfor" means Canadian Forest Products Ltd.

"Cardinal Credit Agreement" means the amended and restated credit agreement dated May 16, 2006, among Cardinal LP as borrower, Cardinal GP and MPIIT as guarantors, TD Securities Inc. as lead arranger and bookmanager, and a Canadian chartered bank, as administration agent and lender, which agreement, on May 19, 2009 was amended and restated in the Fund Credit Agreement.

"Cardinal Credit Facility" means collectively the term facility and the revolving facility under the Cardinal Credit Agreement.

"Cardinal Energy Savings Agreement" means the energy savings agreement dated to be effective as of September 3, 1992 between CASCO and Cardinal LP.

"Cardinal Facility" means the 156 MW combined cogeneration plant fuelled by natural gas located in Cardinal, Ontario as well as the approximately 6.5 km long, 115 kV transmission line owned by Cardinal LP, which connects the Cardinal Facility with the Hydro One transmission grid.

"Cardinal Gas Mitigation Agreement" means the November 1, 1994 amendment to the Cardinal GPA, as amended January 31, 2009.

"Cardinal Gas Swap Agreements" means the two gas swap agreements dated February 8, 2008 and dated April 22, 2008 between Cardinal LP and Macquarie Bank Limited.

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

"Cardinal GPA" 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.

"Cardinal 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).

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

"Cardinal LP Management Agreement" means the management agreement dated as of April 30, 2004 among the Manager, the Fund, MPIIT and Cardinal LP.

"Cardinal PPA" means the PPA made on May 29, 1992 between Ontario Hydro (continued as OEFC) and Cardinal LP, as amended.

"CASCO" means Canada Starch Operating Company Inc.

"CCAA" means the *Companies' Creditors' Arrangement Act* (Canada).

"Chantiers" means the Chantiers Chibougamau Mill owned by Les Chantiers de Chibougamau Ltée.

"Chapais Facility" means the 31 MW wood waste fired electricity-generating station located northwest of Québec City, Québec.

"Chapais O&M Agreement" means the agreement between Probyn Power and CHESEC dated March 1, 2001, pursuant to which the Chapais Facility is operated and managed.

"Chapais PPA" means the PPA dated March 30, 1992 between CHESEC (as successor owner of the Chapais Facility) and Hydro-Québec.

"CHEL" means Chapais Électrique Limitée, the general partner and one of the limited partners of CHESEC.

"CHEL Class B Shares" means the Class B preferred shares of CHEL.

"CHESEC" means the Chapais Énergie, Société en commandite, a limited partnership.

"CHESEC Tranche A Senior Debt" means the aggregate outstanding principal amount of $6.3 million owed by CHESEC to CPOT Holdings Corp., which bears interest at a rate of 10.789% per annum, and is payable by monthly blended payments of principal and interest to fully repay the debt by the maturity date in December 2015.

"CHESEC Tranche B Senior Debt" means the aggregate outstanding principal amount of $3.6 million owed by CHESEC to CPOT Holdings Corp., which bears interest at a rate of 4.91% per annum, payable by semi-annual interest payments, with annual principal payments based on CHESEC's free cash flow and which matures in December 2015.

"Class B Exchangeable Units" means Class B Exchangeable LP Units of LTC Holding LP.

"CO_2" means carbon dioxide.

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

"Continuing Corporation" a publicly-traded dividend-paying corporation into which the Fund converts pursuant to the Conversion Transaction.

"Conversion Transaction" means a transaction to convert the Fund into a Continuing Corporation.

"CPIF" means Clean Power Income Fund, an unincorporated, open-ended, limited purpose trust established under the laws of the Province of Ontario pursuant to a trust indenture made as of October 31, 2001 as amended and restated as of July 16, 2003, June 23, 2007 and June 26, 2007.

"CPIF Acquisition" means the take-over bid and related transactions on June 26, 2007 whereby the Fund acquired CPIF.

"CPIF Debentures" means the 6.75% convertible debentures of the Fund, redeemed in full on January 11, 2010, as described under the heading "General Development of the Business".

"CPIF Offer" means the offer to purchase all of the outstanding CPIF Units made by the Fund to holders of CPIF Units, dated May 18, 2007.

"CPIF Offering Circular" means the take-over bid circular of the Fund dated May 18, 2007 forming part of the offer documents mailed by the Fund to holders of CPIF Units in connection with the CPIF Offer.

