These materials are important and require your immediate attention. They require Capstone's shareholders to make important decisions. If you are in doubt as to how to make such decisions, please contact your professional advisers. If you have questions, you may contact Capstone's proxy solicitation agent, CST Phoenix Advisors by telephone at 1-800-229-5716 (toll-free in North America) or by email at inquiries@phoenixadvisorscst.com.

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

to be held on September 4, 2013

and

MANAGEMENT INFORMATION CIRCULAR

with respect to a proposed

ARRANGEMENT

involving

CAPSTONE INFRASTRUCTURE CORPORATION

and

RENEWABLE ENERGY DEVELOPERS INC.

August 1, 2013

The Capstone Board of Directors Unanimously Recommends Voting FOR the Share Issuance Resolution.

August 1, 2013

Dear Capstone Shareholder:

On July 3, 2013, Capstone Infrastructure Corporation ("**Capstone**") announced it had entered into an arrangement agreement (the "**Arrangement Agreement**") with Renewable Energy Developers Inc. ("**ReD**"), whereby Capstone will acquire all of the issued and outstanding common shares of ReD in accordance with a plan of arrangement of ReD under the *Canada Business Corporations Act* (the "**Arrangement**"). Assuming the Arrangement becomes effective, each ReD shareholder will be entitled to receive 0.26 of a common share of Capstone and $0.001 in cash in exchange for each ReD common share held.

Upon completion of the Arrangement, Capstone will be a larger diversified infrastructure company with power generation facilities across Canada totalling approximately net 465 megawatts ("**MW**") of installed capacity. We will also gain an attractive pipeline of contracted power development opportunities in Canada representing net capacity of 79 MW, thereby accelerating Capstone's entry into renewable energy development.

We have called a special meeting of shareholders (the "**Special Meeting**") in connection with the Arrangement, as required by the rules of the Toronto Stock Exchange. The purpose of the Special Meeting is for shareholders to consider an ordinary resolution to approve the issuance of the Capstone common shares forming part of the consideration to be paid to ReD shareholders and otherwise issuable pursuant to the terms of the Arrangement Agreement (the "**Share Issuance Resolution**"). Capstone's Special Meeting is being held concurrently with a special meeting of ReD shareholders called to consider the Arrangement.

AFTER CAREFUL CONSIDERATION OF THE ARRANGEMENT, THE CAPSTONE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT SHAREHOLDERS VOTE IN FAVOUR OF THE SHARE ISSUANCE RESOLUTION.

For the Share Issuance Resolution to become effective, it must be approved by at least a majority of the votes cast by Capstone shareholders, either present in person or by proxy at the Special Meeting. For the Arrangement to become effective, it requires, among other things, the approval of the shareholders of ReD. The Arrangement is also conditional upon the receipt of court and regulatory approvals and third party consents. Assuming that all of the conditions to the Arrangement are satisfied, we expect the Arrangement to become effective in September 2013.

We request that Capstone shareholders complete and return the enclosed form of proxy or voting instruction form to ensure that your Capstone common shares will be voted at the Special Meeting, whether or not you are personally able to attend. If you have questions, you may contact our proxy solicitation agent, CST Phoenix Advisors ("**Phoenix**") at 1-800-229-5716 (toll-free in North America) or by email at inquiries@phoenixadvisorscst.com.

This transaction represents the next phase in Capstone's growth, providing shareholders with exposure to a larger and more diversified portfolio of wind power facilities and development projects. We are confident this transaction improves Capstone's investment profile and positions us to deliver increasing value for shareholders.

Thank you for your continued support of Capstone.

Sincerely,

"*V. James Sardo*"

V. James Sardo
Chairman of the Board

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that a special meeting (the "**Special Meeting**") of holders of common shares ("**Shareholders**") of Capstone Infrastructure Corporation ("**Capstone**" or the "**Company**") will be held at the TMX Broadcast Centre Gallery, 130 King Street West, Toronto, Ontario on September 4, 2013 at 10:00 a.m. (Toronto time) to:

(1) consider, and if deemed advisable, to approve, with or without variation, an ordinary resolution, the full text of which is attached as Schedule A to the accompanying management information circular (the "**Circular**") of Capstone, approving the issuance of up to approximately 28,489,739 Capstone common shares (the "**Capstone Shares**"), which includes (i) the Capstone Shares issuable to the shareholders of Renewable Energy Developers Inc. ("**ReD**") as consideration for the acquisition of the common shares of ReD ("**ReD Shares**") and (ii) the Capstone Shares issuable upon exercise or conversion of the options to acquire Capstone Shares that will replace the outstanding options to acquire ReD Shares and the outstanding convertible debentures of ReD and warrants to acquire ReD Shares that will become, pursuant to the terms thereof, convertible into and exercisable for, respectively, Capstone Shares, in each case, in connection with a court-approved plan of arrangement of ReD under the *Canada Business Corporations Act*, pursuant to which ReD will become a wholly-owned subsidiary of Capstone, in accordance with the arrangement agreement dated July 3, 2013 between Capstone and ReD, all as more particularly set forth in the Circular; and

(2) transact such other business as may properly come before the Special Meeting or any adjournment or postponement thereof.

This Notice is accompanied by the Circular, which provides additional information relating to the matters to be dealt with at the Special Meeting and forms part of this Notice of Special Meeting.

Shareholders who are unable to attend the Special Meeting are requested to complete, date, sign and return the enclosed Form of Proxy or Voting Instruction Form so that as large a representation as possible may be had at the Special Meeting.

The board of directors of the Company fixed the close of business (Toronto time) on July 29, 2013 as the record date for the determination of Shareholders that will be entitled to receive notice of and vote at the Special Meeting, and any adjournment or postponement of the Special Meeting. Shareholders are requested to complete and submit either the accompanying: (a) Form of Proxy to Computershare Trust Company of Canada, 100 University Avenue, 8th Floor, Toronto, Ontario, M5J 2Y1, Attention: Proxy Department, no later than 10:00 a.m. (Toronto time) on August 30, 2013, or 48 hours (not including Saturdays, Sundays and holidays) prior to the commencement of any adjournment or postponement of the Special Meeting (or otherwise in accordance with the instructions printed on the Form of Proxy); or (b) Voting Instruction Form in accordance with the instructions printed on the Voting Instruction Form.

DATED at Toronto, Ontario this 1st day of August, 2013.

By Order of the Directors of
Capstone Infrastructure Corporation

"*Stuart M. Miller*"

Stuart M. Miller, MBA JD
Executive Vice President, General Counsel and
Corporate Secretary

MANAGEMENT INFORMATION CIRCULAR
TABLE OF CONTENTS

Please refer to the "Glossary of Terms" in this management information circular for the definition of certain defined terms.

NOTICE TO UNITED STATES SECURITYHOLDERS

NEITHER THE ARRANGEMENT NOR THE SECURITIES ISSUABLE IN CONNECTION WITH THE ARRANGEMENT HAVE BEEN APPROVED OR DISAPPROVED BY THE SEC OR THE SECURITIES REGULATORY AUTHORITIES IN ANY STATE, NOR HAS THE SEC OR THE SECURITIES REGULATORY AUTHORITIES IN ANY STATE PASSED UPON THE FAIRNESS OR MERITS OF THE ARRANGEMENT OR UPON THE ADEQUACY OR ACCURACY OF THE INFORMATION CONTAINED IN THIS CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE.

The Capstone Shares and Replacement Options to be issued under the Arrangement have not been, and will not be, registered under the U.S. Securities Act and are being issued in reliance on the exemption from registration set forth in Section 3(a)(10) of the U.S. Securities Act and similar exemptions from registration under applicable state securities laws on the basis of the approval of the Court which will consider, among other things, the fairness of the terms and conditions of the Arrangement to holders of ReD Securities. See "The Arrangement — Issuance of Capstone Shares and Replacement Options" in this Circular.

Capstone is a corporation existing under the laws of the Province of British Columbia. The proxy solicitation rules under the U.S. Exchange Act are not applicable to Capstone or this solicitation, and, accordingly, this solicitation is not being effected in accordance with such rules. This solicitation of proxies is not subject to the requirements of Section 14(a) of the U.S. Exchange Act. Securityholders should be aware that disclosure requirements under Canadian securities laws may be different from requirements under the U.S. Exchange Act.

Information concerning the properties and operations of ReD and Capstone has been prepared in accordance with the requirements of Canadian securities laws, which differ from the requirements of United States federal securities laws.

Financial statements included or incorporated by reference in this Circular have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board which differ from U.S. generally accepted accounting principles in certain material respects, and thus they may not be comparable to financial statements of U.S. companies.

The enforcement by securityholders of civil liabilities under U.S. federal and state securities laws may be affected adversely by the fact that each of Capstone and ReD is incorporated outside the United States, that some or all of their respective directors and officers and the experts named in this Circular are not residents of the United States and that all or a substantial portion of their respective assets may be located outside the United States. As a result, it may be difficult or impossible for U.S. securityholders to effect service of process within the United States upon Capstone or ReD, their respective officers and directors or the experts named herein, or to realize against them upon judgments of courts of the United States predicated upon civil liabilities under the federal securities laws of the United States or "blue sky" laws of any state within the United States. In addition, U.S. securityholders should not assume that the courts of Canada: (a) would enforce judgments of United States courts obtained in actions against such persons predicated upon civil liabilities under the federal securities laws of the United States or "blue sky" laws of any state within the Unites States; or (b) would enforce, in original actions, liabilities against such persons predicated upon civil liabilities under the federal securities laws of the United States or "blue sky" laws of any state within the United States.

STATEMENTS REGARDING FORWARD-LOOKING INFORMATION

This Circular, the pro forma financial statements of Capstone and certain of the material incorporated by reference into this Circular contain "forward-looking information" within the meaning of Canadian securities legislation and "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995 (collectively, "**forward-looking statements**"). These forward-looking statements are made as of the date of this document or as of the date of the document from which they are incorporated by reference.

Forward-looking statements are provided for the purpose of presenting information about Capstone's 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", "plan", "believe" or other similar words, and include, among other things, statements concerning the timing and implementation of the acquisition (the "**ReD Acquisition**") of all of the common shares of Renewable Energy Developers Inc. ("**ReD**"), the integration of ReD and Capstone, growth of the combined entity, and the effect of development projects in ReD's pipeline on Capstone's cashflow. These statements are subject to 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 within this document are based on information currently available and what Capstone currently believes are reasonable assumptions, including the material assumptions set out in Capstone's and ReD's most recent interim and annual financial statements and management's discussion and analysis of the results of operations and the financial condition of Capstone ("**MD&A**") filed on www.sedar.com.

Other potential material factors or assumptions that were applied in formulating the forward-looking statements contained herein include or relate to the following: that the ReD Acquisition will be completed by the end of the third quarter of 2013; that the business and economic conditions affecting Capstone's and ReD'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; that there will be no material delays in ReD's power infrastructure development projects achieving commercial operation; that Capstone's and ReD's power infrastructure facilities will experience normal wind, hydrological and solar irradiation conditions, and ambient temperature and humidity levels; an effective TransCanada Pipeline gas transportation toll of approximately $1.95 per gigajoule in 2013; that there will be no material change in the level of gas mitigation revenue historically earned by Capstone's Cardinal facility; that there will be no material changes to Capstone's or ReD's facilities, equipment or contractual arrangements, no material changes in the legislative, regulatory and operating framework for Capstone's or ReD's businesses, no delays in obtaining required approvals and no material changes in rate orders or rate structures for Capstone's or ReD's power infrastructure facilities, Capstone's Värmevärden business or Capstone's Bristol Water business, no material changes in environmental regulations for Capstone's and ReD's power infrastructure facilities, Värmevärden or Bristol Water and no significant event occurring outside the ordinary course of business; that the amendments to the regulations governing the mechanism for calculating the Global Adjustment (which affects the calculation of the direct customer rate escalator under the power purchase agreement ("**PPA**") for the Cardinal facility and price escalators under the PPAs for the hydro power facilities located in Ontario) will continue in force; that there will be no material change to the accounting treatment for Bristol Water's business under International Financial Reporting Standards, particularly with respect to accounting for maintenance capital expenditures; that there will be no material change to the amount and timing of capital expenditures by Bristol Water; that there will be no material changes to the Swedish Krona to Canadian dollar and UK pound sterling to Canadian dollar exchange rates; and that Bristol Water will operate and perform in a manner consistent with the regulatory assumptions underlying Asset Management Plan 5, including, among others: real and inflationary increases in Bristol Water's revenue, Bristol Water's expenses increasing in line with inflation, and capital investment, leakage, customer service standards and asset serviceability targets being achieved.

Although Capstone 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: the conditions of the ReD Acquisition not being satisfied; risks related to the integration of Capstone's and ReD's businesses; risks related to Capstone's securities (dividends on common shares and preferred shares are not guaranteed; volatile market price for Capstone's securities; shareholder dilution; and convertible debentures credit risk, subordination and absence of covenant protection); risks related to Capstone and ReD and their respective businesses (availability of debt and equity financing; default under credit agreements and debt instruments; geographic concentration; foreign currency exchange rates; acquisitions and development; environmental, health and safety; changes in legislation and administrative policy; and reliance on key personnel); risks related to Capstone's and ReD's power infrastructure facilities (PPAs; operational performance; fuel costs and supply; contract performance; land tenure and related rights; environmental; regulatory environment); risks related to Bristol Water (UK Water Services Regulation Authority (Ofwat) price determinations; failure to deliver capital investment programs; economic conditions; operational performance; failure to deliver water leakage target; service incentive mechanism and the serviceability assessment; pension

plan obligations; regulatory environment; competition; seasonality and climate change; and labour relations); and risks related to Värmevärden (operational performance; fuel costs and availability; industrial and residential contracts; environmental; regulatory environment; and labour relations).

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. The forward-looking statements within this document reflect current expectations of Capstone as at the date of this document and speak only as at the date of this document. Except as may be required by applicable law, Capstone does not undertake any obligation to publicly update or revise any forward-looking statements.

INFORMATION CONCERNING RENEWABLE ENERGY DEVELOPERS INC.

Except as otherwise indicated, the information concerning ReD contained in the Circular has been taken from or is based upon ReD's publicly available documents and records on file with Canadian securities regulatory authorities and other public sources. Although Capstone has no knowledge that would indicate that any statements contained herein concerning ReD taken from or based upon such documents and records are untrue or incomplete, neither Capstone nor any of its directors or officers assumes any responsibility for the accuracy or completeness of such information, including any of ReD's financial statements or for any failure by ReD to disclose events or facts which may have occurred or which may affect the significance or accuracy of any such information but which are unknown to Capstone. Capstone has limited means of verifying the accuracy or completeness of any of the information contained herein that is derived from ReD's publicly available documents or records or whether there has been any failure by ReD to disclose events that may have occurred or may affect the significance or accuracy of any information.

For further information regarding ReD, please refer to ReD's filings with the Canadian Securities Administrators which may be obtained through the SEDAR website at www.sedar.com.

REPORTING CURRENCIES AND ACCOUNTING PRINCIPLES

Unless otherwise indicated, all references to "$" or "dollars" in the Circular refer to Canadian dollars. Capstone's financial statements incorporated by reference herein are reported in Canadian dollars and are prepared in accordance with IFRS. ReD's financial statements incorporated by reference herein are reported in Canadian dollars and are prepared in accordance with IFRS.

CAPSTONE INFRASTRUCTURE CORPORATION

MANAGEMENT INFORMATION CIRCULAR

Q & A ON THE ARRANGEMENT, VOTING RIGHTS AND SOLICITATION OF PROXIES

This management information circular ("**Circular**") is dated August 1, 2013 and, unless otherwise stated, the information in this Circular is as at August 1, 2013.

What is this document?

This document is a management information circular that is being sent in advance of a special meeting (the "**Special Meeting**") of holders of common shares ("**Shareholders**") of Capstone Infrastructure Corporation ("**Capstone**" or the "**Company**") as described in the accompanying Notice of Special Meeting of Shareholders (the "**Notice of Special Meeting**"). This Circular provides additional information in regards to the business of the Special Meeting, Capstone and Renewable Energy Developers Inc. ("**ReD**"). For ease of reference, a glossary of capitalized terms used in this Circular can be found immediately after this Q&A section. References in this Circular to the Special Meeting include any adjournment or postponement that may occur. **A Form of Proxy or Voting Instruction Form accompanies this Circular.**

Why is the Special Meeting being held?

The Special Meeting is being held to approve the issuance of common shares of Capstone (the "**Capstone Shares**") in connection with the Arrangement. In accordance with the rules of the Toronto Stock Exchange (the "**TSX**"), a listed company is generally required to obtain shareholder approval in connection with an acquisition transaction where the number of securities issued or issuable in payment of the purchase price for the acquisition exceeds 25% of the number of securities of the listed issuer which are outstanding, on a non-diluted basis, prior to the date of closing of the transaction. As in excess of 25% of the currently outstanding Capstone Shares will be issuable under the terms of the Arrangement, Shareholder approval is required. It is a condition of the acquisition of ReD that an ordinary resolution approving the issuance of Capstone Shares in connection with the Arrangement, as more particularly set forth in Schedule A to the Circular (the "**Share Issuance Resolution**"), be approved by a simple majority (50% plus one vote) of the votes cast at the Special Meeting by Shareholders present in person or by proxy at the Special Meeting.

Who is eligible to vote?

Shareholders at the close of business (Toronto time) on July 29, 2013 (the "**Record Date**") or their duly appointed representatives are eligible to vote.

Who is soliciting my proxy?

Proxies are being solicited in connection with this Circular by the management of the Company. Costs associated with the solicitation will be borne by the Company. The solicitation will be made primarily by mail, but proxies may also be solicited personally by employees of the Company to whom no additional compensation will be paid. In addition, the Company has retained the services of CST Phoenix Advisors ("**Phoenix**") to solicit proxies for the Company for an estimated fee of $26,500 plus disbursements and other expenses. The total cost of solicitation, including fees payable to Phoenix will be borne by Capstone. Capstone will also reimburse banks, brokerage firms and other custodians, nominees and fiduciaries for any reasonable expenses incurred in sending proxy material to Beneficial and Registered Shareholders and requesting authority to execute proxies.

What is the Arrangement?

The Arrangement involves the acquisition of all of the issued and outstanding common shares of ReD ("**ReD Shares**") by Capstone, pursuant to which each holder of ReD Shares (a "**ReD Shareholder**") will be entitled to receive 0.26 of a Capstone Share and $0.001 in cash in exchange for each ReD Share held. The Arrangement is being carried out pursuant to the terms of the Arrangement Agreement and will be completed by way of a court-approved Plan of Arrangement under the *Canada Business Corporations Act* (the "**CBCA**"). As a result of the Arrangement, ReD will become a wholly-owned subsidiary of Capstone.

Why is Capstone proposing to acquire ReD?

Capstone is proposing to acquire ReD because Capstone believes that the Arrangement represents an opportunity to acquire an attractive portfolio of operating and development renewable power projects. See the section of the Circular entitled "The Arrangement — Reasons for the Arrangement".

What approvals are required for the Share Issuance Resolution?

In order to become effective, the Share Issuance Resolution must be approved by a simple majority (50% plus one vote) of the votes cast at the Special Meeting by Shareholders, present in person or by proxy.

When does Capstone expect the Arrangement to be effective?

As the Arrangement is conditional upon the receipt of a number of regulatory, court and shareholder approvals and third party consents, the exact timing of completion of the Arrangement cannot be predicted, but Capstone expects that the Arrangement will be completed in September 2013.

What does Capstone's board of directors think of the Arrangement?

After careful consideration of the Arrangement, the Board unanimously RECOMMENDS that Shareholders VOTE IN FAVOUR of the Share Issuance Resolution.

Has Capstone received a fairness opinion in connection with the Arrangement?

In connection with the Arrangement, the Board received written opinions from each of RBC Dominion Securities Inc. ("**RBC**"), a member company of RBC Capital Markets, and Origin Merchant Partners ("**Origin**") to the effect that, as at July 2, 2013 and subject to the assumptions made, information reviewed, procedures followed, matters considered and limitations and qualifications on the review undertaken, the consideration to be paid under the Arrangement is fair, from a financial point of view, to Capstone. The full text of the RBC opinion and the Origin opinion can be found at Schedule D and Schedule E to this Circular, respectively. See the section of the Circular entitled "The Arrangement — Fairness Opinion".