"CPIF Subsequent Acquisition Transaction" means the subsequent acquisition transaction described in the CPIF Offering Circular.

"CPIF Units" means trust units of CPIF.

"CPOT" means Clean Power Operating Trust, an unincorporated open-ended trust established under the laws of the Province of Ontario by the CPOT Trust Indenture.

"CPOT Credit Agreement" means the credit agreement dated June 27, 2007, as amended February 14, 2008, among CPOT, a Canadian chartered bank as administration agent and lender, another Canadian chartered bank as syndication agent and lender, and MPIIT and Whitecourt as guarantors, providing for a credit facility in the aggregate principal amount of $150 million, which agreement, on May 19, 2009 was amended and restated in the Fund Credit Agreement

"CPOT Credit Facility" means collectively the term facility and the revolving facility under the CPOT Credit Agreement.

"CPOT Management Agreement" means the management agreement dated as of June 26, 2007 among the Fund, the Manager, CPOT and CPIF.

"CPOT Notes" means the notes issued by CPOT from time to time in accordance with the note indenture dated as of December 7, 2001 between CPOT and Computershare Investor Services Inc. (formerly, Computershare Trust Company of Canada), as trustee thereunder.

"CPOT Trust Indenture" means the a trust indenture made as of October 31, 2001, as amended and restated as of May 9, 2005 and as of June 26, 2007, pursuant to which CPOT was established.

"CPOT Trustees" means the trustees of CPOT.

"CPOT Unitholder" means a holder of CPOT Units.

"CPOT Units" means trust units of CPOT.

"Current Market Price" means the current market price of the Units as calculated pursuant to the terms of the Debenture Indenture.

"CVR" means a contingency value receipt of the Fund as described under the heading "Description of the Fund – Contingency Value Receipts".

"DCR" means the direct customer rate established by OEFC from time to time.

"DCR escalator" means the cumulative percentage increase in the DCR since a specified point in time.

"Debenture Indenture" means the indenture dated as of December 22, 2009 between the Fund and the Debenture Trustee, which indenture governs the 2016 Debentures.

"Debenture Trustee" means Computershare Trust Company of Canada, as trustee of the 2016 Debentures.

"Distributable Cash" means all amounts received 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 and 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.

"Dryden Facility" means collectively the 1.25 MW Eagle River generating station, the 0.95 MW McKenzie Falls generating station and the 1.05 MW Wainwright generating station, each of which is located near Dryden, Ontario.

"Dryden PPA" means the PPA dated October 23, 1990 between CPOT (as successor owner) and OEFC (as successor power purchaser to Ontario Hydro), as amended.

"EBITDA" means earnings before interest, taxes, depreciation, and amortization and certain other adjustments as described in the Fund Credit Facility Agreement.

"Environmental, Health and Safety Laws" means: (a) federal, provincial, municipal, and local laws; (b) regulations, by-laws, common law, licences, permits, and other approvals; (c) government directions and orders; and (d) government guidelines and policies and other requirements governing or relating to, among other things: (i) air emissions; (ii) taking of water and discharges into water; (iii) the storage, handling, use, transportation, and distribution of dangerous goods and hazardous and residual material (such as chemicals); (iv) the prevention of releases of hazardous materials into the environment; (v) the prevention, presence, and remediation of hazardous materials in soil and ground water, both on and off site; and (vi) workers health and safety issues.

"Erie Shores Credit Agreement" means the credit agreement dated as of June 28, 2005 among ESWFLP, Erie Shores Wind Farm General Partner Trust, Sun Life, as agent for the lenders named therein, and the lenders named therein.

"Erie Shores O&M Agreement" means the agreement between ESWFLP and GE Canada dated June 28, 2005, which was made pursuant to the Erie Shores Turbine Supply Agreement and under which GE Canada provides operations and maintenance services in respect of the Erie Shores Wind Farm.

"Erie Shores PPA" the Renewable Energy Supply Contract dated as of November 24, 2004 between ESWFLP and OEFC, as assigned by OEFC to the Ontario Power Authority on November 10, 2005.

"Erie Shores Turbine Supply Agreement" means the agreement between ESWFLP, GE and GE Canada dated March 15, 2005 pursuant to which GE and GE Canada supplied wind turbines to ESWFLP.

"Erie Shores Wind Farm" means the 99 MW windpower facility, located near Port Burwell, Ontario, consisting of 66 wind turbines, each with 1.5 MW (nameplate) capacity.