What other conditions must be satisfied to complete the Arrangement?

In addition to the approval of the Share Issuance Resolution, the Arrangement is conditional upon the receipt of, among other things, the approval of 66⅔% of the ReD Shares voted at a special meeting of ReD Shareholders and a majority of ReD Shares held by disinterested ReD Shareholders voted at such meeting. The Arrangement is also conditional on obtaining certain regulatory approvals, court approvals and third party consents, ReD entering into agreements to purchase certain wind power development projects, as well as the satisfaction of other customary closing conditions. See the sections of the Circular entitled "The Arrangement Agreement — Conditions", "The Arrangement — Approvals" and "The Arrangement — Regulatory Matters".

Am I entitled to dissent rights?

No. Capstone Shareholders are not entitled to dissent rights in connection with the actions to be taken at the Special Meeting.

How many Capstone Shares could be issued pursuant to the Arrangement?

In connection with the Arrangement, Capstone expects to issue approximately 19,684,403 Capstone Shares in exchange for ReD Shares, based on the number of ReD Shares outstanding as at August 1, 2013 and could issue up to an additional 8,805,336 Capstone Shares upon exercise or conversion of the ReD Options, the ReD Debentures and the ReD Warrants. Assuming that no ReD Options, ReD Warrants or ReD Debentures are exercised or converted prior to the Arrangement becoming effective, Capstone will issue approximately 19,684,403 Capstone Shares upon completion of the Arrangement, and up to approximately 8,805,336 Capstone Shares would be issuable in the future upon exercise of the Replacement Options (to be issued to holders of ReD Options upon completion of the Arrangement) and the exercise or conversion of the ReD Warrants and ReD Debentures that will become, pursuant to the terms thereof, exercisable for and convertible into, respectively, Capstone Shares upon completion of the Arrangement. Of the approximately 8,805,336 Capstone Shares issuable following the completion of the Arrangement, up to approximately 548,444 Capstone Shares will be issuable upon exercise of the Replacement Options, up to approximately 1,356,892 Capstone Shares upon the exercise of the ReD Warrants, and up to approximately 6,900,000 Capstone Shares upon the conversion of the ReD Debentures.

How does Capstone intend to pay for the Arrangement?

Capstone has agreed to pay to ReD Shareholders 0.26 of a Capstone Share and $0.001 in cash in exchange for each ReD Share held. Capstone intends to fund the aggregate cash amount to be paid to ReD Shareholders of $75,709 (plus an additional $31,757 upon exercise or conversion of the ReD Warrants and ReD Debentures) from cash on hand. The issuance and the reservation for issuance of the Consideration Shares to ReD Shareholders and Capstone Shares to holders of Replacement Options, ReD Debentures and ReD Warrants requires Shareholder approval of the Share Issuance Resolution.

ReD Shareholders will not be entitled to receive a fractional Capstone Share in connection with the Arrangement. Where the consideration owing to such a ReD Shareholder would otherwise result in a fractional Capstone Share being issued, the ReD Shareholder will receive a cash payment in lieu of the fractional share amount. See the sections of the Circular entitled "The Arrangement — Fractional Shares" and "The Arrangement — Arrangement Consideration".

How will the Arrangement affect my ownership and voting rights as a Shareholder of Capstone?

Based on the number of ReD Shares outstanding as at August 1, 2013, Capstone expects to issue an aggregate of approximately 19,684,403 Capstone Shares to acquire the ReD Shares, which would result in there being up to a total of approximately 92,549,812 Capstone Shares issued and outstanding (based on the number of Capstone Shares outstanding as at July 29, 2013) immediately following the completion of the Arrangement, with current Capstone Shareholders holding in the aggregate approximately 78.7% of the outstanding Capstone Shares and former ReD Shareholders holding approximately 21.3% of the outstanding Capstone Shares (each on a non-diluted basis). As a result of this issuance, the Shareholders' ownership and voting interests in Capstone will be diluted, relative to their current proportional ownership and voting interest in Capstone.

The number of Capstone Shares to be issued on closing of the Arrangement depends on the number of ReD Options, ReD Warrants and ReD Debentures that are exercised or converted prior the Effective Time. Depending on such exercises and conversions, Shareholders could face additional dilution. Assuming none of the ReD Options, ReD Warrants or ReD Debentures are exercised or converted before the Effective Time, up to approximately 8,805,336 Capstone Shares would be issuable in the future upon exercise or conversion of such securities. Of the approximately 8,805,336 Capstone Shares issuable following the completion of the Arrangement, up to approximately 548,444 Capstone Shares will be issuable upon exercise of the Replacement Options, up to approximately 1,356,892 Capstone Shares upon the exercise of the ReD Warrants, and up to approximately 6,900,000 Capstone Shares upon the conversion of the ReD Debentures.

Are there risks I should consider in connection with the Arrangement?

Yes. A number of risk factors that you should consider in connection with the Arrangement are described in the section of this Circular entitled "Risk Factors".

How do I vote?

The person named as proxyholder in the Form of Proxy or Voting Instruction Form accompanying this Circular must vote your Capstone Shares according to your instructions on the form and on any ballot that may be called at the Special Meeting. Signing the Form of Proxy or Voting Instruction Form (and not writing in the name of another proxyholder on the form) gives authority to V. James Sardo or, failing him, Michael Bernstein, each of whom is a director of Capstone, to act as proxyholder and vote your Capstone Shares in accordance with your voting instructions. In the absence of any voting instructions, your Capstone Shares will be voted **IN FAVOUR** of the Share Issuance Resolution.

You may appoint any person (who does not need to be a Shareholder) to act as proxyholder and vote your Capstone Shares at the Special Meeting in accordance with your instructions by writing the name of that person in the blank space provided on the Form of Proxy or Voting Instruction Form under the heading "Appointment of Proxyholder" and returning the form in advance of the Special Meeting in accordance with the instructions printed on the form. If you wish to vote your Capstone Shares in person at the Special Meeting, you must enter your own name in the blank space on the Form of Proxy or Voting Instruction Form under the heading "Appointment of Proxyholder" and return the form in advance of the Special Meeting according to the instructions printed on the form.

In order to be effective, a Form of Proxy must be received by Computershare Trust Company of Canada, 100 University Avenue, 8th Floor, Toronto, Ontario, M5J 2Y1 (Attention: Proxy Department) no later than 10:00 a.m. (Toronto time) on August 30, 2013, or 48 hours (not including Saturdays, Sundays and holidays) prior to the commencement of any adjourned or postponed Special Meeting. A completed Voting Instruction Form must be returned in accordance with the instructions printed on the form. A Form of Proxy or Voting Instruction Form may also be completed and submitted over the telephone or through the Internet in accordance with the instructions printed on the form. Notwithstanding the foregoing, the Chair of the Special Meeting has the sole discretion to accept proxies received after such deadline but is under no obligation to do so.

How do I know if I am a Registered Shareholder or a Beneficial Shareholder?

Capstone uses an electronic book-based registration system through which all Capstone Shares are held. Under this system, the only Registered Shareholder of Capstone is CDS & Co., as nominee for CDS Clearing and Depository Services Inc. (collectively, "**CDS**"). CDS acts as a clearing agent for its participants (each a "**CDS Participant**"), which include banks, trust companies, securities dealers or brokers and trustees of or administrators of self-administered registered retirement savings plans, registered retirement income funds, registered educational savings plans and similar plans.

All Shareholders (other than CDS) are Beneficial Shareholders (or non-Registered Shareholders). Their Capstone Shares are registered in the name of an intermediary, such as a bank, trust company, securities broker, trustee, custodian or other nominee who holds the shares on their behalf, or in the name of a clearing agency in which the intermediary is a participant (such as CDS). Intermediaries have obligations to forward Special Meeting materials to the Beneficial Shareholders, unless otherwise instructed by the holder (and as required by regulation in some cases, despite such instructions).

As a Beneficial Shareholder, your Capstone Shares can only be voted (for, against or withheld from voting on resolutions, as applicable) by CDS (the Registered Shareholder) in accordance with your instructions.

Accordingly, in addition to the Notice of Special Meeting accompanying this Circular, you will also receive (depending on the particular CDS Participant through which you hold your Capstone Shares), a:

(i) Form of Proxy (that has already been signed or stamped with the signature of your CDS Participant), which you must complete and return in accordance with the instructions printed on the form, or

(ii) Voting Instruction Form, which you must complete and return in accordance with the instructions printed on the form.

It is important that you complete and return your Form of Proxy or Voting Instruction Form in advance of the Special Meeting in accordance with the instructions printed on the form in order to ensure that your Capstone Shares are properly voted at the Special Meeting.

What constitutes a quorum at the Special Meeting?

A quorum for the Special Meeting shall be at least two persons present and holding or representing by proxy not less than 10% of the total number of outstanding Capstone Shares. No business shall be transacted at the Special Meeting unless the requisite quorum is present at the commencement of the Special Meeting. If a quorum is present at the commencement of the Special Meeting, a quorum shall be deemed to be present during the remainder of the Special Meeting.

What happens if I sign the enclosed Form of Proxy or Voting Information Form?

Signing the enclosed Form of Proxy or Voting Instruction Form gives authority to V. James Sardo or, failing him, Michael Bernstein (the "**Named Proxyholders**") to vote your Capstone Shares at the Special Meeting in accordance with your instructions. **A Shareholder who wishes to appoint another person (who need not be a Shareholder) to represent the Shareholder at the Special Meeting may either insert the person's name in the blank space provided in the Form of Proxy or Voting Instruction Form.**

What do I do with my completed Form of Proxy or Voting Instruction Form?

The completed Form of Proxy must be deposited at the office indicated on the enclosed envelope no later than 10:00 a.m. (Toronto time) on August 30, 2013, or not less than 48 hours (excluding Saturdays, Sundays and holidays) before the commencement of any adjourned or postponed Special Meeting. A completed Voting Instruction Form should be referenced in accordance with the instructions printed on the form. The time limit for the deposit of proxies may be waived by the Chair of the Special Meeting without notice.

If I change my mind, can I take back my proxy once I have given it?

To revoke voting instructions, a Beneficial Shareholder should follow the procedures provided by the CDS Participant through which the Beneficial Shareholder holds Capstone Shares. In addition to revocation in any other manner permitted by law, a Registered Shareholder may revoke a proxy by depositing an instrument in writing executed by the Registered Shareholder or the Registered Shareholder's attorney authorized in writing or, if the Registered Shareholder is a corporation, under its corporate seal or by a duly authorized officer or attorney of the corporation, with Computershare Trust Company of Canada, 100 University Avenue, 8th Floor, Toronto, Ontario, M5J 2Y1, Attention: Proxy Department, at any time up to and including 10:00 a.m. (Toronto Time) on August 30, 2013 or, if the Special Meeting is adjourned, 48 hours (excluding Saturdays, Sundays and holidays) before any reconvened meeting, or with the chairman of the Special Meeting prior to the commencement of the Special Meeting on September 4, 2013 or any postponement or adjournment thereof.

How will my Capstone Shares be voted if I give my proxy?

If you appoint the Named Proxyholders as your proxyholders, the Capstone Shares represented by the Form of Proxy or Voting Instruction Form will be voted for or against the Share Issuance Resolution, in accordance with your instructions as indicated on the form and on any ballot that may be called for. **In the absence of instructions from you, such Capstone Shares will be voted FOR the Share Issuance Resolution.**

What if amendments are made to these matters or other business is brought before the Special Meeting?

The accompanying Form of Proxy or Voting Instruction Form confers discretionary authority on the Named Proxyholders with respect to any amendments or variations to the matters identified in the Notice of Special Meeting or other matters that may properly come before the Special Meeting and the named persons in your properly executed Form of Proxy or Voting Instruction Form will vote on such matters in accordance with their judgment. At the date of this Circular, management of Capstone is not aware of any such amendments, variations or other matters which are to be presented for action at the Special Meeting.

How many Capstone Shares are entitled to vote?

As at July 29, 2013 there were 72,865,409 Capstone Shares outstanding, with each Capstone Share carrying the right to one vote.

Who are the principal Shareholders of the Company?

To the knowledge of the directors and officers of Capstone, as of the date of this Circular, no person or company owns or exercises control or direction over more than 10% of the outstanding Capstone Shares. See the Section of the Circular entitled, "Voting Securities and Principal Holders of Voting Securities".

How do I vote if my Capstone Shares are held in the name of a nominee (a bank, trust company, securities broker, trustee or other)?

Only Registered Shareholders, or the persons they appoint as proxies, are permitted to vote at the Special Meeting without taking any further action. CDS is Capstone's only Registered Shareholder. All Shareholders other than CDS are Beneficial Shareholders. If your Capstone Shares are held in an account with a bank, trust company, securities broker, trustee or other financial institution as your nominee, as required by Canadian securities legislation, you will have received from your nominee either a Form of Proxy or Voting Instruction Form for the number of Capstone Shares you hold unless you have instructed the nominee otherwise. The purpose of this procedure is to permit Beneficial Shareholders to direct the voting of the Capstone Shares they beneficially own. Each nominee has its own signing and return instructions, which you should carefully follow to ensure your Capstone Shares will be voted. If you are a Beneficial Shareholder and wish to:

- vote in person at the Special Meeting; or
- change voting instructions given to your nominee; or
- revoke voting instructions given to your nominee and vote in person at the Special Meeting,

follow the instructions given by your nominee or contact your nominee to discuss what procedure to follow. You may also contact the proxy solicitation agent, Phoenix by telephone at 1-800-229-5716 (toll-free in North America) or by email at inquiries@phoenixadvisorscst.com.

What if I have other questions?

If you have questions, you may contact the proxy solicitation agent, Phoenix, by telephone at 1-800-229-5716 (toll-free in North America) or by email at inquiries@phoenixadvisorscst.com.

"**Acquisition Proposal**" means, other than the transactions contemplated by the Arrangement Agreement, any *bona fide* offer, proposal or inquiry (whether written or oral) from any Person or group of Persons other than Capstone (or any affiliate of Capstone) made after July 3, 2013, the date of the Arrangement Agreement, relating to: (a) any direct or indirect acquisition, purchase or joint venture (or any lease, long-term supply agreement or other arrangement having the same economic effect as a purchase), in a single transaction or a series of related transactions, of assets representing 20% or more of the consolidated assets of or contributing 20% or more of the consolidated revenue of ReD and its Subsidiaries or of 20% or more of the voting, equity or other securities (or rights or interests therein or thereto) of ReD and/or one or more of its Subsidiaries representing, individually or in the aggregate, 20% or more of the consolidated assets or contributing, individually or in the aggregate, 20% or more of the consolidated revenue of ReD and its Subsidiaries; (b) any direct or indirect take-over bid, tender offer, exchange offer, treasury issuance or other transaction that, if consummated, would result in a Person or group of Persons beneficially owning 20% or more of any class of voting, equity or other securities or any other equity interests (including securities convertible into or exercisable or exchangeable for voting or equity securities) of ReD and/or one or more of its Subsidiaries representing, individually or in the aggregate, 20% or more of the consolidated assets or contributing, individually or in the aggregate, 20% or more of the consolidated revenue of ReD and its Subsidiaries; (c) any plan of arrangement, merger, amalgamation, consolidation, share exchange, business combination, reorganization, recapitalization, liquidation, dissolution or winding up involving ReD and/or one or more of its Subsidiaries representing, individually or in the aggregate, 20% or more of the consolidated assets or contributing, individually or in the aggregate, 20% or more of the consolidated revenue of ReD and its Subsidiaries; or (d) any other similar transaction or series of transactions, the consummation of which would or could reasonably be expected to impede, interfere with, prevent or delay the transactions contemplated by the Arrangement Agreement or the Arrangement or which would or could reasonably be expected to materially reduce the benefits to Capstone under the Arrangement Agreement or the Arrangement;

"**affiliate**" has the meaning specified in National Instrument 45-106 — *Prospectus and Registration Exemptions*;

"**ARC**" means an advance ruling certificate pursuant to subsection 102(1) of the Competition Act;

"**Arrangement**" means the arrangement under Section 192 of the CBCA on the terms and subject to the conditions set out in the Plan of Arrangement, subject to any amendments or variations thereto made in accordance with the terms of the Arrangement Agreement or Section 5.1 of the Plan of Arrangement or made at the direction of the Court in the Final Order with the prior written consent of both ReD and Capstone, each acting reasonably;

"**Arrangement Agreement**" means the arrangement agreement dated July 3, 2013 between ReD and Capstone, as the same may be amended, supplemented or otherwise modified in accordance with the terms therein, a copy of which is attached as Schedule B to the Circular;

"**Arrangement Resolution**" means the special resolution approving the Plan of Arrangement which is to be considered at the ReD Meeting;

"**Authorization**" means, with respect to any Person, any order, permit, approval, consent, waiver, licence or similar authorization of any Governmental Entity having jurisdiction over the Person;

"**BCBCA**" means the *Business Corporations Act* (British Columbia) and the regulations made thereunder, as now in effect and as they may be promulgated or amended from time to time;

"**Beneficial Shareholder**" means a non-Registered Shareholder or, more specifically, a Shareholder that holds its, his or her Capstone Shares through an intermediary such as a bank, broker or other nominee;

"**Board**" means the board of directors of Capstone, as the same is constituted from time to time;

"**Business Day**" means any day of the year, other than a Saturday, a Sunday, a public holiday or a day when banks in Toronto, Ontario are not generally open for business;

"**Capstone**" or the "**Company**" means Capstone Infrastructure Corporation, a corporation incorporated under the laws of British Columbia;

"**Capstone Confidentiality Agreement**" means the confidentiality agreement between ReD and Capstone dated June 7, 2013 governing, among other things, ReD obtaining access to confidential information regarding Capstone;

"**Capstone Debentures**" means the 6.50% convertible unsecured subordinated debentures of Capstone due December 31, 2016, as further described in the section of the Circular entitled, "Capstone Upon Completion of the Arrangement — Debentures";

"**Capstone Locked-Up Party**" means each of the directors and senior officers of Capstone;

"**Capstone Material Contract**" means any Contract that if terminated or modified or if it ceased to be in effect, would reasonably be expected to have a Material Adverse Effect on Capstone, including, but not limited to, the Contracts listed under the heading "Material Contracts" in Capstone's annual information form dated March 21, 2013 for the year ended December 31, 2012 and the credit facilities described in the said annual information form other than those relating to CSE Water UK Limited and its Subsidiaries, Bristol Wessex Billing Services Limited, Sefyr Heat Luxembourg S.a.r.l. and its Subsidiaries;

"**Capstone Proposal**" means, other than the transactions contemplated by the Arrangement Agreement, any *bona fide* offer, proposal or inquiry (whether written or oral) from any Person or group of Persons made after the date of the Arrangement Agreement relating to: (i) any direct or indirect acquisition, purchase or joint venture (or any lease, long-term supply agreement or other arrangement having the same economic effect as a purchase), in a single transaction or a series of related transactions, of assets representing 50% or more of the consolidated assets of or contributing 50% or more of the consolidated revenue of Capstone and its Subsidiaries or of 50% or more of the voting, equity or other securities (or rights or interests therein or thereto) of Capstone and/or one or more of its Subsidiaries representing, individually or in the aggregate, 50% or more of the consolidated assets or contributing, individually or in the aggregate, 50% or more of the consolidated revenue of Capstone and its Subsidiaries; (ii) any direct or indirect take-over bid, tender offer, exchange offer, treasury issuance or other transaction that, if consummated, would result in a Person or group of Persons beneficially owning 50% or more of any class of voting, equity or other securities or any other equity interests (including securities convertible into or exercisable or exchangeable for voting or equity securities) of Capstone and/or one or more of its Subsidiaries representing, individually or in the aggregate, 50% or more of the consolidated assets or contributing, individually or in the aggregate, 50% or more of the consolidated revenue of Capstone and its Subsidiaries; (iii) any plan of arrangement, merger, amalgamation, consolidation, share exchange, business combination, reorganization, recapitalization, liquidation, dissolution or winding up involving Capstone and/or one or more of its Subsidiaries representing, individually or in the aggregate, 50% or more of the consolidated assets or contributing, individually or in the aggregate, 50% or more of the consolidated revenue of Capstone and its Subsidiaries; or (iv) any other similar transaction or series of transactions, the consummation of which would or could reasonably be expected to impede, interfere with, prevent or delay the transactions contemplated by the Arrangement Agreement or the Arrangement or which would or could reasonably be expected to materially reduce the benefits to ReD under the Arrangement Agreement or the Arrangement;