"ESRM Policy" means the updated environmental and social responsibility management policy adopt by the Fund in February 2007, which incorporates the Fund's OH&S policy.

"ESWFLP" means Erie Shores Wind Farm Limited Partnership, the owner of the Erie Shores Wind Farm.

"EU Act" means the *Electric Utilities Act* (Alberta).

"Exchange Agreement" means the exchange agreement dated October 18, 2005 among the Fund, MPIIT, LTC Holding LP, the LSCLP Vendors.

"Exchange Notes" means notes of a wholly-owned subsidiary to be established by the Fund.

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

"Fund Acquisition and Investment Guidelines" means the acquisition and investment guidelines of the Fund as stipulated in the Fund Declaration of Trust.

"Fund Credit Agreement" means the amended and restated credit agreement dated May 19, 2009 (as further amended as of June 16, 2009 and as of September 30, 2009) between the Fund Credit Facility Borrowers, as borrowers, the Fund Credit Facility Guarantors, as guarantors, LTC Holding GP, as a limited recourse guarantor, the lenders from time to time parties thereto, TD Securities Inc., as sole lead arranger and sole bookrunner, and the Fund Credit Facility Agent, as administration agent.

"Fund Credit Facility" means collectively the Fund Revolving Facility and the Fund Term Facility.

"Fund Credit Facility Agent" means a Canadian chartered bank, as administration agent under the Fund Credit Agreement.

"Fund Credit Facility Borrowers" means CPOT and Cardinal LP, as borrowers under the Fund Credit Agreement.

"Fund Credit Facility Guarantors" means MPIIT, CPOT Title Corp., Clean Power Income Fund (Alberta) Inc., Cardinal GP, Clean Power Limited Partnership, WPLP, and Whitecourt, as guarantors under the Fund Credit Agreement.

"Fund Declaration of Trust" means the declaration of trust dated March 15, 2004, as amended and restated as of April 16, 2004 and as further amended effective February 21, 2006, pursuant to which the Fund was established.

"Fund Revolving Facility" means the revolving facility under the Fund Credit Agreement in the amount of $40,625,000, which includes a swing line facility in the amount of $5,000,000.

"Fund Term Facility" means a non-revolving term facility under the Fund Credit Agreement in the amount of $141,875,000.

"GAAP" means Generally Accepted Accounting Principles.

"GE" means General Electric Company.

"GE Canada" means General Electric Canada.

"GHG" means greenhouse gas.

"Governance Committee" means the Governance Committee of the Board of Trustees of the Fund.

"GRS" means Gas Recovery Systems, LLC.

"Guidelines" means the guidelines issued by the Federal Department of Finance on December 15, 2006 with respect to permissible levels regarding the issuance by a SIFT of new equity for the purpose of determining the timing of the application of the SIFT Rules to certain SIFTs.

"Hluey Lakes Facility" means the three MW waterpower generating station located in the Dease Lake area in north-western B.C.

"Hluey Lakes PPA" means the PPA between CPOT (as successor owner of the Hluey Lakes Facility) and BC Hydro dated November 1, 1993, as amended, pursuant to which BC Hydro is obligated to purchase all energy required to meet the load demand of Dease Lake from the Hluey Lakes Facility until January 31, 2020, subject to other terms of the agreement.

"Husky Marketing" means Husky Energy Marketing Inc.

"Hydro One" means Hydro One Networks Inc.

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

"IFRS" means International Financial Reporting Standards.

"IPP" means an Independent Power Producer.

"kilovolt" or **"kV"** means 1,000 volts.

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

"Leisureworld Entities" means, collectively, LSCLP and its general partner.

"LSCC" means Leisureworld Senior Care Corporation.

"LSCC IPO" means the initial public offering by LSCC of its common shares.

"LSCLP" means Leisureworld Senior Care LP.

"LSCLP Vendors" means MSHL, LWC, and OLTCP Inc. (formerly, Ontario Long Term Care Providers Inc.), being those vendors of the 19 long term care homes (representing 3,187 beds) and certain related businesses acquired by LSCLP on October 18, 2005, and to whom Class B Exchangeable Units of LTC Holding LP were issued.

"LTC Holding GP" means MPT LTC Holding Ltd.

"LTC Holding LP" means MPT LTC Holding LP.