"**Capstone Shares**" means common shares in the capital of Capstone;

"**Capstone Termination Fee Event**" has the meaning given to that term in the section of the Circular entitled, "The Arrangement Agreement — Termination Fees";

"**Capstone Voting Support Agreements**" means the voting support agreements (including all amendments thereto) between ReD and each of the Capstone Locked-up Parties, setting forth the terms and conditions upon which they have agreed, among other things, to vote the Capstone Shares they hold, if any, in favour of the Share Issuance Resolution;

"**CBCA**" means the *Canada Business Corporations Act*, R.S.C. 1985, c. C-44, and the regulations made thereunder, as now in effect and as they may be promulgated or amended from time to time;

"**CDS**" means CDS Clearing and Depository Services Inc. or its nominee;

"**Certificate of Arrangement**" means the certificate of arrangement to be issued by the Director pursuant to Subsection 192(7) of the CBCA in respect of the Articles of Arrangement;

"**Circular**" means the Notice of Special Meeting and this management information circular dated August 1, 2013, including all schedules, appendices and exhibits hereto, sent to Shareholders in connection with the Special Meeting, as amended, supplemented or otherwise modified from time to time;

"**Commissioner**" means the Commissioner of Competition appointed under subsection 7(1) of the Competition Act or his designee;

"**Competition Act**" means the *Competition Act* (Canada);

"**Competition Act Clearance**" means, with respect to the transactions contemplated by the Arrangement Agreement, either of the following: (a) the Commissioner shall have issued an advance ruling certificate under subsection 102(1) of the Competition Act; or (b) (i) the waiting period under section 123 of the Competition Act shall have expired or been terminated within the meaning of that section, or the Commissioner shall have waived the Parties' obligation to submit a notification pursuant to paragraph 113(c) of the Competition Act, and (ii) the Commissioner shall have provided written confirmation to Capstone that he does not, at that time, intend to make an application for an order pursuant to section 92 of the Competition Act;

"**Consideration**" means 0.26 of a Capstone Share and $0.001 in cash in exchange for each ReD Share held;

"**Consideration Shares**" means the Capstone Shares to be issued to ReD Shareholders pursuant to the Arrangement;

"**Contract**" means any third party agreement, commitment, engagement, contract, license, lease, obligation, undertaking or joint venture (written or oral) to which a Person or any of its Subsidiaries is a party or by which it or any of its Subsidiaries is bound or affected or to which any of its or their respective properties or assets is subject;

"**Court**" means Ontario Superior Court of Justice, or other court as applicable;

"**Depositary**" means Computershare Investor Services Inc.;

"**Director**" means the Director appointed pursuant to Section 260 of the CBCA;

"Dissent Rights" means the rights of dissent exercisable by the ReD Shareholders in respect of the Arrangement;

"**Dissenting Shares**" means the ReD Shares held by ReD Shareholders who duly exercise Dissent Rights with respect to such ReD Shares;

"**Effective Date**" means the date shown on the Certificate of Arrangement giving effect to the Arrangement;

"**Effective Time**" means 12:01 a.m. on the Effective Date, or such other time as the Parties agree to in writing before the Effective Date;

"**Fairness Opinions**" means the RBC Fairness Opinion and the Origin Fairness Opinion, collectively;

"**Final Order**" means the final order of the Court in a form acceptable to ReD and Capstone, each acting reasonably, approving the Arrangement, as such order may be amended by the Court (with the consent of both ReD and Capstone, each acting reasonably) at any time prior to the Effective Date or, if appealed, then, unless such appeal is withdrawn or denied, as affirmed or as amended (provided that any such amendment is acceptable to both ReD and Capstone, each acting reasonably) on appeal;

"**GAAP**" means generally accepted accounting principles as set out in the Canadian Institute of Chartered Accountants Handbook — Accounting for an entity that prepares its financial statements in accordance with International Financial Reporting Standards, at the relevant time, applied on a consistent basis;

"**Governmental Entity**" means (a) any international, multinational, national, federal, provincial, territorial, state, regional, municipal, local or other government, governmental or public department, central bank, court, tribunal, arbitral body, commission, board, bureau, commissioner, minister, cabinet, governor in council, ministry, agency or instrumentality, domestic or foreign, (b) any subdivision or authority of any of the above,

(c) any quasigovernmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing, or (d) any stock exchange;

"**IFRS**" means International Financial Reporting Standards;

"**Informed Person**" has the meaning ascribed thereto in National Instrument 51-102 — *Continuous Disclosure Obligations* of the Canadian Securities Administrators;

"**Interim Order**" means the interim order of the Court obtained August 1, 2013, in a form acceptable to ReD and Capstone, each acting reasonably, providing for, among other things, the calling and holding of the ReD Meeting, as such order may be amended by the Court with the consent of both ReD and Capstone, each acting reasonably;

"**Law**" or "**Laws**" means, with respect to any Person, any and all applicable law (statutory, common or otherwise), by-law, constitution, treaty, convention, ordinance, code, rule, regulation, order, injunction, judgment, award, decree, ruling or other similar requirement, whether domestic or foreign, enacted, adopted, promulgated or applied by a Governmental Entity that is binding upon or applicable to such Person or its business, undertaking, property or securities, and to the extent that they have the force of law, policies, guidelines, notices and protocols of any Governmental Entity, as amended, unless expressly specified otherwise;

"**Lien**" means any mortgage, charge, pledge, assignment, encumbrance, hypothec, security interest, claim, encroachment, option, warrant, right of first refusal or first offer, occupancy right (including, but not limited to, a lease or sublease), covenant, assignment, lien (statutory or otherwise), defect of title, or restriction or adverse right or claim, or other third party interest or encumbrance of any kind, in each case, whether contingent or absolute and any agreement, option, right or privilege (whether by Law, contract or otherwise) capable of becoming any of the foregoing;

"**Material Adverse Effect**" means, with respect to any Person, any change, event, occurrence, effect, state of facts or circumstance that, individually or in the aggregate with other such changes, events, occurrences, effects, state of facts or circumstances, is or would likely be material and adverse to the business, operations, results of operations, assets (tangible or intangible), properties, capitalization, condition (financial or otherwise), liabilities (contingent or otherwise) or obligations (whether absolute, accrued, conditional or otherwise) of such Person and its Subsidiaries, taken as a whole, except that none of the following changes, events, occurrences, effects, states of facts or circumstances, whether direct or indirect, either alone or in combination, shall be considered in determining whether there has been a Material Adverse Effect: (a) any change generally affecting the industry in which the Person and its Subsidiaries operate; (b) any change or proposed change in Law or GAAP or in the interpretation or application of any Laws or GAAP by any Governmental Entity; (c) the announcement of the Arrangement Agreement or the transactions contemplated thereby; (d) changes, developments or conditions in or relating to general international, political, economic, financial, capital market or credit conditions in any jurisdiction in which the Person or any of its Subsidiaries operate or carry on business; (e) changes, developments or conditions resulting from any act of sabotage, terrorism, outbreak of hostilities or declared or undeclared war, or any escalation or worsening of such acts; (f) any earthquake, hurricane, tornado, flood or other natural disaster; (g) changes or developments in or relating to currency exchange, interest rates or rates of inflation; or (h) any change in the market price or trading volume of any securities of the Person (it being understood that the causes underlying such change in market price or trading volume (other than those in items (a) to (g) above) may be taken into account in determining whether a Material Adverse Effect has occurred), provided, however, that with respect to clauses (a), (b), (d), (e), (f) and (g), such matter does not have a materially disproportionate effect on the business, operations, results of operations, assets, properties, capitalization, condition (financial or otherwise), or liabilities (contingent or otherwise) of the Person and its Subsidiaries, taken as a whole, relative to other comparable entities operating in the same industry in which the Person and its Subsidiaries operate;

"**Named Proxyholders**" means V. James Sardo or, failing him, Michael Bernstein;

"**NI 54-101**" means National Instrument 54-101 — *Communication with Beneficial Owners of Securities of Reporting Issuers*;

"**Notice of Special Meeting**" means the Notice of Special Meeting of Shareholders accompanying this Circular;

"**Option Exchange Ratio**" means 0.26026;

"**Option Shares**" means the Capstone Shares issuable on exercise of Replacement Options;

"**Ordinary Course**" means, with respect to an action taken by a Person, that such action is consistent with the past practices of the Person and its Subsidiaries and is taken in the ordinary course of the normal day-to-day operations and development of the business of the Person and its Subsidiaries, including, without limitation, actions taken in accordance with a budget approved by the Person's board of directors and actions taken consistent with the development plan and capital expenditure plan of the Person;

"**Origin**" means Origin Merchant Partners, a financial advisor to Capstone in respect of the Arrangement;

"**Origin Fairness Opinion**" means the written fairness opinion of Origin dated July 2, 2013, delivered to the Board in connection with the Arrangement, the full text of which is set out as Schedule E to the Circular;

"**Outside Date**" means November 30, 2013, or such later date as may be agreed to in writing by Capstone and ReD;

"**Parties**" means ReD and Capstone, and a "**Party**" means either one of them;

"**Person**" includes any individual, partnership, association, body corporate, organization, trust, estate, trustee, executor, administrator, legal representative, government (including Governmental Entity), syndicate or other entity, whether or not having legal status;

"**Phoenix**" means CST Phoenix Advisors, the proxy solicitation agent retained by Capstone;

"**Plan of Arrangement**" means the plan of arrangement, substantially in the form set out in Schedule A to the Arrangement Agreement, subject to any amendments or variations to such plan made in accordance with Section 8.1 of the Arrangement Agreement or Section 5.1 of the Plan of Arrangement or made at the direction of the Court in the Final Order with the prior written consent of both ReD and Capstone, each acting reasonably;

"**RBC**" means RBC Dominion Securities Inc., a member company of RBC Capital Markets;

"**RBC Fairness Opinion**" means the written fairness opinion dated July 2, 2013, delivered by RBC to the Board in connection with the Arrangement, to the effect that, as of the date of such opinion, the Consideration to be paid by Capstone pursuant to the Arrangement is fair, from a financial point of view, to Capstone, the full text of which is set out as Schedule D to the Circular;

"**Record Date**" means July 29, 2013;

"**ReD**" means Renewable Energy Developers Inc., a corporation incorporated pursuant to the laws of Canada;

"**ReD Board**" means the board of directors of ReD as the same is constituted from time to time;

"**ReD Circular**" means the notice of the ReD Meeting and accompanying management information circular, dated August 2, 2013, including all schedules, appendices and exhibits thereto and enclosures therewith, to be sent to the ReD Shareholders in connection with the ReD Meeting, as amended, supplemented or otherwise modified from time to time;

"**ReD Confidentiality Agreement**" means the confidentiality agreement between ReD and Capstone dated January 21, 2013 governing, among other things, Capstone obtaining access to confidential information regarding ReD;

"**ReD Debenture Indenture**" means the debenture indenture dated as of August 28, 2012 between ReD and Equity Financial Trust Company, as debenture agent, providing for the issue of ReD Debentures;

"**ReD Debentures**" means the $34,500,000 aggregate initial principal amount of 6.75% convertible unsecured subordinated debentures of ReD due December 31, 2017 issued pursuant to the ReD Debenture Indenture;

"**ReD Locked-up Parties**" means certain ReD Shareholders and related parties of ReD, including Sprott Power Consulting Limited Partnership and certain of its affiliates and each of the directors and executive officers of ReD, who together hold 14,852,198 ReD Shares;

"**ReD Material Contract**" means any Contract to which ReD or any of its Subsidiaries is a party: (a) that if terminated or modified or if it ceased to be in effect, would reasonably be expected to have a Material Adverse Effect on ReD; (b) that is a partnership agreement, limited liability company agreement, joint venture agreement or similar agreement or arrangement relating to the formation, creation or operation of any partnership, limited liability company, joint venture or other similar arrangement; (c) relating directly or indirectly to the guarantee of any liabilities or obligations or to indebtedness (currently outstanding or which may become outstanding) for borrowed money in excess of $5,000,000; (d) restricting the incurrence of indebtedness by ReD or any of its Subsidiaries or the incurrence of any Liens (including by requiring the granting of an equal and rateable Lien) on any properties or assets of ReD or any of its Subsidiaries, or restricting the payment of dividends by ReD or by any of its Subsidiaries; (e) under which ReD or any of its Subsidiaries is obligated to make payments on an annual basis in excess of $1,000,000 or in excess of $5,000,000 over the remaining term; (f) under which ReD or any of its Subsidiaries receives or is entitled to receive payments on an annual basis in excess of $1,000,000 or in excess of $5,000,000 over the remaining term; (g) that creates an exclusive dealing arrangement or right of first offer or refusal over any of the material assets of ReD or any of its Subsidiaries; (h) providing for severance or change in control payments in excess of $250,000; (i) providing for the purchase, sale or exchange of, or option to purchase, sell or exchange, any property or asset where the purchase or sale price or agreed value or fair market value of such property or asset exceeds $1,000,000; (j) including the Asset Purchase Agreement between Sky Generation Inc. and Skyway 8 Wind Energy Inc. made as of June 7, 2013; (k) that is a power purchase agreement, operation and maintenance agreement, turbine supply agreement, interconnection agreement, Authorization, lease, easement or credit agreement; or (l) that is otherwise material to ReD or any of its Subsidiaries, taken as a whole;

"**ReD Meeting**" means the special meeting of ReD Shareholders, including any adjournment or postponement thereof, to be called and held in accordance with the Interim Order to consider the Arrangement Resolution;

"**ReD Optionholders**" means the holders of ReD Options granted pursuant to the ReD Option Plan;

"**ReD Option Plan**" means the stock option plan of ReD, as amended and approved by ReD Shareholders on May 15, 2012;

"**ReD Options**" means the outstanding options to purchase ReD Shares issued pursuant to the ReD Option Plan;

"**ReD Securities**" means ReD Shares and ReD Options;

"**ReD Shareholder Approval**" means approval by the ReD Shareholders at the ReD Meeting of the Arrangement Resolution;

"**ReD Shareholder Rights Plan**" means the shareholder rights plan agreement dated April 10, 2012, between ReD and Equity Financial Trust Company, as rights agent;

"**ReD Shareholders**" means the registered or beneficial holders of ReD Shares as the context requires;

"**ReD Shares**" means common shares in the capital of ReD;

"**ReD Voting Support Agreements**" means the voting support agreements (including all amendments thereto) between Capstone and each of the ReD Locked-up Parties, setting forth the terms and conditions upon which they have agreed, among other things, to vote their ReD Shares in favour of the Arrangement Resolution;

"**ReD Warrant Indenture**" means the warrant indenture dated March 6, 2012 between ReD and Equity Financial Trust Company, as warrant agent, providing for the issuance of the ReD Warrants;

"**ReD Warrants**" means the common share purchase warrants of ReD exercisable at a price of $1.35 per ReD Share until March 6, 2014 issued pursuant to the ReD Warrant Indenture, to be assumed by Capstone pursuant to the terms and conditions of the Arrangement Agreement;

"**Registered Shareholder**" means CDS, a Shareholder of the Company in possession of a physical Capstone Share certificate as recorded with the Transfer Agent;

"**Regulatory Approvals**" means those consents, waivers, permits, exemptions, reviews, orders, decisions or approvals of, or registrations or filings with, Governmental Entities, or the expiry, waiver or termination of any waiting period imposed by Law or a Governmental Entity, in each case required under Laws in connection with the Arrangement, each of which is set out in Schedule E to the Arrangement Agreement;

"**Replacement Option**" means an option exercisable to acquire Capstone Shares granted in connection with the ReD Options on the basis ascribed thereto in the Plan of Arrangement;

"**SEC**" means the United States Securities and Exchange Commission;

"**Settlement Agreement**" means the agreement dated July 3, 2013 among ReD, Sprott Power Consulting Limited Partnership, SP Operating Limited Partnership, SP Development Limited Partnership and Sprott Power Consulting GP Inc.;

"**Shareholder**" means a holder of Capstone Shares;

"**Share Issuance Resolution**" means the ordinary resolution approving the issuance of the Capstone Shares to be issued as consideration under the Arrangement as more particularly set forth as Schedule A to the Circular;

"**Special Meeting**" means the special meeting of Shareholders be held at the TMX Broadcast Centre Gallery, 130 King Street West, Toronto, Ontario on September 4, 2013 at 10:00 a.m. (Toronto time), including any postponement or adjournment thereof, to obtain approval of the Share Issuance Resolution;

"**Subsidiary**" has the meaning specified in National Instrument 45-106 — *Prospectus and Registration Exemptions* and, in the case of ReD, also includes SP Development Limited Partnership, SPWC Development LP, SPWC Development GP Inc., SP Operating Limited Partnership, Fitzpatrick Mountain Wind Energy Inc., Glen Dhu Wind Energy Inc., Glen Dhu Wind Energy Limited Partnership and each of their Subsidiaries and, following completion of the Wind Works Project Acquisitions and the Natenco Project Acquisitions (as defined in the Arrangement Agreement), as applicable, the applicable Development Project Entities (as defined in the Arrangement Agreement) and each of their respective Subsidiaries, as further described in the Arrangement Agreement;

"**Superior Proposal**" means any unsolicited *bona fide* written Acquisition Proposal made after the date of the Arrangement Agreement: (a) to acquire not less than all of the outstanding ReD Shares (other than any ReD Shares held, directly or indirectly, by the Person making the Acquisition Proposal or its affiliates) or all or substantially all of the assets of ReD on a consolidated basis; (b) that did not result from or involve a breach of Section 5.1 or Section 5.2 of the Arrangement Agreement by ReD or its Representatives (as defined in the Arrangement Agreement); (c) that is not subject to a due diligence and/or access condition; (d) if cash is to make up all or a portion of the consideration to be paid, that the ReD Board has determined in good faith is fully financed or is reasonably capable of being fully financed; (e) that the ReD Board has determined in good faith is reasonably capable of being completed without undue delay, taking into account all financial, legal, regulatory and other aspects of such Acquisition Proposal and the Person making such Acquisition Proposal; and (f) in respect of which the ReD Board and any relevant committee thereof determines, in its good faith judgment, after receiving the advice of its outside legal counsel and financial advisors, and after taking into account all the terms and conditions of the Acquisition Proposal, including all legal, financial, regulatory and other aspects of such Acquisition Proposal, and the party making such Acquisition Proposal, (i) would, if consummated in accordance with its terms, but without assuming away the risk of non-completion, result in a transaction which is more favourable from a financial point of view to ReD Shareholders (other than Capstone and its affiliates) than the Arrangement (including any amendments to the terms and conditions of the Arrangement proposed by Capstone pursuant to Section 5.4(2) of the Arrangement Agreement) and (ii) failure to recommend such Acquisition Proposal to ReD Shareholders would be inconsistent with its fiduciary duties;

"**Superior Proposal Notice**" means a written notice delivered by ReD to Capstone of (i) the determination of the ReD Board that an Acquisition Proposal constitutes a Superior Proposal, (ii) of the intention of the ReD Board to enter into a definitive agreement or withdraw or modify the ReD Board's recommendation in respect of the Arrangement in connection with such Superior Proposal and (iii) of the value in financial terms that the

ReD Board has, in consultation with its financial advisors, determined should be ascribed to any non-cash consideration offered under such Superior Proposal;

"**Tax Act**" means the *Income Tax Act* (Canada) and the regulations made thereunder, as now in effect and as they may be promulgated or amended from time to time;

"**Termination Fee**" means $4,000,000;

"**Termination Fee Event**" has the meaning given to that term in the section of the Circular entitled "The Arrangement Agreement — Termination Fees";

"**Third Party Consent**" means those consents, waivers, approvals or notices set out in Schedule F to the Arrangement Agreement;

"**Transfer Agent**" means the transfer agent and registrar of the Company, Computershare Trust Company of Canada;

"**Transition Agreement**" means the transition agreement dated February 10, 2013 between ReD and Sprott Power Consulting Limited Partnership;

"**TSX**" means the Toronto Stock Exchange;

"**United States**" or "**U.S.**" means the United States of America, its territories and possessions, any State of the United States and the District of Columbia;

"**U.S. Exchange Act**" means the United States Securities Exchange Act of 1934, as the same has been, and hereafter from time to time may be amended, and the rules and regulations promulgated thereunder;

"**U.S. Securities Act**" means the United States Securities Act of 1933, as the same has been, and hereafter from time to time may be amended, and the rules and regulations promulgated thereunder;

"**Warrant Shares**" means the Capstone Shares issuable on exercise of the ReD Warrants once assumed by Capstone in accordance with the Plan of Arrangement;

"**Wind Works Project Acquisitions**" means the acquisition from Wind Works Power Corp., its affiliates or any other Person holding an economic interest, not less than a 37.5% economic interest in each of the wind power development projects known as "Wind Farm Ganaraska", "Snowy Ridge Wind Park", "Settlers Landing Wind Park" and "Grey Highlands Zero Emission People" (which wind power development projects are being developed by Wind Works Corp. and its affiliates through ZEP Wind Farm Ganaraska LP, Snowy Ridge Wind Park LP, Settlers Landing Wind Park LP, and Grey Highlands Zero Emission People LP respectively); and

"**Wind Works Project Acquisition Documents**" means the documentation providing for the Wind Works Project Acquisitions on terms and conditions and with co-investment arrangements, if any, that are substantially in the form provided to Capstone.

SELECTED CAPSTONE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The selected unaudited pro forma condensed consolidated financial information set forth below should be read in conjunction with Capstone's unaudited pro forma consolidated financial statements and the accompanying notes thereto attached as Schedule C to this Circular. The unaudited pro forma consolidated statement of financial position of the combined company as at March 31, 2013 has been prepared from the unaudited interim consolidated statement of financial position of Capstone as at March 31, 2013 and the unaudited interim condensed consolidated statement of financial position of ReD as at March 31, 2013 and gives pro forma effect to the successful completion of the Arrangement as if the Arrangement occurred on March 31, 2013. The unaudited pro forma consolidated statements of income for the year ended December 31, 2012 and the three months ended March 31, 2013 have been prepared from the audited consolidated statement of income of Capstone for the year ended December 31, 2012 and the unaudited consolidated statement of income of Capstone for the three months ended March 31, 2013 and the audited consolidated statement of loss of ReD for the year ended December 31, 2012 and the unaudited interim condensed consolidated statement of loss of ReD for the three months ended March 31, 2013 and give pro forma effect to the successful completion of the Arrangement as if the Arrangement occurred on January 1, 2012.

The summary unaudited pro forma condensed consolidated financial information is not intended to be indicative of the results that would actually have occurred, or the results expected in future periods, had the events reflected herein occurred on the dates indicated. Actual amounts recorded upon consummation of the Arrangement will differ from the pro forma information presented below. No attempt has been made to calculate or estimate potential synergies between Capstone and ReD. The unaudited pro forma condensed consolidated financial information set forth below is extracted from and should be read in conjunction with the unaudited pro forma consolidated financial statements of Capstone and the accompanying notes included in Schedule C to this Circular.

(in thousands of Canadian dollars)	Three Months Ended March 31, 2013	Year Ended December 31, 2012
Pro Forma Statement of Income data:		
Revenue	100,284	374,298
Earnings before interest expense, taxes, depreciation, and amortization	40,590	163,929
Net income	5,259	35,479
(in thousands of Canadian dollars)		
Per Capstone Share data:		
Basic	0.001	0.149
Diluted	0.001	0.149

(in thousands of Canadian dollars)	As at March 31, 2013
Pro Forma Statement of Financial Position data:	
Current assets	174,778
Total assets	1,901,474
Current Liabilities	145,088
Total liabilities	1,298,759
Equity attributable to owners of the parent	497,894
Non-controlling interests	104,820

GENERAL PROXY INFORMATION

Solicitation of Proxies

This Circular is furnished in connection with the solicitation of proxies by management of Capstone for use at the Special Meeting. The Special Meeting will be held on September 4, 2013 or any adjournment or postponement thereof at the time and place and for the purposes set forth in the accompanying Notice of Special Meeting. It is expected that solicitation of proxies will be primarily by mail but may also be in person or by telephone by the directors, officers and employees of the Company. The Company will also be using the services of Phoenix to solicit proxies. If you have questions, you may contact Phoenix by telephone at 1-800-229-5716 (toll-free in North America) or by email at inquiries@phoenixadvisorscst.com.

To the Company's knowledge, each of the directors and officers of the Company intends to vote their Capstone Shares in favour of the Share Issuance Resolution.

Appointment and Revocation of Proxies

The Named Proxyholders are directors of Capstone. A Shareholder who wishes to appoint another person (who need not be a Shareholder) to represent the Shareholder at the Special Meeting may either insert the person's name in the blank space provided in the Form of Proxy or Voting Instruction Form.

To revoke voting instructions, a Beneficial Shareholder should follow the procedures provided by the CDS Participant through which the Beneficial Shareholder holds Capstone Shares.

In addition to revocation in any other manner permitted by law, a Registered Shareholder may revoke a proxy by depositing an instrument in writing executed by the Registered Shareholder or the Registered Shareholder's attorney authorized in writing or, if the Registered Shareholder is a corporation, under its corporate seal or by a duly authorized officer or attorney of the corporation, with Computershare Trust Company of Canada, 100 University Avenue, 8th Floor, Toronto, Ontario, M5J 2Y1, (Attention: Proxy Department), at any time up to and including 10:00 a.m. (Toronto Time) on August 30, 2013 or, if the Special Meeting is adjourned, 48 hours (excluding Saturdays, Sundays and holidays) before any reconvened meeting, or with the chairman of the Special Meeting prior to the commencement of the Special Meeting on September 4, 2013 or any postponement or adjournment thereof.

Voting of Proxies and Exercise of Discretion

The accompanying Form of Proxy and Voting Instruction Form confer discretionary authority on the persons named in it as proxies with respect to any amendments or variations to the matters identified in the Notice of Special Meeting or other matters that may properly come before the Special Meeting, or any adjournment or postponement thereof, and the Named Proxyholders in your properly executed Form of Proxy or Voting Instruction Form will vote on such matters in accordance with their judgment. At the date of this Circular, management of Capstone is not aware of any such amendments, variations or other matters which are to be presented for action at the Special Meeting.

IF A CHOICE IS NOT CLEARLY SPECIFIED IN THE PROXY, CAPSTONE SHARES WILL BE VOTED IN FAVOUR OF THE SHARE ISSUANCE RESOLUTION.

Notice to Non-Registered (Beneficial) Shareholders

Capstone uses an electronic book-based registration system through which all Capstone Shares are held. Under this system, the only Registered Shareholder of Capstone is CDS & Co., as nominee for CDS Clearing and Depository Services Inc. (collectively, "**CDS**"). CDS acts as a clearing agent for its participants (each a "**CDS Participant**"), which include banks, trust companies, securities dealers or brokers and trustees of or administrators of self-administered registered retirement savings plans, registered retirement income funds, registered educational savings plans and similar plans.

If you hold Capstone Shares through a CDS Participant, you are a Beneficial Shareholder and your Capstone Shares can only be voted (for, against or withheld from voting on resolutions, as applicable) by CDS (the Registered Shareholder) in accordance with your instructions.

Accordingly, in addition to the Notice of Special Meeting accompanying this Circular, you will also receive (depending on the particular CDS Participant through which you hold your Capstone Shares), a:

(i) Form of Proxy (that has already been signed or stamped with the signature of your CDS Participant), which you must complete and return in accordance with the instructions printed on the form, or

(ii) Voting Instruction Form, which you must complete and return in accordance with the instructions printed on the form.

It is important that you complete and return your Form of Proxy or Voting Instruction Form in advance of the Special Meeting in accordance with the instructions printed on the form in order to ensure that your Capstone Shares are properly voted at the Special Meeting.

All Shareholders other than CDS are Beneficial Shareholders (or non-Registered Shareholders). Their Capstone Shares are registered in the name of an intermediary, such as a bank, trust company, securities broker, trustee, custodian or other nominee who holds the shares on their behalf, or in the name of a clearing agency in which the intermediary is a participant (such as CDS). Intermediaries have obligations to forward Special Meeting materials to the Beneficial Shareholders, unless otherwise instructed by the holder (and as required by regulation in some cases, despite such instructions).

VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES

The Company is authorized to issue an unlimited number of Capstone Shares, of which 72,865,409 Capstone Shares were issued and outstanding as at July 29, 2013. Shareholders are entitled to receive notice of and to attend and vote at all meetings of the Shareholders of the Company, and each Capstone Share confers the right to one vote in person or by proxy at all meetings of the Shareholders of the Company.

Shareholders at the close of business (Toronto time) on the Record Date are entitled to vote or to have their Capstone Shares voted at the Special Meeting.

To the knowledge of the directors and executive officers of the Company, as at the date of this Circular, there is no person or company that beneficially owns, directly or indirectly, or exercises control or direction over, voting securities of the Company carrying 10% or more of the voting rights attached to any class of voting securities of the Company.

BUSINESS OF THE MEETING

As set out in the Notice of Special Meeting, at the Special Meeting, Shareholders of the Company will be asked to consider and vote on the Share Issuance Resolution.

Based on the number of ReD Shares outstanding as at August 1, 2013, Capstone expects to issue an aggregate of approximately 19,684,403 Capstone Shares to acquire the ReD Shares, which would result in there being up to a total of approximately 92,549,812 Capstone Shares issued and outstanding (based on the number of Capstone Shares outstanding as at July 29, 2013) immediately following the completion of the Arrangement, with current Capstone Shareholders holding in the aggregate approximately 78.7% of the outstanding Capstone Shares and former ReD Shareholders holding approximately 21.3% of the outstanding Capstone Shares (each on a non-diluted basis). As a result of this issuance, the Shareholders' ownership and voting interests in Capstone will be diluted, relative to their current proportional ownership and voting interest in Capstone.

The number of Capstone Shares to be issued on closing of the Arrangement depends on the number of ReD Options, ReD Warrants and ReD Debentures that are exercised or converted prior the Effective Time. Depending on such exercises and conversions, Shareholders could face additional dilution. Assuming none of the ReD Options, ReD Warrants or ReD Debentures are exercised or converted before the Effective Time, up to approximately 8,805,336 Capstone Shares would be issuable in the future upon exercise or conversion of such securities. Of the approximately 8,805,336 Capstone Shares issuable following the completion of the Arrangement, up to approximately 548,444 Capstone Shares will be issuable upon exercise of the Replacement Options, up to approximately 1,356,892 Capstone Shares upon the exercise of the ReD Warrants, and up to approximately 6,900,000 Capstone Shares upon the conversion of the ReD Debentures.

Pursuant to section 611(c) of the TSX Company Manual, a listed company is generally required to obtain shareholder approval in connection with an acquisition transaction where the number of securities issued or issuable in payment of the purchase price for the acquisition exceeds 25% of the number of securities of the listed issuer which are outstanding, on a non-diluted basis, prior to the date of closing of the transaction. **As the Arrangement could result in Capstone issuing in excess of 25% of the outstanding Capstone Shares (approximately 39.1% when potential issuances in respect of the Replacement Options and the ReD Debentures and ReD Warrants are considered as required by the TSX), Shareholder approval is required. It is a condition of the acquisition of ReD that the Share Issuance Resolution be approved by a simple majority (50% plus one vote) of votes cast at the Special Meeting by Shareholders, present in person or by proxy.**

Record Date

The Board has fixed the close of business (Toronto time) on July 29, 2013 as the Record Date for the determination of the Shareholders that will be entitled to notice of the Special Meeting, and any adjournment or postponement of the Special Meeting, and that will be entitled to vote at the Special Meeting.

THE ARRANGEMENT

General

This section provides material information about the acquisition of ReD and other information regarding the Arrangement.

Both the Board and the ReD Board have approved the Arrangement Agreement. The Arrangement Agreement and the Plan of Arrangement provide that Capstone will acquire all of the issued and outstanding ReD Shares subject to, among other things:

- approval of the Share Issuance Resolution by Shareholders;
- approval of the Arrangement Resolution by ReD Shareholders;
- approval of the Arrangement by the Court;
- receipt of all Regulatory Approvals;
- receipt of certain third party consents; and
- ReD entering into agreements to purchase certain wind power development projects.

Pursuant to the Arrangement, ReD will become a wholly-owned subsidiary of Capstone. On consummation of the Arrangement, (i) Capstone will acquire each outstanding ReD Share in exchange for the Consideration, (ii) each outstanding ReD Option shall be exchanged for a Replacement Option, (iii) the obligations of ReD under each outstanding ReD Warrant shall be assumed by Capstone, and (iv) the ReD Debentures will become convertible into Capstone Shares. ReD Shareholders who validly exercise their Dissent Rights will be entitled to be paid the fair value of their ReD Shares by Capstone. See the section of the Circular entitled "The Arrangement — Dissenting Shareholder Rights".

If permitted by applicable laws, Capstone intends to delist the ReD Shares from the TSX as soon as practicable following the Effective Date. After the Effective Date, ReD will be a subsidiary of Capstone and it is expected to remain a reporting issuer in all of the provinces of Canada, as the ReD Debentures will remain outstanding obligations of ReD (although they will be convertible into Capstone Shares) and continue to be listed on the TSX. After the Effective Date, Capstone intends to provide a guarantee or other credit support in respect of the ReD Debentures.

Court Approval of the Arrangement

Under the CBCA, the Court must approve the Plan of Arrangement. If, among other things, the Share Issuance Resolution is approved by Shareholders at the Special Meeting and the ReD Securityholder Approval is obtained at the ReD Meeting, application will be made to the Court for a hearing regarding the Final Order. The Court will consider, among other things, the fairness and reasonableness of the Arrangement when deciding

whether to issue the Final Order. The Court may approve the Arrangement in any manner the Court may direct, subject to compliance with such terms and conditions, if any, as the Court deems fit.

Plan of Arrangement

Pursuant to the terms of the Plan of Arrangement, on the Effective Date, each of the following events shall occur and shall be deemed to occur sequentially as set out below without any further authorization, act or formality, in each case, unless stated otherwise, effective as at five-minute intervals starting at the Effective Time:

(a) the ReD Shareholder Rights Plan shall be terminated (and all rights issued thereunder shall expire) and shall cease to be of any force or effect;

(b) each ReD Share held by a dissenting ReD Shareholder shall be, and be deemed to have been, assigned and transferred, without any further act or formality, by the dissenting ReD Shareholder thereof, to Capstone (free and clear of all Liens) in consideration for a debt claim against Capstone for the amount determined in accordance with Article 3 of the Plan of Arrangement, and: (i) such dissenting ReD Shareholder shall cease to be the holders of such ReD Shares and to have any rights as holders of such ReD Shares, other than the right to be paid the fair value for such ReD Shares as set out in Section 3.1 of the Plan of Arrangement; (ii) such dissenting ReD Shareholder's name shall be removed from the register of ReD Shares maintained by or on behalf of ReD; and (iii) Capstone shall be, and be deemed to be, the transferee of such ReD Shares (free and clear of all Liens) and shall be entered in the register of ReD Shares maintained by or on behalf of ReD;

(c) each ReD Share outstanding immediately prior to the Effective Time, other than a ReD Share held by a dissenting ReD Shareholder, shall be, and be deemed to have been, assigned and transferred, without any further act of formality, by the holder thereof to Capstone in exchange for the Consideration, and: (i) each ReD Shareholder shall cease to be the holder of ReD Shares, or have any rights as a holder of such ReD Shares (other than to be paid the Consideration in accordance with the Plan of Arrangement); (ii) each ReD Shareholder's name shall be removed from the register of ReD Shares maintained by or on behalf of ReD; and (iii) Capstone shall be, and be deemed to be, the transferee of such ReD Shares and shall be entered in the register of the ReD Shares maintained by or on behalf of ReD;

(d) each ReD Option which is outstanding and has not been duly exercised prior to the Effective Date shall be exchanged for an option (each, a "**Replacement Option**") to purchase from Capstone the number of Capstone Shares equal to (i) the Option Exchange Ratio multiplied by (ii) the number of ReD Shares subject to such ReD Option immediately prior to the Effective Date. Such Replacement Option shall provide for an exercise price per Capstone Share (rounded up to the nearest whole cent) equal to (y) the exercise price per ReD Share otherwise purchasable pursuant to such ReD Option, subject to adjustment to meet the requirements of Subsection 7(1.4) of the Tax Act as provided below divided by (z) the Option Exchange Ratio. If the foregoing calculation results in the total Replacement Options of a particular holder being exercisable for a number of Capstone Shares that includes a fractional Capstone Share, the total number of Capstone Shares subject to such holder's total Replacement Options shall be rounded down to the nearest whole number of Capstone Shares. All terms and conditions of a Replacement Option, including the term to expiry, conditions to and manner of exercising, will be the same as the ReD Option for which it was exchanged, and any certificate or option agreement previously evidencing the ReD Option shall thereafter evidence and be deemed to evidence such Replacement Option. Notwithstanding the foregoing, if required for purposes of meeting the requirements of paragraph 7(1.4)(c) of the Tax Act, the exercise price of each Replacement Option of any particular holder shall be, and shall be deemed to be, adjusted at the time of the exchange by the amount, and only to the extent, necessary to ensure that the aggregate fair market value of the Capstone Shares subject to the Replacement Option immediately after the exchange over the aggregate exercise price for such Capstone Shares pursuant to the Replacement Option does not exceed the excess of the aggregate fair market value of ReD Shares subject to the ReD Option immediately before the exchange over the aggregate exercise price for such ReD Shares under the ReD Option, and: (i) each ReD Optionholder shall cease to be the holder of ReD Options,

or have any rights as a holder of such ReD Options (other than to receive Replacement Options in accordance with the Plan of Arrangement); (ii) each ReD Optionholder's name shall be removed from the register of ReD Options maintained by or on behalf of ReD; and (iii) all ReD Options exchanged pursuant to this paragraph (d) shall be cancelled;

(e) the outstanding ReD Warrants shall become exercisable for Capstone Shares in accordance with the terms of the ReD Warrant Indenture; and

(f) the outstanding ReD Debentures shall become convertible for Capstone Shares in accordance with the terms of the ReD Debenture Indenture.

provided that none of the foregoing will occur or will be deemed to occur unless all of the foregoing occur.

Following the receipt of the Final Order and prior to the Effective Date, Capstone shall deposit in escrow with the Depositary the Consideration Shares and sufficient cash to satisfy the Consideration issuable and/or payable to ReD Shareholders pursuant to the Arrangement, which Consideration Shares and cash shall be held by the Depositary as agent and nominee for such former ReD Shareholders for distribution to such former ReD Shareholders in accordance with the provisions of the Plan of Arrangement.

Fractional Shares

In no event shall any holder of ReD Shares be entitled to a fractional Capstone Share. Where (a) the aggregate number of Capstone Shares to be issued to a ReD Shareholder as consideration under this Arrangement would result in a fraction of a Capstone Share being issuable, the number of Capstone Shares to be received by such ReD Shareholder shall be rounded down to the nearest whole Capstone Share and in lieu of a fractional Capstone Share, the ReD Shareholder will receive a cash payment in Canadian dollars (rounded down to the nearest cent) determined on the basis of an amount equal to (i) the volume weighted average trading price on the TSX of the Capstone Shares over the five Business Days ending one Business Day before the Effective Date, multiplied by the (ii) fractional share amount. All cash payable in lieu of fractional Capstone Shares will be denominated in Canadian dollars.