"LTC Holding LP Management Agreement" means the management agreement dated as of October 18, 2005 among the Fund, the Manager, LTC Holding LP and MPIIT.

"LWC" means LECR Inc. (formerly, Leisureworld Creemore Inc.).

"Macquarie group" means MGL and all direct or indirect subsidiaries or affiliates of MGL, all funds (or similar vehicles) that any such subsidiary or affiliate of MGL manages and all direct and indirect subsidiaries of such funds (or similar vehicles).

"Management Agreements" means collectively, the Cardinal LP Management Agreement, the CPOT Management Agreement and, prior to March 23, 2010, the LTC Holding LP Management Agreement.

"Manager" means Macquarie Power Management Ltd.

"MEAP" means Macquarie Essential Assets Partnership.

"MGL" means Macquarie Group Limited, an Australian public company listed on the Australian Stock Exchange.

"Millar Western" means collectively, Millar Western Industries Ltd. and Millar Western Pulp Ltd.

"MLTCLP" means Macquarie Long Term Care LP.

"MMBtu" means one million British thermal units, a standard unit of measurement used to calculate the energy content of natural gas.

"MNAL" means Macquarie North America Ltd.

"MPIIT" means Macquarie Power & Infrastructure Income Trust.

"MPIIT Declaration of Trust" means the declaration of trust dated March 15, 2004, as amended and restated as of April 16, 2004, pursuant to which MPIIT was established.

"MPIIT Notes" means the notes issued by MPIIT from time to time in accordance with the note indenture dated as of April 30, 2004 between MPIIT and Computershare Investor Services Inc. (formerly Computershare Trust Company of Canada) as trustee thereunder.

"MPIIT Trustees" means the trustees of MPIIT.

"MPIIT Unit" means a trust unit of MPIIT.

"MSHL" means Markham Suites Hotel Limited (formerly, Leisureworld Inc.).

"MW" means 1,000 kilowatts.

"MWh" means an hour during which one MW of electrical power has been continuously produced.

"NI 52-110" means Canadian Securities Administrators' National Instrument 52-110 — *Audit Committees*.

“NOx” means oxides of nitrogen.

“OEFC” means Ontario Electricity Financial Corporation.

“OH&S” means occupational health and safety.

“On-peak Hours” means 7:00 a.m. to 11:00 p.m. local time at the Cardinal Facility, the Dryden Facility and the Wawatay Facility on weekdays, excluding public holidays.

“OPA” means the Ontario Power Authority.

“OPG” means Ontario Power Generation.

“Other Securities” means rights, warrants, and options to acquire Units or securities convertible into or exchangeable for Units.

“Pic River FN” means the Ojibways of the Pic River First Nation.

“Power 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.

“Power Infrastructure Facilities” means collectively, the Biomass Facilities, the Cardinal Facility, the Erie Shores Wind Farm and the Waterpower Facilities.

“Power Pool” means the power pool created by the EU Act, through which all electrical power must be traded in Albert, subject to certain exceptions.

“PPA” means purchase power agreement.

“Probyn Power” means Probyn Power Services Inc.

“Proprietary” means Proprietary Industries Inc.

“PWMI” means Probyn Whitecourt Management Inc.

“Redemption Price” means the price at which Units may be redeemed at the option of Unitholders in accordance with the Fund Declaration of Trust.

“Regional Power” means Regional Power Inc. and, unless the context otherwise requires, includes its predecessor corporations and certain of the predecessors in title to the Waterpower Facilities.

“Reserve Accounts” means collectively, a general reserve account, a capital expenditure reserve account and a major maintenance reserve account established by the Fund.

“Restricted Group Members” means with respect to the Fund Credit Agreement, collectively, the Fund Credit Facility Guarantors and the Fund Credit Facility Borrowers.

“Sechelt Facility” means the 16 MW waterpower generating station located near Sechelt, B.C., approximately 70 kilometres northwest of Vancouver.

“Sechelt PPA” means the PPA dated August 31, 1990, in respect of the sale of power from the Sechelt Facility to BC Hydro, as amended.

“SEDAR” means the Canadian Securities Administrators’ System for Electronic Document Analysis and Review.

"SIFT Rules" means the proposals with regard to the taxation of SIFTs and distributions from SIFTs contained in Bill C-52 which became law on June 22, 2007.

"SIFTs" means certain specified investment flow-through entities.

"SPRDA" means the *Small Power Research and Development Act* (Alberta).