Arrangement Consideration

Capstone has agreed to pay each ReD Shareholder, in exchange for each ReD Share held, 0.26 of a Capstone Share and $0.001 in cash. Capstone intends to fund the aggregate cash amount of $75,709 (plus an additional $31,757 upon exercise or conversion of the ReD Warrants and ReD Debentures) to be paid to ReD Shareholders from cash on hand. The issuance of the Consideration Shares to ReD Shareholders requires Shareholder approval of the Share Issuance Resolution.

TSX Listings

The ReD Shares and the ReD Debentures are listed on the TSX, trading under the symbols "RDZ" and "RDX.DB", respectively. Conditional approval of the TSX in respect of the Arrangement and related transactions has been obtained by Capstone. If permitted by the rules of the TSX, Capstone intends to delist the ReD Shares from the TSX as soon as practicable following the Effective Date. After the Effective Date, ReD will be a subsidiary of Capstone and it is expected to remain a reporting issuer in all of the provinces of Canada, as the ReD Debentures will remain outstanding obligations of ReD (although they will be convertible into Capstone Shares) and continue to be listed on the TSX. After the Effective Date, Capstone intends to provide a guarantee or other credit support in respect of the ReD Debentures.

The Capstone Shares are listed on the TSX under the symbol "CSE". The obligation of Capstone and ReD to complete the Arrangement is subject to, among other matters, the TSX approving the listing of the Consideration Shares.

Background to the Arrangement

The management and directors of Capstone continually review the position of the Company and possible acquisitions, joint ventures or other commercial transactions that would complement Capstone's business, support its development strategy and enhance shareholder value.

On January 10, 2013, ReD announced that the ReD Board had initiated a process to identify, examine and consider a range of strategic options available to ReD with a view to enhancing ReD Shareholder value.

On January 11, 2013, as part of a market canvas, Capstone was contacted by ReD's financial advisor to assess Capstone's interest in acquiring ReD.

During the period from January 11 to January 21, 2013, Capstone engaged in several discussions with ReD's financial advisor and indicated that Capstone was interested in exploring a potential transaction with ReD.

On January 21, 2013, Capstone entered into a confidentiality agreement with ReD for the purpose of receiving access to ReD's confidential information and Capstone began to conduct a due diligence review of ReD's business and assets.

On February 15, 2013, Capstone submitted a proposal to ReD with respect to an alternative transaction.

In late February, 2013, Capstone was informed by ReD's financial advisor that it was not included on a short list of potential acquirors who were granted full data site access and, as such, Capstone's access to ReD's confidential information would be discontinued and ReD would no longer be engaging with Capstone.

In late March 2013, Capstone was again contacted by ReD's financial advisor and was asked if Capstone would consider a business combination with ReD. On March 28, 2013, Capstone submitted a follow-up letter to ReD indicating Capstone's interest in pursuing such a business combination.

On April 9, 2013, ReD, Capstone and their respective financial advisors met to discuss their respective businesses and to explore a potential combination of the companies. Financial terms of a proposed transaction were not discussed at that meeting. On April 12, 2013, Capstone submitted a preliminary proposal with respect to a potential transaction with high level business terms. Several discussions subsequently took place between Origin and ReD's financial advisor.

On April 23, 2013, Capstone engaged Origin to act as financial advisor to Capstone in connection with assessing a potential offer to purchase ReD.

On May 23, 2013, ReD and Capstone executed a non-binding term sheet describing the broad terms upon which the parties were prepared to undertake a proposed plan of arrangement whereby Capstone would acquire all of the outstanding ReD Shares in exchange for Capstone Shares. The term sheet provided for a binding exclusivity period ending on June 25, 2013, pursuant to which ReD was not permitted to enter into any agreement or commitment relating to a competing transaction, or solicit, initiate or encourage the submission of any proposal or offer for a competing transaction.

After the term sheet was executed, Capstone and its advisors began conducting a due diligence review of ReD's business and operations and drafting of the Arrangement Agreement commenced.

During the period from May 23 to July 2, 2013, Capstone and its advisors, as part of their ongoing due diligence, had numerous interactions in the form of meetings, presentations, formal and informal conference calls and email exchanges with ReD management and ReD's advisors to discuss, among other things, ReD's business as well as the form, structure and timing of any potential transaction. During the same period, ReD and its financial and legal advisors carried out ongoing due diligence, including a review of publicly filed documents and confidential information. In addition, Capstone conducted site visits of certain of ReD's wind power operating projects, and ReD conducted site visits of Capstone's wind and solar operating projects.

On May 27, 2013, Capstone engaged RBC to provide a fairness opinion to Capstone in connection with a potential acquisition transaction involving ReD.

On June 7, 2013, Capstone executed a confidentiality agreement with ReD for the purposes of providing ReD with access to Capstone's confidential information so that ReD and its advisors could conduct due diligence on Capstone's business and assets.

On each of June 18 and 25, 2013, detailed materials were distributed to the members of the Board, including updates with respect to the status and timing of the proposed Arrangement and the current drafts of the Arrangement Agreement and related transaction documents.

On June 19, 2013, Capstone and Origin met with ReD and its financial advisor to discuss the financial terms of the proposed Arrangement, including the exchange ratio.

On June 25, 2013, Capstone and Origin reconvened with ReD and its financial advisor to negotiate certain business terms and to discuss overall timing for the proposed Arrangement. In addition, Capstone and ReD executed an extension of the exclusivity period stipulated in the term sheet from June 25, 2013 to July 9, 2013 to provide the parties with sufficient time to settle and execute the Arrangement Agreement. During this time, Capstone also engaged with the ReD Locked-Up Parties to negotiate the voting support agreements.

On June 27, 2013, Capstone, ReD and their respective financial and legal advisors met and had extensive discussions with respect to key business terms of the proposed Arrangement and the drafting of the Arrangement Agreement.

On July 1, 2013, the Board held a meeting with Capstone management in attendance to discuss the Arrangement Agreement and related transaction matters. At this meeting, the material terms of the draft Arrangement Agreement were discussed with the members of the Board. In addition, management provided the Board with a detailed overview of the due diligence review of ReD.

On July 2, 2013, the Board reconvened with Capstone management, Origin and RBC in attendance to discuss the Arrangement Agreement and related transaction matters. At this meeting, Capstone's management confirmed that no material changes had been made to the material terms of the Arrangement Agreement previously reviewed by the Board and responded to questions from the members of the Board. The Board received oral opinions from each of RBC and Origin in respect of the fairness, from a financial point of view, of the Consideration under the Arrangement to Capstone. The Fairness Opinions are summarized in this Circular under "The Arrangement — Fairness Opinions", and the full texts of the Fairness Opinions, which set forth the assumptions made, information reviewed, procedures followed, matters considered and limitations and qualifications on the reviews undertaken, are attached as Schedules D and E to this Circular, respectively.

The Board then unanimously approved resolutions approving the entry into of the Arrangement Agreement substantially in the form provided to the Board and determining that the Arrangement (including the Consideration payable thereunder) was fair to Shareholders and that the Arrangement and entry into the Arrangement Agreement would be in the best interests of Capstone. The Board also unanimously adopted resolutions approving, among other things, making a recommendation to Shareholders that they vote in favour of the Share Issuance Resolution.

At approximately 9:30 a.m. (Toronto time) on July 3, 2013, the parties halted trading of their respective stocks. That morning, Capstone entered into the Arrangement Agreement and related transaction documents, and a news release was subsequently issued announcing the Arrangement.

On August 1, 2013, the Board unanimously passed a resolution approving the content and mailing of this Circular, and recommending that Shareholders vote in favour of the Share Issuance Resolution.

Recommendation of the Board

AFTER CAREFUL CONSIDERATION OF THE ARRANGEMENT, THE BOARD UNANIMOUSLY RECOMMENDS THAT SHAREHOLDERS VOTE IN FAVOUR OF THE SHARE ISSUANCE RESOLUTION.

Reasons for the Arrangement

In reaching its conclusion to approve the Arrangement Agreement and recommend that Shareholders vote in favour of the Share Issuance Resolution, the Board considered, among other things, the following factors:

- *Compelling transaction resulting in a larger, more diversified company with power generation facilities across Canada.*
- *Acceleration of Capstone's entry into renewable power development with a robust pipeline of contracted projects.*
- *Potential for growth of the combined entity using complementary expertise areas of each of Capstone and ReD.*
- *Delivery of the development projects in ReD's pipeline expected to be accretive to cash flow over the long term.*

- *Fairness Opinions.* In connection with the Arrangement, the Board received written fairness opinions dated July 2, 2013, from each of Origin and RBC, stating that, subject to the assumptions made, information reviewed, procedures followed, matters considered and limitations and qualifications on the reviews undertaken, as of the date of such opinions, the Consideration to be paid under the Arrangement is fair, from a financial point of view, to Capstone. The full texts of the RBC Fairness Opinion and the Origin Fairness Opinion can be found in Schedule D and Schedule E to this Circular. See the section of the Circular entitled "The Arrangement — Fairness Opinion".
- *Shareholder Approval of the Share Issuance Resolution.* Completion of the Arrangement is conditional on the Share Issuance Resolution being approved by a majority of the votes cast in respect thereof by Shareholders present in person or represented by proxy at the Special Meeting, giving Shareholders an opportunity to consider and approve the proposed transaction.

A number of these anticipated benefits and factors are based on various assumptions and are subject to various risks. See the section of the Circular entitled "Statements Regarding Forward-Looking Information" and the section of the Circular entitled, "Risk Factors".

The Board also considered potential adverse factors associated with the transaction, including, among other things:

- As a result of the issuance of the Capstone Shares pursuant to the Arrangement, Shareholders will experience dilution in their ownership of Capstone.
- The issuance of Capstone Shares pursuant to the Arrangement could adversely impact the market price of Capstone Shares.
- Capstone may not realize the benefits currently anticipated due to challenges associated with integrating the projects, operations and personnel of ReD and completing the development projects.
- The completion of the Arrangement is subject to several conditions that must be satisfied or waived, including, in particular, Shareholder approval of the Share Issuance Resolution and ReD Securityholder Approval, and satisfaction of regulatory conditions (including Court and TSX approvals).
- The Arrangement Agreement may be terminated by Capstone or ReD in certain circumstances, in which case a termination fee may be payable by Capstone and the market price for Capstone Shares may be adversely affected.

Fairness Opinions

RBC Fairness Opinion

Capstone entered into an engagement letter with RBC pursuant to which, RBC agreed to provide Capstone with an opinion as to the fairness of the Arrangement, from a financial point of view, to Capstone. At a meeting held on July 2, 2013, RBC provided the Board with an oral opinion, subsequently confirmed in writing to the Board, to the effect that as of such date, the consideration to be paid under the Arrangement is fair, from a financial point of view, to Capstone.

The full text of the RBC Fairness Opinion, which sets forth, among other things, the assumptions made, information reviewed, procedures followed, matters considered and limitations and qualifications on the review undertaken in connection with the opinion, is attached to this Circular as Schedule D. Shareholders are urged to read the RBC Fairness Opinion in its entirety. This summary of the RBC Fairness Opinion is qualified in its entirety by reference to the full text of the RBC Fairness Opinion. The RBC Fairness Opinion was one of a number of factors taken into consideration by the Board in considering the Arrangement.

The RBC Fairness Opinion was provided solely for the information of the Board in connection with their consideration of the Arrangement and does not constitute a recommendation as to how Shareholders should vote in respect of the Share Issuance Resolution.

RBC was engaged by Capstone to provide the Board with the RBC Fairness Opinion. Pursuant to the terms of its engagement agreement with Capstone, RBC has received a fee for its services with a portion payable upon execution of the engagement letter, a portion upon delivery of the RBC Fairness Opinion and a portion upon

public disclosure of the receipt of the RBC Fairness Opinion. Capstone has agreed to indemnify RBC and certain related persons against certain liabilities in connection with its engagement.

Origin Fairness Opinion

Capstone entered into an engagement letter with Origin pursuant to which, among other things, Origin agreed to provide Capstone with an opinion as to the fairness of the Arrangement, from a financial point of view, to Capstone. At a meeting held on July 2, 2013, Origin provided the Board with an oral opinion, subsequently confirmed in writing to the Board, to the effect that, based upon and subject to the various assumptions, limitations and qualifications contained therein, the consideration to be paid under the Arrangement is fair, from a financial point of view, to Capstone.

The full text of the Origin Fairness Opinion, which sets forth, among other things, the assumptions made, information reviewed and matters considered, and limitations and qualifications on the review undertaken in connection with the opinion, is attached to this Circular as Schedule E hereto. The Origin Fairness Opinion is not intended to be and does not constitute a recommendation to any Shareholder as to how to vote or act at the Special Meeting. The Origin Fairness Opinion was one of a number of factors taken into consideration by the Board in considering the Arrangement. This summary of the Origin Fairness Opinion is qualified in its entirety by reference to the full text of the Origin Fairness Opinion and Shareholders are urged to read the Origin Fairness Opinion in its entirety.

The Origin Fairness Opinion was rendered on the basis of securities markets, economic and general business and financial conditions prevailing as at the date of the Origin Fairness Opinion and the conditions, prospects, financial and otherwise, of Capstone and ReD, as applicable, as they were reflected in the information and documents reviewed by Origin and as they were presented to Origin. Subsequent developments may affect the Origin Fairness Opinion. Origin has disclaimed any undertaking or obligation to advise any person of any change in any fact or matter affecting the Origin Fairness Opinion which may come or be brought to the attention of Origin after the date of the Origin Fairness Opinion.

Origin has acted as financial advisor to Capstone in connection with the Arrangement and has received and will receive various fees for its services, including an engagement fee, a transaction fee, a fee for the delivery of the Origin Fairness Opinion (to be credited against any transaction fee payable), and, in the event that the Arrangement is not completed, a percentage of the Termination Fee received by Capstone or its affiliates, if applicable.

Voting Support Agreements

ReD Voting Support Agreements

Each of the ReD Locked-up Parties has entered into a ReD Voting Support Agreement with Capstone. Each ReD Voting Support Agreement sets forth, among other things, the terms and conditions upon which each ReD Locked-up Party has agreed, among other things, to vote any ReD Shares owned in favour of the Arrangement Resolution. The following is a summary of the principal terms of the ReD Voting Support Agreements.

Under the ReD Voting Support Agreements, each of the ReD Locked-up Parties has agreed, among other things, to vote (or cause to be voted) in favour of the Arrangement Resolution, all of the ReD Shares currently owned or controlled by such ReD Locked-up Party, being an aggregate of 14,852,198 ReD Shares, representing approximately 19.6% of the outstanding ReD Shares, as at August 1, 2013.

Except as otherwise noted below, each ReD Locked-up Party has covenanted and agreed, among other things, that it will:

- not (A) sell, transfer, gift, assign, convey, pledge, hypothecate, encumber, option or otherwise dispose of any right or interest in any of the ReD Shares beneficially owned, or over which control or direction is exercised, directly or indirectly, as of the date of the ReD Voting Support Agreement, and any ReD Shares acquired subsequent to the date of the ReD Voting Support Agreement, by the ReD Locked-up Party or an entity controlled by it (including any securities which ReD Subject Securities may be converted into exchanged for or otherwise changed into) ("**ReD Subject Securities**") or enter into any

agreement, arrangement, commitment or understanding in connection therewith, other than (i) pursuant to the Arrangement or (ii) transfers to or between wholly-owned Subsidiaries of the ReD Locked-up Party (provided that such transfer does not relieve the ReD Locked-up Party of any of its obligations under the ReD Voting Support Agreement with respect to the ReD Subject Securities); (B) other than as set forth in the ReD Voting Support Agreement, grant or agree to grant any proxies or powers of attorney, deposit any ReD Subject Securities into a voting trust or pooling agreement, or enter into a voting agreement, commitment, understanding or arrangement, oral or written, with respect to the voting of any ReD Subject Securities; or (C) requisition or join in the requisition of any meeting of any of the securityholders of ReD for the purpose of considering any resolution, provided that with respect to Sprott Power Consulting Limited Partnership, such restriction is only applicable until the record date for the ReD meeting;

- vote (or cause to be voted) all their ReD Subject Securities at any meeting of ReD Shareholders at which the ReD Locked-up Party is entitled to vote, including, the ReD Meeting, and in any action by written consent of the ReD Shareholders:
  - in favour of the approval, consent, ratification and adoption of the Arrangement Resolution and the transactions contemplated by the Arrangement Agreement (and any actions required for the consummation of the transactions contemplated by the Arrangement Agreement); and
  - against any proposed action by ReD, any ReD Shareholders, any of ReD's Subsidiaries or any other Person: (i) in respect of any Acquisition Proposal involving ReD or any Subsidiary of ReD, other than the Arrangement; or (ii) which would reasonably be regarded as being directed towards or likely to prevent or delay the successful completion of the Arrangement, including without limitation any amendment to the articles or by-laws or other constating documents of ReD or any of its Subsidiaries or their respective organizational structures (other than as permitted or required under the Arrangement Agreement or the transition agreement dated February 10, 2013 between ReD and Sprott Power Consulting Limited Partnership (the "**Transition Agreement**"));
- not, and will ensure that its affiliates do not, directly or indirectly, through any officer, director, employee, representative or agent or otherwise: (i) solicit proxies or become a participant in a solicitation in opposition to or competition with Capstone in connection with the Arrangement; (ii) assist any Person in taking or planning any action that would compete with, restrain or otherwise serve to interfere with or inhibit Capstone in connection with the Arrangement; (iii) act jointly or in concert with others with respect to voting securities of ReD for the purpose of opposing or competing with Capstone in connection with the Arrangement; (iv) solicit, initiate, assist, encourage or otherwise facilitate (including by way of entering into any agreement, arrangement or understanding), any inquiry, proposal or offer relating to any Acquisition Proposal or potential Acquisition Proposal; (v) participate in any discussions or negotiations regarding any Acquisition Proposal (other than Capstone's Acquisition Proposal pursuant to the Arrangement Agreement); (vi) accept or enter into, or publicly propose to accept or enter into, any letter of intent, agreement, arrangement or understanding related to any Acquisition Proposal (other than Capstone's Acquisition Proposal pursuant to the Arrangement Agreement); or (vii) cooperate in any way with, assist or participate in, knowingly encourage or otherwise facilitate or encourage any effort or attempt by any other Person to do or seek to do any of the foregoing;
- not (i) exercise any dissent rights in respect of the Arrangement; or (ii) take any other action of any kind, in each case which would reasonably be regarded as likely to reduce the success of, or materially delay or interfere with the completion of, the transactions contemplated by the Arrangement Agreement;
- immediately cease and cause to be terminated, and will cause each of its affiliates to cease and cause to be terminated, any existing discussions or negotiations with any parties with respect to any potential Acquisition Proposal;
- at the request of Capstone or ReD, use all commercially reasonable efforts in its capacity as a ReD Shareholder to assist ReD and Capstone to successfully complete the Arrangement and the other transactions contemplated by the Arrangement Agreement and the ReD Voting Support Agreement, including, without limitation, cooperating with Capstone and ReD to make all requisite regulatory filings, provided that the ReD Locked-up Party shall not be obligated to incur any expense in providing such

cooperation, including by participating in any proceeding, unless Capstone reimburses the ReD Locked-up Party for such expenses;

- promptly notify Capstone of the amount of any new ReD Shares acquired by the ReD Locked-up Party, if any, after the date of the ReD Voting Support Agreement. Any such ReD Shares will be subject to the terms of the ReD Voting Support Agreement as though they were ReD Subject Securities owned by the ReD Locked-up Party on the date of the ReD Voting Support Agreement; and
- not, and will ensure that the entities controlled by it do not, make any public announcement with respect to the transactions contemplated in the ReD Voting Support Agreement or pursuant to the Arrangement Agreement without the prior written approval of Capstone, except as required by applicable law or applicable stock exchange requirements.

Capstone has covenanted and agreed that it will take all steps required of it to cause the Arrangement to occur in accordance with the terms of and subject to the conditions set forth in the Arrangement Agreement and will cause the Consideration to be made available to pay for all of the outstanding ReD Shares as required by the Arrangement Agreement, subject to the termination provision contained in the ReD Voting Support Agreement.

Each ReD Voting Support Agreement shall be terminated and be of no further force or effect upon the earliest to occur of:

- the mutual agreement in writing of Capstone and the ReD Locked-up Party;
- the termination of the Arrangement Agreement;
- written notice by the ReD Locked-up Party to Capstone if: (i) subject to the notice and cure provisions of the ReD Voting Support Agreement, any representation or warranty of Capstone under the ReD Voting Support Agreement is untrue or incorrect in any material respect; (ii) subject to the notice and cure provisions of the ReD Voting Support Agreement, Capstone has not complied in any material respect with its covenants contained in the ReD Voting Support Agreement; (iii) without the prior written consent of the ReD Locked-up Party, there is any decrease or change in the form of Consideration set out in the Arrangement Agreement; or (iv) without the prior written consent of the ReD Locked-up Party, (A) the conditions to the consummation of the Arrangement as set forth in the Arrangement Agreement are amended, or (B) the terms of the Arrangement Agreement are otherwise varied in a manner that is materially adverse to the ReD Locked-up Party; provided that at the time of such termination, the ReD Locked-up Party is not in material default in the performance of its obligations under the ReD Voting Support Agreement;
- written notice by Capstone to the ReD Locked-up Party if: (i) subject to the notice and cure provisions of the ReD Voting Support Agreement, any representation or warranty of the ReD Locked-up Party is untrue or incorrect in any material respect; or (ii) the ReD Locked-up Party has not complied in any material respect with its covenants contained in the ReD Voting Support Agreement, provided that at the time of such termination, Capstone is not in material default in the performance of its obligations under the ReD Voting Support Agreement;
- the acquisition of the ReD Subject Securities by Capstone; and
- November 30, 2013.

Capstone Voting Support Agreements

Each of the Capstone Locked-up Parties has entered into a Capstone Voting Support Agreement with ReD. Each Capstone Voting Support Agreement sets forth, among other things, the terms and conditions upon which each Capstone Locked-Up Party has agreed, among other things, to vote any Capstone Shares owned in favour of the Share Issuance Resolution. The following is a summary of the principal terms of the Capstone Voting Support Agreements.

Under the Capstone Voting Support Agreements, each of the Capstone Locked-Up Parties has agreed, among other things, to vote (or cause to be voted) in favour of the Share Issuance Resolution, all of the

Capstone Shares owned or controlled by such Capstone Locked-Up Party, being an aggregate of 91,259 Capstone Shares (representing approximately 0.13% of the outstanding Capstone Shares, as at July 29, 2013).

Except as otherwise noted below, each Capstone Locked-Up Party has covenanted and agreed, among other things, that it will:

- prior to the record date for the Special Meeting, not (A) sell, transfer, gift, assign, convey, pledge, hypothecate, encumber, option or otherwise dispose of any right or interest in any of the Capstone Shares beneficially owned, or over which control or direction is exercised, directly or indirectly, as of the date of the Capstone Voting Support Agreement, or is acquired subsequent to the date of the Capstone Voting Support Agreement, by the Capstone Locked-Up Party or an entity controlled by it (including any securities which Capstone Subject Securities may be converted into exchanged for or otherwise changed into) ("**Capstone Subject Securities**") or enter into any agreement, arrangement, commitment or understanding in connection therewith, other than transfers to or between wholly-owned entities (including wholly-owned corporations, partnerships, or trusts) of the Capstone Locked-Up Party (provided that such transfer does not relieve the Capstone Locked-Up Party of any of its obligations under the Capstone Voting Support Agreement with respect to the Capstone Subject Securities); (B) other than as set forth in the Capstone Voting Support Agreement, grant or agree to grant any proxies or powers of attorney, deposit any Capstone Subject Securities into a voting trust or pooling agreement, or enter into a voting agreement, commitment, understanding or arrangement, oral or written, with respect to the voting of any Capstone Subject Securities; or (C) requisition or join in the requisition of any meeting of any of the securityholders of Capstone for the purpose of considering any resolution;
- vote (or cause to be voted) all their Capstone Subject Securities at any meeting of Capstone Shareholders at which the Capstone Locked-up Party is entitled to vote, including the Special Meeting, and in any action by written consent of the Capstone Shareholders:
  - in favour of the approval, consent, ratification and adoption of the Share Issuance Resolution and the transactions contemplated by the Arrangement Agreement (and any actions required for the consummation of the transactions contemplated by the Arrangement Agreement); and
  - against any proposed action by Capstone, any Capstone Shareholders, any of the Capstone Subsidiaries or any other Person: (i) in respect of any Acquisition Proposal involving Capstone or any Subsidiary of Capstone, other than the Arrangement; or (ii) which would reasonably be regarded as being directed towards or likely to prevent or delay the successful completion of the Arrangement, including without limitation any amendment to the articles or by-laws or other constating documents of Capstone or any of its Subsidiaries or their respective organizational structures (other than as permitted or required under the Arrangement Agreement or the Transition Agreement);
- not, and will ensure that its affiliates do not, directly or indirectly, through any officer, director, employee, representative or agent or otherwise: (i) solicit proxies or become a participant in a solicitation in opposition to or competition with Capstone in connection with the Arrangement; (ii) assist any Person in taking or planning any action that would compete with, restrain or otherwise serve to interfere with or inhibit Capstone in connection with the Arrangement; (iii) solicit, initiate, assist, encourage or otherwise facilitate (including by way of entering into any agreement, arrangement or understanding), any inquiry, proposal or offer relating to any Acquisition Proposal or potential Acquisition Proposal; or (iv) cooperate in any way with, assist or participate in, knowingly encourage or otherwise facilitate or encourage any effort or attempt by any other Person to do or seek to do any of the foregoing;
- not take any action of any kind, in each case which would reasonably be regarded as likely to reduce the success of, or materially delay or interfere with the completion of, the transactions contemplated by the Arrangement Agreement;
- at the request of Capstone or ReD, use all commercially reasonable efforts in its capacity as a Capstone Shareholder to assist ReD and Capstone to successfully complete the Arrangement and the other transactions contemplated by the Arrangement Agreement and the Capstone Voting Support Agreement,

including without limitation, cooperating with Capstone and ReD to make all requisite regulatory filings, provided that the Securityholder shall not be obligated to incur any expense in providing such cooperation, including by participating in any proceeding, unless ReD reimburses the Capstone Locked-Up Party for such expenses;

- promptly notify ReD of the amount of any new Capstone Shares acquired by the Capstone Locked-up Party, if any, after the date of the Capstone Voting Support Agreement. Any such Capstone Shares will be subject to the terms of the Capstone Voting Support Agreement as though they were Capstone Subject Securities owned by the Capstone Locked-Up Party on the date of the Capstone Voting Support Agreement (July 3, 2013); and
- not, and will ensure that the entities controlled by it do not, make any public announcement with respect to the transactions contemplated in the Capstone Voting Support Agreement or pursuant to the Arrangement Agreement without the prior written approval of ReD, except as required by applicable law or applicable stock exchange requirements.

ReD has covenanted and agreed that it will take all steps required of it to cause the Arrangement to occur in accordance with the terms of and subject to the conditions set forth in the Arrangement Agreement, subject to the termination provision contained in the ReD Voting Support Agreement.

Each Capstone Voting Support Agreement shall be terminated and be of no further force or effect upon the earliest to occur of:

- the mutual agreement in writing of ReD and the Capstone Locked-up Party;
- the termination of the Arrangement Agreement;
- written notice by the Capstone Locked-Up Party to ReD if: (i) subject to the notice and cure provisions of the Capstone Voting Support Agreement, any representation or warranty of Capstone under the Capstone Voting Support Agreement is untrue or incorrect in any material respect; (ii) subject to the notice and cure provisions of the Capstone Voting Support Agreement, ReD has not complied in any material respect with its covenants contained in the Capstone Voting Support Agreement; or (iii) without the prior written consent of the Capstone Locked-up Party, (A) the conditions to the consummation of the Arrangement as set forth in the Arrangement Agreement are amended, or (B) the terms of the Arrangement Agreement are otherwise varied in a manner that is materially adverse to the Capstone Locked-up Party; provided that at the time of such termination, the Capstone Locked-Up Party is not in material default in the performance of its obligations under the Capstone Voting Support Agreement;
- written notice by ReD to the Capstone Locked-Up Party if: (i) subject to the notice and cure provisions of the Capstone Voting Support Agreement, any representation or warranty of the Capstone Locked-Up Party is untrue or incorrect in any material respect; or (ii) the Capstone Locked-Up Party has not complied in any material respect with its covenants contained in the Capstone Voting Support Agreement, provided that at the time of such termination, ReD is not in material default in the performance of its obligations under the Capstone Voting Support Agreement; and
- November 30, 2013.

Regulatory Matters

Competition Act

The Competition Act requires a pre-merger notification to the Commissioner for certain classes of transactions that exceed enumerated financial thresholds and, in the case of voting share acquisitions, also exceed a voting interest threshold. Specifically, where a purchaser proposes to acquire more than 20% of the voting shares of a public corporation, pre-merger notification is required where both of the following two financial thresholds are exceeded (generally based on the parties' last audited financial statements): (a) the parties to the transaction, together with their affiliates, must have, in the aggregate, assets in Canada, or annual gross revenues from sales in, from or into Canada, in excess of $400 million; and, (b) the company whose shares are being acquired, together with any corporations that it controls, must have, in the aggregate, assets in Canada,

or annual gross revenues from sales in or from Canada generated from its assets in Canada, in excess of $80 million.

Where a transaction is subject to pre-merger notification, except as noted below, the parties cannot complete their transaction until they have both filed the prescribed information (a "**pre-merger notification**") and the waiting period has expired (provided that the Commissioner has not sought, and obtained from the Competition Tribunal, a temporary or permanent order prohibiting closing). The waiting period is 30 days from the day in which both parties have filed their respective pre-merger notification unless, before the expiration of that period, the Commissioner issues a supplementary information request, in which case the waiting period expires 30 days after the day in which both parties have complied with such a request.

Alternatively, or in addition to filing a pre-merger notification, a purchaser may file a request for an advance ruling certificate (an "**ARC**") to the Commissioner. An ARC may be issued by the Commissioner where he is satisfied that he does not have sufficient grounds on which to apply to the Competition Tribunal under the merger provisions of the Competition Act to challenge the proposed transaction. If the Commissioner issues an ARC in respect of a proposed transaction, that transaction is exempt from the pre-merger notification requirement. In addition, if the transaction to which the ARC relates is substantially completed within one year after the ARC is issued, the Commissioner cannot seek an order of the Competition Tribunal under the merger provisions of the Competition Act in respect of the transaction solely on the basis of information that is the same or substantially the same as the information on the basis of which the ARC was issued. Accordingly, ARCs are generally issued in respect of transactions that raise minimal substantive competition law issues. Where an ARC is requested but the Commissioner declines to issue an ARC, the Commissioner may instead issue a "No-Action Letter" indicating that he does not, at such time, intend to initiate proceedings before the Competition Tribunal under the merger provisions of the Competition Act with respect to the proposed transaction but reserves his right to do so within one year from when the proposed transaction was substantially completed. Where a No-Action Letter is issued in circumstances where a pre-merger notification filing has not also been made, the Commissioner may waive the parties' obligation to file a pre-merger notification (a "**Notification Waiver**"); where a pre-merger notification filing has been made, the issuance of the No-Action Letter terminates the waiting period.

The acquisition of ReD Shares pursuant to the Arrangement requires pre-merger notification under the Competition Act. Notwithstanding the terms of the Arrangement Agreement, the parties mutually agreed to delay filing their respective pre-merger notification, while Capstone submitted a request to the Commissioner seeking an ARC or, if an ARC is not available, a No-Action Letter along with a request for a Notification Waiver, in respect of the Arrangement. If the ARC or No-Action Letter and Notification Waiver was not received within a reasonable period of time, the parties agreed to file their respective pre-merger notification.

On July 22, 2013, the Commissioner completed his review and issued an ARC to Capstone in connection with its proposed acquisition of ReD Shares pursuant to the Arrangement, thereby satisfying the competition condition to closing. The ARC both exempts the parties from having to file a notification and bars the Commissioner from later challenging the transaction on substantially similar information that resulted in the issuance of the ARC. An ARC is the highest form of comfort available under the Competition Act.

Approvals

ReD Shareholder Approval

Subject to the Interim Order, the Arrangement Resolution must be approved by (i) at least two-thirds of the votes cast by ReD Shareholders, voting as a single class, present in person or represented by proxy, at the ReD Meeting and (ii) a majority of the votes cast by ReD Shareholders (excluding those votes that are required to be excluded from the minority approval by Part 8 of Multilateral Instrument 61-101 — *Protection of Minority Security Holders in Special Transactions*), voting as a single class, present in person or represented by proxy, at the ReD Meeting.

Capstone Shareholder Approval

Based on the number of ReD Shares outstanding as at August 1, 2013, Capstone expects to issue an aggregate of approximately 19,684,403 Capstone Shares to acquire the ReD Shares, which would result in there

being up to a total of approximately 92,549,812 Capstone Shares issued and outstanding (based on the number of Capstone Shares outstanding as at July 29, 2013) immediately following the completion of the Arrangement, with current Capstone Shareholders holding in the aggregate approximately 78.7% of the outstanding Capstone Shares and former ReD Shareholders holding approximately 21.3% of the outstanding Capstone Shares (each on a non-diluted basis). As a result of this issuance, the Shareholders' ownership and voting interests in Capstone will be diluted, relative to their current proportional ownership and voting interest in Capstone.

The number of Capstone Shares to be issued on closing of the Arrangement depends on the number of ReD Options, ReD Warrants and ReD Debentures that are exercised or converted prior the Effective Time. Depending on such exercises and conversions, Shareholders could face additional dilution. Assuming none of the ReD Options, ReD Warrants or ReD Debentures are exercised or converted before the Effective Time, up to approximately 8,805,336 Capstone Shares would be issuable in the future upon exercise or conversion of such securities. Of the approximately 8,805,336 Capstone Shares issuable following the completion of the Arrangement, up to approximately 548,444 Capstone Shares will be issuable upon exercise of the Replacement Options, up to approximately 1,356,892 Capstone Shares upon the exercise of the ReD Warrants, and up to approximately 6,900,000 Capstone Shares upon the conversion of the ReD Debentures.

Pursuant to the rules of the TSX, a listed company is generally required to obtain shareholder approval in connection with an acquisition transaction where the number of securities issued or issuable in payment of the purchase price for the acquisition exceeds 25% of the number of securities of the listed issuer which are outstanding, on a non-diluted basis, prior to the date of closing of the transaction. **As the Arrangement could result in Capstone issuing in excess of 25% of the currently outstanding Capstone Shares (approximately 39.1% when potential issuances in respect of the Replacement Options and the ReD Debentures and ReD Warrants are considered, as required by the rules of the TSX), Shareholder approval is required. It is a condition of the acquisition of ReD that the Share Issuance Resolution be approved by a simple majority (50% plus one vote) of votes cast at the Special Meeting by Shareholders, present in person or by proxy.**

Court Approval

The CBCA requires that ReD obtain the approval of the Court in respect of the Arrangement.

On August 1, 2013, ReD obtained the Interim Order which provides for the calling and holding of the ReD Meeting and other procedural matters, and filed a Notice of Hearing of Petition for the Final Order to approve the Arrangement. Copies of the Interim Order and the Notice of Application for Final Order are attached as Appendix D, to the ReD Circular.

The Court hearing in respect of the Final Order is expected to take place in September 2013, or as soon thereafter as counsel for ReD may be heard by the Court, subject to the approval of the Arrangement Resolution at the ReD Meeting and Shareholder approval of the Share Issuance Resolution. At the hearing, the Court will consider, among other things, the fairness of the terms and conditions of the Arrangement and the rights and interests of every person affected. The Court may approve the Arrangement in any manner the Court may direct, subject to compliance with such terms and conditions, if any, as the Court deems fit. Prior to the hearing on the Final Order, the Court will be informed that the Final Order will also constitute the basis for an exemption from registration under the U.S. Securities Act for the Capstone Shares and Replacement Options to be issued pursuant to the Arrangement to holders of ReD Securities, as applicable, pursuant to Section 3(a)(10) of the U.S. Securities Act and a basis for similar exemptions from registration under applicable state securities laws. Under the terms of the Interim Order, each ReD securityholder, as well as creditors of ReD, will have the right to appear and make submissions at the application for the Final Order. There can be no assurance that the Court will approve the Arrangement.

Dissenting Shareholder Rights

Under applicable Canadian law, Shareholders are not entitled to dissent rights with respect to the Share Issuance Resolution. Any ReD Shareholder who validly dissents from the Arrangement Resolution in accordance with the CBCA will be entitled, in the event the transaction becomes effective, to be paid by Capstone in accordance with the terms of the Plan of Arrangement, the fair value of the ReD Shares held by the dissenting shareholder. It is a condition to the obligation of Capstone to complete the Arrangement that no more than 5% of the ReD Shares shall have exercised Dissent Rights.

Issuance of Capstone Shares and Replacement Options

The Capstone Shares and Replacement Options to be issued pursuant to the Arrangement have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any other jurisdiction. The Capstone Shares and Replacement Options to be issued in the Arrangement will be issued pursuant to an exemption from the prospectus and registration requirements of Canadian securities law and pursuant to the exemption from the registration requirements of the U.S. Securities Act provided by Section 3(a)(10) of the U.S. Securities Act and similar exemptions from registration under applicable state securities laws, based on the approval of the Plan of Arrangement by the Court.

THE ARRANGEMENT AGREEMENT

General

At the Effective Time of the Arrangement, upon the terms and subject to the conditions of the Arrangement Agreement and in accordance with the Arrangement, among other things, Capstone will acquire all of the ReD Shares and ReD will become a wholly-owned subsidiary of Capstone. The Arrangement Agreement and Plan of Arrangement provide that Capstone will acquire each outstanding ReD Share (other than those held by ReD Shareholders who validly exercise their Dissent Rights) in exchange for the Consideration.

The Arrangement Agreement

The following is a summary only of the Arrangement Agreement. This summary of the Arrangement Agreement does not purport to be complete and is qualified in its entirety by, and should be read in conjunction with, the full text of the Arrangement Agreement attached to this Circular as Schedule B. The Arrangement Agreement may also be found on SEDAR under Capstone's profile at www.sedar.com.

Effective Date and Conditions of Arrangement

If the Arrangement Resolution is passed, the Final Order of the Court is obtained approving the Arrangement, every requirement of the CBCA relating to the Arrangement has been complied with and all other conditions disclosed under the heading "*The Arrangement — The Arrangement Agreement — Conditions to the Arrangement Becoming Effective*" are met or waived, the Arrangement is anticipated to become effective at 12:01 a.m. (Toronto time) on the Effective Date. It is currently expected that the Effective Date will be in September 2013.

Representations and Warranties

The Arrangement Agreement contains representations and warranties made by ReD to Capstone and representations and warranties made by Capstone to ReD. Those representations and warranties were made solely for purposes of the Arrangement Agreement and may be subject to important qualifications, limitations and exceptions agreed to by the parties in connection with negotiating its terms and as set out in the disclosure letters delivered by ReD to Capstone and by Capstone to ReD in connection with the Arrangement Agreement. In particular, a number of the representations and warranties given by ReD are limited to certain of ReD's Subsidiaries and/or properties. Moreover, some of the representations and warranties are subject to a contractual standard of materiality or Material Adverse Effect different from that generally applicable to public disclosure to securityholders, or are used for the purpose of allocating risk between the parties to the

Arrangement Agreement. For the foregoing reasons, you should not rely on the representations and warranties contained in the Arrangement Agreement as statements of factual information at the time they were made or otherwise.