"Sun Life" means Sun Life Assurance Company of Canada.

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

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

"TNDC" means Tahltan Nation Development Corporation.

"TransAlta" means TransAlta Utilities Corp.

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

"Unit" means a trust unit of the Fund.

"Unitholder" means a holder of Units.

"U.S." means the United State of America.

"Waterpower Facilities" means the Dryden Facility, the Hluey Lakes Facility, the Sechelt Facility and the Wawatay Facility.

"Waterpower O&M Agreement" means the agreement between Regional Power and CPOT dated November 14, 2001, pursuant to which Regional Power provides operations, maintenance and management services in respect of the Waterpower Facilities.

"Wawatay Amortization Period" means the first 20 years of the Wawatay PPA.

"Wawatay Facility" means the 13.5 MW waterpower generating station located on the Black River near Marathon, Ontario.

"Wawatay Guaranteed Payment" means with respect to the Wawatay Facility, a yearly amount (paid in monthly instalments) necessary to fully amortize and pay the Wawatay Loan over the Wawatay Amortization Period.

"Wawatay Loan" means the $20 million original aggregate principal amount term loan by the Fund (as successor lender) to CPOT (as successor borrower) secured by the Wawatay Facility which matures in July 2012 and bears an interest rate of 9.80% calculated and payable monthly.

"Wawatay Net Profits Interest" means the net profits interest the Pic River FN hold in the Wawatay Facility.

"Wawatay Performance Payment" means with respect to the Wawatay Facility, a monthly payment based upon the actual generation of power up to 120% of target generation, multiplied by the performance rate as set out in the Wawatay PPA.

"Wawatay PPA" means the PPA dated April 1, 1992 between CPOT (as successor owner of the Wawatay Facility) and OEFC (as successor power purchaser to Ontario Hydro), as amended.

"WCI" means the Western Climate Initiative, an organization that seeks to develop regional strategies to address climate change.

"WCI Program" means the WCI's regional cap-and-trade program.

"Whitecourt" means Whitecourt Power Corp, an indirect subsidiary of CPOT.

"Whitecourt Facility" means the 28 MW (gross capacity) wood waste fired electricity generating station located near Whitecourt, Alberta.

"Whitecourt O&M Agreement" means the agreement between PWMI and WPLP dated November 14, 2001, pursuant to which the Whitecourt Facility was operated and managed until the agreement was terminated in accordance with its terms by WPLP on January 5, 2009.

"Whitecourt PPA" means the PPA dated November 6, 1990 between WPLP (as successor owner of the Whitecourt Facility) and TransAlta.

"WPLP" means Whitecourt Power Limited Partnership, a limited partnership established under the laws of Alberta.

"WPPI" means the Wind Power Production Incentive, a Canadian federal government program providing incentive payments to producers of wind energy.

SCHEDULE "A"

MACQUARIE POWER & INFRASTRUCTURE INCOME FUND

AUDIT COMMITTEE CHARTER

The term "Fund" herein shall refer to Macquarie Power & Infrastructure Income Fund and the term "Board" shall refer to the Board of Trustees of the Fund. "Macquarie Power & Infrastructure Income Group" means, collectively, the Fund, Macquarie Power & Infrastructure Income Trust (the "Trust"), the general partner of any Fund asset or investment ("General Partner"), the limited partnership of any Fund asset or investment ("Limited Partnership") 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:

i) 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;

ii) 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;

iii) oversee the qualifications and independence of the external auditors;

iv) oversee the work of the Fund's financial management and external auditors in these areas; and

v) provide an open avenue of communication between the external auditors, the Board and Macquarie Power & Infrastructure Income Group, including the Board of Trustees of the Trust and management of the Manager, thus enabling information and points of view to be freely exchanged.

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:

2. 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.

(b) *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.

(c) *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.

(d) *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.

(e) *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.

(f) *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.

(g) *Meetings of the Committee* -

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.

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.

Quorum – A majority of members constitute a quorum for the transaction of Committee business.

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.

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.

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.

(h) *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.

(i) *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 & Infrastructure 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 & Infrastructure Income Group.

(j) *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.

(k) *Powers of the Committee* -

Access - The Committee is entitled to full access to all books, records, facilities, and personnel of the Fund and Macquarie Power & Infrastructure 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 & Infrastructure Income Group and others as it may see fit from time to time to provide any information about the Fund and Macquarie Power & Infrastructure Income Group it may deem appropriate and to attend and assist at meetings of the Committee.

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.

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 and Independence Requirements

3. 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.

4. 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.

5. 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 & Infrastructure Income Group, on the one hand, and the external auditors and their affiliates on the other hand, and that it has remained independent for the full-year;

   (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) require that the audit partners and any audit firm employee on the audit of the Macquarie Power & Infrastructure Income Group are prohibited from being an officer of the Macquarie Power & Infrastructure Income Group;

(e) require that immediate family members of an audit partner or any audit firm employee on the audit of the Macquarie Power & Infrastructure Income Group are prohibited from being a director or in a senior audit facing role at the Macquarie Power & Infrastructure Income Group until lapse of a "cooling off" period of at least five years and, after the five years "cooling off" period, can have no continuing financial relationship with the audit firm. The five year "cooling off" period is measured from the time that the former audit firm partner or employee ceases to be on the engagement team of the Macquarie Power & Infrastructure Income Group;

(f) require that the audit firm engagement team in any given year cannot include a person who had been a former officer of the Macquarie Power & Infrastructure Income Group during that year; and

(g) require that officers of the Macquarie Power & Infrastructure Income Group are prohibited from receiving any remuneration from the audit firm;

(h) require that members of the audit team and firm are prohibited from having a business relationship with the Macquarie Power & Infrastructure Income Group or any officer of the Macquarie Power & Infrastructure Income Group unless the relationship is clearly insignificant to both parties;

(i) require that the audit firm, its partners, its employees on the audit of the Macquarie Power & Infrastructure Income Group and the immediate family members are prohibited from having loans or guarantees with the Macquarie Power & Infrastructure Income Group;

(j) require that the audit firm is prohibited from having a financial interest in any entity with an controlling interest in the Macquarie Power & Infrastructure Income Group;

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

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

6. The Committee shall prohibit the external auditor and its subsidiaries from providing certain non-audit services to the Fund. This is to ensure the auditor does not assume the role of management, become an advocate for their own client, or audit their own professional expertise. 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.

7. The auditor will not normally provide the following services:

(a) Bookkeeping or other services relating to the accounting records or financial statements of the Macquarie Power & Infrastructure Income Group;

(b) Appraisal or valuation and fairness opinions;

(c) Taxation planning and consulting services;

(d) Financial information or information technology systems design and implementation;

(e) Internal audit outsourcing services;

(f) Management functions, including temporary staff assignments or human resource services, including recruitment of senior management;

(g) Legal or litigation support services;

(h) Broker or dealer, investment adviser or investment banking;

(i) Actuarial services.

Under this policy, any fee arrangement between the Macquarie Power & Infrastructure Income Group and the auditor must not contain any contingent or success fees element.

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

9. 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.

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

Oversight of Internal Audit Function

11. 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

12. 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.

13. 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.

14. 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.

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

16. 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

17. 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 & Infrastructure 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.

18. 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

19. 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 (including accounting and operational risk management 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

20. 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 & Infrastructure Income Group responsible for the internal audit function, these procedures and any significant complaints received.

Oversight and Monitoring of the Fund's Financial Disclosures

21. 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.

22. 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.

23. 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.

24. 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.

25. 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

26. 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 & Infrastructure Income Group respecting cash management and material financing strategies or policies or proposed financing arrangements and objectives of Macquarie Power & Infrastructure Income Group; and

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

27. 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.

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

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

Committee Reporting

30. 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.

Board, Committee and Breach Reporting

31. To assist the Committee in monitoring and reviewing (at least annually) the effectiveness of the operational risk management framework and compliance with key risk management policies, the Corporate Secretary will provide the following items to the Committee for its review:

    (a) Results of the Operational Risk Self Assessment ("ORSA") process via the ORSA matrix, including a summary of improvement actions completed and actions to be completed

    (b) A summary of policies and procedures established during the period

    (c) Results of due diligence carried out on external service providers, if any

    (d) Current Business Continuity Plan for the operations

    As necessary:

    (e) Any significant changes to the ORSA matrix, including external factors to be considered (such as major regulatory or industry developments)

    (f) Results of internal audit reviews or other independent reviews

    (g) Any significant operational risk incidents relating to the Fund, not already reported to the Board.

Additional Responsibilities

32. 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.

33. The Committee should request and review a report from the Corporate 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 & Infrastructure Income Group entities.

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

35. 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 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.