The representations and warranties provided by ReD in favour of Capstone relate to, among other things: due incorporation or organization, existence, power, authority, qualification, licensing and registration of ReD and each of its Subsidiaries to carry on business; corporate power and authority of ReD to enter into the Arrangement Agreement and perform its obligations thereunder; execution, delivery and enforceability of the Arrangement Agreement; governmental authorizations required in respect of the Arrangement; termination of the ReD Shareholder Rights Plan; authorization, execution, delivery and performance by ReD of its obligations under the Arrangement Agreement and the consummation of the transactions contemplated thereunder will not result in a violation of the constating documents of ReD or any of its Subsidiaries; capitalization of ReD; ReD's ownership of each Subsidiary; maintenance and correctness of the minute books of ReD and its Subsidiaries; compliance with securities law matters; preparation of financial statements; disclosure controls and internal controls over financial reporting; independence of ReD's auditors; absence of undisclosed liabilities; absence of certain changes or events; title to and sufficiency of assets of ReD and its Subsidiaries; compliance with Laws; material Authorizations required by Law in connection with the operation of the business of ReD and its Subsidiaries and compliance with such Authorizations; receipt of a fairness opinion from ReD's financial advisor; approval of the board of directors of ReD and ReD's Strategic Review Committee; validity and enforceability of the ReD Material Contracts; ownership of real property, personal property and intellectual property; compliance with environmental matters; employees, collective agreements and employee plans; litigation relating to ReD and its Subsidiaries; the absence of notice of First Nations' claims; compliance with corrupt practices legislation; related party transactions; validity of insurance policies; compliance with tax-related matters; absence of bankruptcy or insolvency proceedings; applicability of U.S. securities laws; absence of restrictions on business activities; fees and commissions of brokers, investment bankers or financial advisors in connection with the Arrangement; and agreements of guarantee, indemnification, assumption or endorsement.

The representations and warranties provided by Capstone in favour of ReD relate to, among other things: due incorporation or organization, existence, power, authority, qualification, licensing and registration of Capstone and each of its Subsidiaries to carry on business; corporate power and authority of Capstone to enter into the Arrangement Agreement and perform its obligations thereunder; execution, delivery and enforceability of the Arrangement Agreement; governmental authorizations required in respect of the Arrangement; authorization, execution, delivery and performance by Capstone of its obligations under the Arrangement Agreement and the consummation of the transactions contemplated thereunder will not result in a violation of the constating documents of Capstone or any of its Subsidiaries; capitalization of Capstone; Capstone's ownership of each Subsidiary; maintenance and correctness of the minute books of Capstone and its Subsidiaries; compliance with securities law matters; preparation of financial statements; disclosure controls and internal controls over financial reporting; independence of Capstone's auditors; absence of undisclosed liabilities; absence of certain changes or events; title to and sufficiency of assets of Capstone and its Subsidiaries; compliance with Laws; material Authorizations required by Law in connection with the operation of the business of Capstone and its Subsidiaries and compliance with such Authorizations; receipt of the RBC Fairness Opinion; approval of the Board; validity and enforceability of the Capstone Material Contracts; ownership of real property, personal property and intellectual property; compliance with environmental matters; employees, collective agreements and employee plans; absence of litigation relating to Capstone and its Subsidiaries; absence of notice of First Nations' claims; compliance with corrupt practices legislation; the absence of related party transactions; validity of insurance policies; compliance with tax-related matters; absence of bankruptcy or insolvency proceedings; applicability of U.S. securities laws; absence of restrictions on business activities; fees and commissions of brokers, investment bankers or financial advisors in connection with the Arrangement; agreements of guarantee, indemnification, assumption or endorsement; sufficiency of funds available to satisfy the Cash Consideration payable pursuant to the Arrangement; and the issuance of the Capstone Shares (in connection with the Arrangement) as fully paid and non-assessable common shares in the capital of Capstone.

Conditions to the Arrangement Becoming Effective

In order for the Arrangement to become effective, certain conditions must have been satisfied or waived which conditions are summarized below.

Mutual Conditions

The Parties are not required to complete the Arrangement unless each of the following conditions is satisfied on or prior to the Effective Time:

(a) the Interim Order shall have been granted and shall not have been set aside or modified in a manner unacceptable to either Party, each acting reasonably, on appeal or otherwise;

(b) the Arrangement Resolution shall have been approved and adopted by the ReD Shareholders at the ReD Meeting in accordance with the Interim Order and applicable Laws;

(c) Shareholder approval of the Share Issuance Resolution shall have been obtained at the Special Meeting in accordance with applicable Laws;

(d) the Final Order shall have been granted and shall not have been set aside or modified in a manner unacceptable to either ReD or Capstone, each acting reasonably, on appeal or otherwise;

(e) no Law shall have been enacted, made or issued that makes the consummation of the Arrangement illegal or otherwise prohibits or enjoins ReD or Capstone from consummating the Arrangement;

(f) each of the Regulatory Approvals has been made, given or obtained on terms acceptable to both ReD and Capstone, each acting reasonably, and each such Regulatory Approval is in force and shall not have been modified or withdrawn;

(g) there is no action or proceeding by a Governmental Entity known to Capstone or ReD to be pending or threatened in any jurisdiction to:

  i. cease trade, temporarily or permanently enjoin, prohibit, or impose any limitations, damages or conditions on Capstone's ability to acquire, hold or exercise full rights of ownership over any Common Shares, including the right to vote the Common Shares; or

  ii. prohibit, restrict or impose terms or conditions on the Arrangement, or the ownership or operation by Capstone of the business or assets of Capstone, its affiliates and related entities, ReD or any of ReD's Subsidiaries and related entities, or compel Capstone to dispose of or hold separate any of the business or assets of Capstone, its affiliates and related entities, ReD or any of ReD's Subsidiaries and related entities as a result of the Arrangement;

(h) the distribution of the Capstone Shares pursuant to the Arrangement shall be exempt from the prospectus and registrations requirements of applicable Law, either by virtue of exemptive relief from the applicable securities regulatory authorities or by virtue of applicable exemptions under applicable Law, and the first trade of such Capstone Shares shall not be subject to resale restrictions under applicable Law;

(i) the TSX shall have conditionally approved the listing, subject only to compliance with the usual requirements of the TSX, of the Capstone Shares (including for greater certainty, the Capstone Shares issuable under the Replacement Options, ReD Warrants and ReD Debentures) to be issued or made issuable pursuant to the Arrangement as of the Effective Date, or as soon as possible; and

(j) the Arrangement Agreement shall not have been terminated pursuant to any termination provisions.

The foregoing conditions may only be waived, in whole or in part, by the mutual consent of ReD and Capstone.

Capstone's Conditions

Capstone is not required to complete the Arrangement unless each of the following conditions is satisfied on or before the Effective Time, which conditions are for the exclusive benefit of Capstone:

(a) with respect to the representations and warranties of ReD:

i. the representations and warranties of ReD which are qualified by the expression "Material Adverse Effect" shall have been true and correct in all respects as of the date of the Arrangement Agreement and shall be true and correct in all respects as of the Effective Time as if made on and as of such date (unless made as of a specified date, in which case the accuracy of such representation and warranty shall be determined as of such specified date);

ii. all other representations and warranties of ReD shall have been true and correct as of the date of the Arrangement Agreement and shall be true and correct as of the Effective Time as if made on and as of such date (unless made as of a specified date, in which case the accuracy of such representation and warranty shall be determined as of such specified date), except to the extent that the failure of such representations and warranties to be true and correct would not have a Material Adverse Effect on ReD; and

iii. ReD shall have delivered a certificate confirming the satisfaction of (i) and (ii) to Capstone, executed by two senior officers of ReD (in each case without personal liability), addressed to Capstone and dated the Effective Date;

(b) ReD shall have fulfilled or complied in all material respects with each of the covenants of ReD contained in the Arrangement Agreement to be fulfilled or complied with by it on or prior to the Effective Time, and ReD shall have delivered a certificate confirming same to Capstone, executed by two senior officers of ReD (in each case without personal liability) addressed to Capstone and dated the Effective Date;

(c) each of the Third Party Consents has been given or obtained on terms acceptable to Capstone, acting reasonably, and each such Third Party Consent is in force and has not been modified or withdrawn;

(d) Dissent Rights have not been exercised with respect to more than 5% of the issued and outstanding Common Shares;

(e) there shall not have been or occurred a Material Adverse Effect in respect of ReD prior to the date of the Arrangement Agreement that has not been publicly disclosed and from the date of the Arrangement Agreement to the Effective Time there shall not have been or occurred a Material Adverse Effect in respect of ReD; and

(f) on or prior to the Effective Time, ReD shall have entered into agreements with respect to the Wind Works Project Acquisitions on terms and conditions and with co-investment arrangements, if any, that are substantially in the form provided to Capstone, and ReD shall have delivered a certificate to Capstone, executed by two senior officers of ReD (in each case without personal liability) addressed to Capstone and dated the Effective Date attaching true and complete copies of all Wind Works Project Acquisition Documents.

The foregoing conditions may only be waived, in whole or in part, by Capstone in its sole discretion.

ReD Conditions

ReD is not required to complete the Arrangement unless each of the following conditions is satisfied on or before the Effective Time, which conditions are for the exclusive benefit of ReD:

(a) with respect to the representations and warranties of Capstone:

i. the representations and warranties of Capstone which are qualified by the expression "Material Adverse Effect" shall have been true and correct in all respects as of the date of the Arrangement Agreement and shall be true and correct in all respects as of the Effective Time as if made on and

as of such date (unless made as of a specified date, in which case the accuracy of such representation and warranty shall be determined as of such specified date);

ii. all other representations and warranties of Capstone shall have been true and correct as of the date of the Arrangement Agreement and shall be true and correct as of the Effective Time as if made on and as of such date (unless made as of a specified date, in which case the accuracy of such representation and warranty shall be determined as of such specified date), except to the extent that the failure of such representations and warranties to be true and correct would not have a Material Adverse Effect on Capstone; and

iii. Capstone shall have delivered a certificate confirming the satisfaction of (i) and (ii) to ReD, executed by two senior officers of Capstone (in each case without personal liability), addressed to ReD and dated the Effective Date.

(b) Capstone shall have fulfilled or complied in all material respects with each of the covenants of Capstone contained in the Arrangement Agreement to be fulfilled or complied with by it on or prior to the Effective Time, and Capstone shall have delivered a certificate confirming same to ReD, executed by two senior officers of Capstone (in each case without personal liability) addressed to ReD and dated the Effective Date;

(c) there shall not have been or occurred a Material Adverse Effect in respect of Capstone prior to the date of the Arrangement Agreement that has not been publicly disclosed and from the date of the Arrangement Agreement to the Effective Time there shall not have been or occurred a Material Adverse Effect in respect of Capstone; and

(d) subject to and in compliance with the terms and conditions of the Arrangement Agreement and the Plan of Arrangement, Capstone will have deposited or caused to be deposited with the Depositary sufficient Capstone Shares and funds to effect payment in full of the aggregate Consideration.

The foregoing conditions may only be waived, in whole or in part, by ReD in its sole discretion.

Covenants of ReD

Covenants relating to Conduct of Business

ReD has covenanted and agreed that, subject to applicable Law, during the period from the date of the Arrangement Agreement until the earlier of the Effective Time and the time that the Arrangement Agreement is terminated in accordance with its terms, except with the express prior written consent of Capstone, which written consent shall not be unreasonably withheld, conditioned or delayed, or as required or permitted by the Arrangement Agreement, ReD shall, and shall cause each of its Subsidiaries, to conduct its business in the Ordinary Course.

Without limiting the generality of the above, ReD further covenanted and agreed, except with the express prior written consent of Capstone, which will not be unreasonably withheld, conditioned or delayed or as required or permitted by the Arrangement Agreement, that ReD shall use its reasonable commercial efforts to preserve the current business organization of ReD and its Subsidiaries and maintain good relations with, and the goodwill of, Persons having business relationships with ReD and its Subsidiaries. ReD also covenanted and agreed that it shall not and shall not permit any of its Subsidiaries to, directly or indirectly, undertake certain actions described in the Arrangement Agreement, except with the prior written consent of Capstone, which written consent shall not be unreasonably withheld, conditioned or delayed. In particular, these covenants include, among other things and subject to certain exceptions, prohibitions on: amending constating documents; capital alterations; redemption of securities (except as required pursuant to the terms of the ReD Debentures and certain other agreements); declaration and payment of dividends (except in the ordinary course); reorganization and amalgamation; issuing or pledging securities; acquiring assets; reducing the stated capital; making any loan or capital contribution; adopting plans for liquidation; selling, pledging, abandoning and certain other actions in respect of assets; making capital expenditures; undertaking certain tax-related actions; making loans, advancements or capital contributions or incurring liabilities; prepayment of indebtedness; entering into certain financial instruments; materially changing accounting methods; modifying employment arrangements

and benefits; cancelling or releasing any claims or rights; commencing litigation; amending rights under or entering into a ReD Material Contract; amending material insurance policies; waiving or transferring any material rights or amending material licenses, leases, contracts or other material documents; failing to undertake certain actions relating to material licenses, leases, permits or authorizations; modifying authorizations; failing to undertake certain actions which could affect licenses, permits, and other such approvals; incurring business expenses outside the Ordinary Course; take actions that could hinder the consummation of the Arrangement; transactions with related parties; and agreeing or committing to do any of the foregoing.

ReD further covenanted and agreed that it shall, and shall cause its Subsidiaries to, use reasonable commercial efforts to acquire from Wind Works Power Corp., its affiliates or any other Person holding an economic interest, not less than a 37.5% economic interest in each of the wind power development projects known as "Wind Farm Ganaraska", "Snowy Ridge Wind Park", "Settlers Landing Wind Park" and "Grey Highlands Zero Emission People" on terms and conditions and with co-investment arrangements, if any, that are substantially in the form provided to Capstone.

Covenants relating to the Arrangement

ReD has also agreed that it shall perform, and shall cause its Subsidiaries to perform, all obligations required to be performed by ReD or any of its Subsidiaries under the Arrangement Agreement, co-operate with Capstone in connection therewith, and do all such other commercially reasonable acts and things as may be necessary in order to consummate and make effective, as soon as reasonably practicable, the transactions contemplated by the Arrangement Agreement, and, without limitation, ReD shall and, where appropriate, shall cause each of its Subsidiaries:

(a) use commercially reasonable efforts to satisfy all conditions precedent in the Arrangement Agreement and take all steps set forth in the Interim Order and Final Order applicable to it;

(b) provide assistance as reasonably requested by Capstone for the purposes of obtaining Shareholder approval of the Share Issuance Resolution at the Special Meeting;

(c) use commercially reasonable efforts to obtain all third party consents, waivers, approvals, agreements, amendments or confirmations that are required under ReD Material Contracts in order to complete the Arrangement or to maintain ReD Material Contracts in full force and effect following completion of the Arrangement, including Third Party Consents in each case, on terms that are satisfactory to Capstone, acting reasonably;

(d) use commercially reasonable efforts to effect all necessary, registrations, filings and submissions of information required by Governmental Entities from ReD and its Subsidiaries in order to complete the Arrangement;

(e) use commercially reasonable efforts to oppose, lift or rescind any injunction, restraining or other order, decree or ruling seeking to restrain, enjoin or otherwise prohibit or adversely affect the consummation of the Arrangement and defend, or cause to be defended, any proceedings to which it is a party or brought against it or its directors or officers challenging the Arrangement or the Arrangement Agreement;

(f) use commercially reasonable efforts to ensure that the exemption from the registration requirements of the 1933 Act is available for the issuance of securities pursuant to the Plan of Arrangement and, in that regard, use all commercially reasonable efforts to comply, or assist Capstone in complying, with other applicable provisions regarding U.S. federal securities laws; and

(g) not take any action, or refrain from taking any commercially reasonable action, or permitting any action to be taken or not taken, which is inconsistent with the Arrangement Agreement or the Arrangement.

ReD has covenanted to promptly notify Capstone in writing when it becomes of aware of certain items, including, without limitation: any Material Adverse Effect in respect of ReD; any notice from any Person alleging that the consent or such Person is required in connection with the Arrangement or the Arrangement Agreement; any notice from any Governmental Entity in connection with the Arrangement or the Arrangement

Agreement; and certain filings, actions or claims relating to ReD, its Subsidiaries or the assets of ReD or its Subsidiaries.

Covenants relating to Access to Information and Confidentiality

From the date of the Arrangement Agreement until the earlier of the Effective Time and the termination of the Arrangement Agreement, subject to applicable Law, and the terms of existing Contracts, ReD shall, and shall cause its Subsidiaries to, give Capstone and its officers, employees, agents, advisors and representatives: (a) upon reasonable advance notice, and, at the option of ReD, with a ReD representative present, reasonable access during normal business hours to its and its Subsidiaries' (i) premises, (ii) property and assets (including all books and records, whether retained internally or otherwise), (iii) Contracts, and (iv) senior officers, independent auditors, agents, advisors and representatives; and (b) such financial and operating data or other information with respect to the assets or business of ReD as Capstone from time to time reasonably requests, subject to such access not interfering with the ordinary conduct of the business of ReD or its Subsidiaries. Capstone has agreed to hold the confidential information received from ReD confidential in accordance with the terms of ReD Confidentiality Agreement.

Covenants relating to Pre-Arrangement Reorganizations

ReD has agreed that upon the reasonable request of Capstone, ReD will and will cause its Subsidiaries to use its and their commercially reasonable efforts to effect such reorganizations of ReD's or its Subsidiaries' business, operations and assets and the integration of other affiliated businesses of ReD as Capstone may reasonably request and cooperate with Capstone and its advisors to determine the nature and manner of any such reorganization that might be undertaken. However, ReD need not effect a pre-Arrangement reorganization which in the opinion of ReD would not be in the best interests of ReD or its securityholders. Any such reorganization shall, in the opinion of ReD not, among other things: impede, delay or prevent completion of the Arrangement; impact the value and the form of the consideration to be paid to ReD Shareholders or otherwise prejudice ReD or ReD Shareholders in any material respect; and require ReD to obtain the approval of ReD Shareholders. Capstone has agreed to indemnify ReD, its Subsidiaries and their respective representatives for any and all, among other things, losses, costs and expenses incurred by any of them in connection with their involvement with any such reorganization.

Non-Solicitation Covenant

ReD has agreed that, except as otherwise provided in the Arrangement Agreement, ReD and its Subsidiaries shall not, directly or indirectly, through any of its Representatives, or otherwise, and shall not permit any such Person to:

(a) solicit, assist, initiate, knowingly encourage or otherwise facilitate (including by way of furnishing or providing copies of, access to, or disclosure of, any confidential information, properties, facilities, books or records of ReD or any Subsidiary or entering into any form of agreement, arrangement or understanding) any inquiry, proposal or offer that constitutes or could reasonably be expected to constitute or lead to, an Acquisition Proposal;

(b) enter into or otherwise engage or participate in any substantive discussions or negotiations with any Person (other than Capstone and its affiliates) regarding any inquiry, proposal or offer that constitutes or could reasonably be expected to constitute or lead to, an Acquisition Proposal it being acknowledged and agreed that ReD may communicate with any Person for the purposes of clarifying the terms of any proposal, advising such Person of the restrictions of the Arrangement Agreement or advising such Person that their proposal does not constitute an Acquisition Proposal or a Superior Proposal and is not reasonably expected to constitute or lead to a Superior Proposal;

(c) withdraw, amend, modify or qualify, or publicly propose or state an intention to withdraw, amend, modify or qualify, the board of directors of ReD's recommendation of the Arrangement;

(d) accept, approve, endorse or recommend, or publicly propose to accept, approve, endorse or recommend any Acquisition Proposal, or take no position or remain neutral with respect to, any

publicly disclosed Acquisition Proposal (it being understood that publicly taking no position or a neutral position with respect to a publicly announced, or otherwise publicly disclosed, Acquisition Proposal for a period of no more than five Business Days following such public announcement or public disclosure will not be considered to be in violation of the non-solicitation provisions of the Arrangement Agreement provided the board of directors of ReD has rejected such Acquisition Proposal and affirmed its recommendation of the Arrangement before the end of such five Business Day period (or in the event that the ReD Meeting is scheduled to occur within such five Business Day period, prior to the third Business Day prior to the date of the ReD Meeting)); or

(e) accept or enter into or publicly propose to accept or enter into any agreement, understanding or arrangement in respect of an Acquisition Proposal (other than a confidentiality agreement permitted by and in accordance with the provisions of the Arrangement Agreement permitting ReD to respond to an Acquisition Proposal).

ReD has further agreed and covenanted that it shall, and shall cause its Subsidiaries and its Representatives to, immediately cease and terminate, and cause to be terminated, any solicitation, encouragement, discussion, negotiation, or other activities commenced prior to the date of the Arrangement Agreement with any Person (other than Capstone and its affiliates) with respect to any inquiry, proposal or offer that constitutes, or could reasonably be expected to constitute or lead to, an Acquisition Proposal. In connection with this, ReD agreed and covenanted to immediately discontinue access to any data room and any confidential information, properties, facilities, books and records of ReD or any of its Subsidiaries that is provided to any party outside of the Ordinary Course and shall as soon as possible request the return or destruction of all confidential information provided. Subject to the Arrangement Agreement, ReD agrees not to release any third party from any confidentiality, non-solicitation or standstill agreement to which such third party is a party, or terminate, modify, amend or waive the terms of such agreement, it being acknowledged and agreed that:

(a) the automatic termination of any standstill provisions in any such agreement as the result of the entering into and announcement of the Arrangement Agreement by ReD, pursuant to the existing terms of such agreement; or

(b) the consideration of an Acquisition Proposal from a third party that is permitted to make such an Acquisition Proposal under the terms of such agreement, and the acceptance of a Superior Proposal that might be made by any such third party,

shall not be a violation of the Arrangement Agreement, and ReD has undertaken to enforce, or cause its Subsidiaries to enforce, all relevant covenants that it or any of its Subsidiaries have entered into prior to the date of the Arrangement Agreement or enter into after the date of the Arrangement Agreement.

Notification of Acquisition Proposal

ReD has agreed that it shall immediately notify Capstone of, among other things, any inquiry, or proposal or offer received by ReD or its representatives that constitutes or could reasonably be expected to constitute an Acquisition Proposal or for access to information relating to ReD or any Subsidiary. ReD has agreed to keep Capstone informed of the status of any such activity and will provide copies of any related written documents or correspondence to Capstone.

Responding to an Acquisition Proposal

Notwithstanding the above, if at any time prior to obtaining the approval from ReD Shareholders of the Arrangement Resolution, ReD receives an unsolicited *bona fide* written Acquisition Proposal, ReD may engage in or participate in discussions or negotiations with such Person regarding such Acquisition Proposal, and may provide information of ReD or its Subsidiaries, if and only if:

(a) the board of directors of ReD first determines, in good faith, after consultation with its financial advisors and outside legal counsel that such Acquisition Proposal constitutes or could reasonably be expected to constitute (disregarding for purposes of such determination any due diligence or access condition to which such Acquisition Proposal is subject) a Superior Proposal;

(b) prior to providing any such copies, access, or disclosure, ReD enters into a confidentiality and standstill agreement with such on terms that are no less favourable to ReD than those contained in ReD Confidentiality Agreement, and any such information provided to such Person shall have been provided to Capstone; and

(c) ReD promptly provides Capstone with:

i. prior written notice stating ReD's intention to participate in such discussions or negotiations and to provide such copies, access or disclosure; and

ii. prior to providing any such copies, access or disclosure to such Person, a true, complete and final executed copy of the relevant confidentiality and standstill agreement.

Superior Proposal and Right to Match

If ReD receives an Acquisition Proposal that constitutes a Superior Proposal prior to the approval of the Arrangement Resolution, the board of directors of ReD may, subject to compliance with the Arrangement Agreement, enter into a definitive agreement with respect to such Superior Proposal or withdraw or modify the board of directors of ReD recommendation of the Arrangement, if and only if:

(a) ReD has complied with the covenants regarding non-solicitation in the Arrangement Agreement;

(b) ReD has delivered to Capstone a Superior Proposal Notice;

(c) ReD has provided Capstone a copy of the proposed definitive agreement for the Superior Proposal;

(d) at least five Business Days have elapsed from the date that is the later of the date on which Capstone received the Superior Proposal Notice and the date on which Capstone received the copy of the proposed definitive agreement for the Superior Proposal;

(e) during such five Business Day period, Capstone has had the opportunity (but not the obligation), to offer to amend the Arrangement Agreement and the Arrangement so that the Acquisition Proposal no longer constitutes a Superior Proposal;

(f) if Capstone has offered to amend the Arrangement Agreement and the Arrangement, the board of directors of ReD has determined in good faith, after consultation with its outside legal counsel and financial advisors, that such Acquisition Proposal continues to constitute a Superior Proposal; and

(g) ReD terminates the Arrangement Agreement in accordance with its provisions, and pays the Termination Fee.

Covenants of Capstone

Covenants Relating to Conduct of Business

Capstone has covenanted and agreed that, subject to applicable Law, during the period from the date of the Arrangement Agreement until the earlier of the Effective Time and the time that the Arrangement Agreement is terminated in accordance with its terms, except with the express prior written consent of ReD or as set out in the Capstone Disclosure Letter, which written consent shall not be unreasonably withheld, conditioned or delayed, or as required or permitted by the Arrangement Agreement, Capstone shall, and shall cause each of its Subsidiaries (other than the Bristol Water Entities), to conduct its business in the Ordinary Course.

Without limiting the generality of the above, Capstone has further covenanted and agreed, except with the express prior written consent of ReD, which written consent shall not be unreasonably withheld, condition or delayed, or as required or permitted by the Arrangement Agreement, that Capstone shall use its reasonable commercial efforts to preserve intact the current business organization of Capstone and its Subsidiaries and maintain good relations with, and the goodwill of, Persons having business relationships with Capstone and its Subsidiaries. Except with the prior written consent of ReD, which written consent shall not be unreasonably withheld, conditioned or delayed, Capstone also covenanted and agreed that it shall not and shall not permit any of its Subsidiaries to, directly or indirectly, undertake certain actions described in the Arrangement Agreement. In particular, these covenants include, among other things and subject to certain exceptions (notably, certain

activities that pertain to the Bristol Water Entities), prohibitions relating to: amending constating documents; capital alterations; redemption of securities; declaration and payment of dividends (except for dividends in the Ordinary Course, dividends to a wholly-owned Subsidiary and interest or principal payable on the Capstone Debentures or other outstanding debt obligations); reorganization and amalgamation; issuing or pledging securities; acquiring assets outside the current business of Capstone; adopting a plan for liquidation; abandoning or otherwise disposing of or transferring any assets; materially changing accounting methods; amending rights under or entering into a Capstone Material Contract; amending material insurance policies; engaging in transactions with related parties; taking actions that could hinder the consummation of the Arrangement; and agreeing or committing to do any of the foregoing.

Capstone has also agreed to notify ReD if it makes any unplanned capital expenditure(s) or capital commitment(s) which, individually or in the aggregate, exceed its budget by more than $5,000,000.

Covenants relating to the Arrangement

Capstone has agreed with ReD that it shall perform all obligations required to be performed by it under the Arrangement Agreement, co-operate with ReD in connection therewith, and do all such other commercially reasonable acts and things as may be necessary in order to consummate and make effective, as soon as reasonably practicable, the transactions contemplated by the Arrangement Agreement and, without limitation, Capstone will:

(a) use all commercially reasonable efforts to satisfy all conditions precedent in the Arrangement Agreement (including assisting ReD to diligently pursue obtaining the Interim Order and the Final Order) and take all steps set forth in the Interim Order and Final Order applicable to it;

(b) provide assistance as reasonably requested by ReD for the purposes of obtaining ReD Shareholder approval of the Arrangement at the ReD Meeting;

(c) use all commercially reasonable efforts to assist ReD and its Subsidiaries in obtaining the consents, waivers, approvals, agreements, amendments or confirmations referred to in the Arrangement Agreement;

(d) use all commercially reasonable efforts to effect all necessary registrations, filings and submissions of information required by Governmental Entities from it relating to the Arrangement;

(e) use all commercially reasonable efforts to oppose, lift or rescind any injunction, restraining or other order, decree or ruling seeking to restrain, enjoin or otherwise prohibit or adversely affect the consummation of the Arrangement and defend, or cause to be defended, any proceedings to which it is a party or brought against it or its directors or officers challenging the Arrangement or the Arrangement Agreement;

(f) (i) apply to list on the TSX the Capstone Shares issuable or to be made issuable pursuant to the Arrangement; and (ii) use all commercially reasonable efforts to obtain TSX approval for such listing;

(g) not take any action, or refrain from taking any commercially reasonable action, or permit any action to be taken or not taken, which is inconsistent with the Arrangement Agreement or the Arrangement or which would reasonably be expected to prevent, delay or otherwise impede the consummation of the Arrangement or the transactions contemplated by the Arrangement Agreement;

(h) make joint elections with Eligible Holders in respect of the disposition of their Common Shares pursuant to Section 85 of the Tax Act (or any similar provision of any provincial tax legislation) in accordance with the procedures and within the time limits set out in the Plan of Arrangement. The agreed amount under such joint elections shall be determined by each Eligible Holder in his or her sole discretion within the limits set out in the Tax Act;

(i) ensure that, with effect as and from the Effective Time, the Board shall be reconstituted to consist of eight (8) individuals, the seven (7) current directors of Capstone plus one (1) nominee of ReD, acceptable to Capstone, acting reasonably, who shall be appointed to the Board; and

(j) at or prior to the Effective Time, allot and reserve for issuance a sufficient number of Capstone Shares to meet the obligations of the Capstone under the Arrangement.

Capstone has covenanted to promptly notify ReD in writing when it becomes of aware of certain items, including, without limitation: any Material Adverse Effect in respect of Capstone; any notice from any Person alleging that the consent of such Person is required in connection with the Arrangement; any notice from any Governmental Entity in connection with the Arrangement or the Arrangement Agreement; and certain filings, actions or claims relating to Capstone, its Subsidiaries or the assets of Capstone or its Subsidiaries.

Bridge Financing

If requested by ReD, Capstone has agreed to negotiate in good faith to enter into a loan agreement on mutually agreeable terms within 30 days of the date of the Arrangement Agreement, pursuant to which Capstone would provide to ReD, at any time prior to the Effective Date, a loan in the principal amount of up to $30,000,000, which shall be evidenced by such instrument as determined by and in form and substance satisfactory to the Capstone and ReD.

Mutual Covenants of the Parties

Regulatory Approvals

The Parties have agreed to, as promptly as practicable, prepare and file all necessary documents, registrations, statements, petitions, filings and applications for the Regulatory Approvals and use their commercially reasonable efforts to obtain and maintain all Regulatory Approvals. Nothing in the Arrangement Agreement shall require Capstone to do any of the following in connection with the Regulatory Approvals: (i) sell or otherwise dispose of, or hold separate, or to offer to sell or otherwise dispose of or hold separate, assets, categories of assets or businesses of either or both Parties; (ii) terminate or assign any existing relationships or contractual rights and obligations of a Party; (iii) terminate or assign any relevant venture or other arrangement; or (iv) offer or agree to any other remedy, undertaking or commitment with a Governmental Entity.

The Parties have made further covenants in respect of Regulatory Approvals, relating to, without limitation: cooperation with one another in obtaining the Regulatory Approvals; notifying one another if either becomes aware of any misrepresentations in any application, filing or other document relating to Regulatory Approvals; requesting that the Regulatory Approvals be processed on an expedited basis; and using commercially reasonable efforts to resolve certain proceedings that threaten or challenge any of the transactions contemplated by the Arrangement Agreement.

Public Communications

The Parties have agreed to co-operate in the preparation of presentations, if any, to ReD's and/or Capstone's investors regarding the Arrangement.

Insurance and Indemnification

Prior to the Effective Date, ReD has agreed to purchase customary "tail" policies of directors' and officers' liability insurance providing protection no less favourable in the aggregate than the protection provided by the policies maintained by ReD which are in effect immediately prior to the Effective Date and providing protection in respect of claims arising from facts or events which occurred on or prior to the Effective Date and Capstone will, or will cause ReD to, maintain such tail policies in effect without any reduction in scope or coverage for six years from the Effective Date; provided that Capstone will not be required to pay any amounts in respect of such coverage prior to the Effective Time and provided further that the cost of such policies shall not exceed 250% of ReD's current annual aggregate premium for policies currently maintained by ReD.

Following the Effective Time, Capstone has agreed to cause ReD and its Subsidiaries to honour all rights to indemnification or exculpation now existing in favour of present and former employees, officers and directors of ReD and its Subsidiaries, and acknowledges that such rights shall survive the completion of the Arrangement

and shall continue in full force and effect in accordance with their terms for a period of not less than six years from the Effective Date.

Termination

The Arrangement Agreement may be terminated prior to the Effective Time by:

1. mutual written agreement of the Parties;
2. either ReD or Capstone if, subject to certain exceptions:
   (a) the required Shareholder approval of the Arrangement is not obtained at the ReD Meeting in accordance with the Interim Order;
   (b) Shareholder approval of the Share Issuance Resolution is not obtained at the Special Meeting;
   (c) any Law is enacted, made, enforced or amended, as applicable, that makes the consummation of the Arrangement illegal or otherwise permanently prohibits or enjoins ReD or Capstone from consummating the Arrangement; or
   (d) the Effective Time does not occur on or prior to the Outside Date.
3. ReD, if it is not in breach of the terms of the Arrangement Agreement, and subject to certain exceptions:
   (a) a breach of any representation or warranty or failure to perform any covenant or agreement on the part of Capstone under the Arrangement Agreement occurs that would cause any of Capstone's representations and warranties to not be true and correct (except to the extent that the failure to be true and correct would not have a Material Adverse Effect) or Capstone to not fulfill or comply in all material respects with each of its covenants, and such breach or failure is incapable of being cured prior to the Outside Date; provided that any intentional breach shall be deemed to be incurable; or
   (b) prior to the approval by ReD Shareholders of the Arrangement Resolution, the board of directors of ReD approves and authorizes ReD to enter into a definitive agreement (other than a confidentiality and standstill agreement permitted by and in accordance with the Arrangement Agreement) providing for the implementation of a Superior Proposal, provided that ReD pays the Termination Fee.
4. Capstone, if it is not in breach of the terms of the Arrangement Agreement, and subject to certain exceptions:
   (a) a breach of any representation or warranty or failure to perform any covenant or agreement on the part of ReD under the Arrangement Agreement occurs that would cause any of ReD's representations and warranties to not be true and correct (except to the extent that the failure to be true and correct would not have a Material Adverse Effect) or ReD to not fulfill or comply in all material respects with each of its covenants, and such breach or failure is incapable of being cured prior to the Outside Date; provided that any intentional breach shall be deemed to be incurable; or
   (b) (i) the board of directors of ReD (or any committee thereof) fails to recommend or withdraws, amends, modifies or qualifies, or publicly proposes or states an intention to withdraw, amend, modify or qualify, the board of directors of ReD's recommendation in respect of the Arrangement, (ii) the board of directors of ReD (or any committee thereof) accepts, approves, endorses or recommends, or publicly proposes to accept, approve, endorse or recommend an Acquisition Proposal or takes no position or remains neutral with respect to a publicly announced, or otherwise publicly disclosed, Acquisition Proposal for more than five Business Days (or beyond the third Business Day prior to the date of the ReD Meeting, if sooner)), (iii) the board of directors of ReD (or any committee thereof) accepts or enters into or publicly proposes to accept or enter into any agreement, understanding or arrangement in respect of an Acquisition Proposal (other than a confidentiality and standstill agreement permitted by the Arrangement Agreement), (iv) the board of directors of ReD (or any committee thereof) fails to publicly recommend or reaffirm the board of directors of ReD's recommendation in respect of the Arrangement within five Business Days after having been requested in writing by Capstone to do so (or in the event the ReD Meeting is scheduled to occur within such five

Business Day period, prior to the third Business Day prior to the ReD Meeting), or (v) ReD breaches the non-solicitation provisions in the Arrangement Agreement in any material respect and such breach does not result solely from unauthorized actions of a Representative who is an officer or employee (but not a Director) of ReD.

The Party desiring to terminate the Arrangement Agreement shall give notice of such termination to the other Party, specifying in reasonable detail the basis for such Party's exercise of its termination right.

Termination Fee and Expense Reimbursement

Despite any other provision in the Arrangement Agreement relating to the payment of fees and expenses, including the payment of brokerage fees, certain events set out in the Arrangement Agreement will require ReD to pay Capstone a Termination Fee, or require Capstone to pay ReD a Termination Fee in accordance with the Arrangement Agreement.

Upon the occurrence of any of the following events, ReD shall pay, or cause to be paid, and Capstone shall be entitled to the Termination Fee:

(a) termination by Capstone pursuant to paragraph 4(b) above;

(b) termination by ReD pursuant to paragraph 3(b) above; or

(c) termination by ReD or Capstone pursuant to paragraphs 2(a) or 2(d) above if,

i. prior to such termination, an Acquisition Proposal is proposed, offered, made or publicly announced or otherwise publicly disclosed by any Person (other than Capstone or any of its affiliates) or any Person (other than Capstone or any of its affiliates) shall have publicly announced an intention to do so and such Acquisition Proposal has not been withdrawn; and

ii. ReD or one or more of its Subsidiaries, directly or indirectly, in one or more transactions, enters into a definitive agreement in respect of an Acquisition Proposal within twelve months following the date of such termination and such Acquisition Proposal is consummated at any time, provided, however that for the purposes of this paragraph, all references in the definition of "Acquisition Proposal" to "20%" will be read as "50%".

Capstone shall pay, or cause to be paid, and ReD shall be entitled to the Termination Fee if the Arrangement Agreement is terminated by ReD or Capstone pursuant to paragraph 2(b) or 2(d) above, and if:

(a) prior to such termination a Capstone Proposal is proposed, offered, made or publicly announced or otherwise publicly disclosed by any Person or any Person shall have publicly announced an intention to do so and such Capstone Proposal has not been withdrawn; and

(b) Capstone or one or more of its Subsidiaries, directly or indirectly, in one or more transactions, enters into a definitive agreement in respect of a Capstone Proposal within twelve months following the date of such termination and such Capstone Proposal is consummated at any time.

RISK FACTORS

Shareholders should carefully consider the following risk factors related to the Arrangement. In addition to the risks set out in the documents incorporated by reference in the Circular, including Capstone's annual information form for the year ended December 31, 2012, the proposed combination of Capstone with ReD upon the successful completion of the Arrangement is subject to certain risks, including the following:

The Arrangement is subject to satisfaction or waiver of several conditions.

The Arrangement is conditional upon, among other things, the ReD Securityholder Approval, Shareholder approval of the Share Issuance Resolution, Capstone and/or ReD having obtained all government or Regulatory Approvals required by law, policy or practice (including those of the Court and the TSX) and certain consents from third parties. There can be no certainty, nor can Capstone provide any assurance, that these conditions will be satisfied or, if satisfied, when they will be satisfied. A substantial delay in obtaining satisfactory approvals or the imposition of unfavourable terms or conditions in any government or Regulatory Approvals or third party consents could have an adverse effect on the business or financial condition of Capstone. In addition, if for any reason the conditions to the Arrangement are not satisfied or waived and the Arrangement is not completed, the market price of Capstone Shares may be adversely affected.

The issuance of a significant number of Capstone Shares and a resulting "market overhang" could adversely affect the market price of Capstone Shares after completion of the Arrangement.

On completion of the Arrangement, a significant number of additional Capstone Shares will be available for trading in the public market. The increase in the number of Capstone Shares may lead to sales of such shares or the perception that such sales may occur, either of which may adversely affect the market for, and the market price of, Capstone Shares. The potential that a Shareholder may sell its Capstone Shares in the public market (commonly referred to as "market overhang"), as well as any actual sales of such Capstone Shares in the public market, could adversely affect the market price of the Capstone Shares.

The integration of Capstone and ReD may not occur as planned.

The Arrangement Agreement has been entered into with the expectation that its successful completion will result in the acceleration of Capstone's entry into renewable power development and will present a potential for growth of the combined entity using complementary expertise areas of each of Capstone and ReD. These anticipated benefits will depend in part on whether Capstone's and ReD's operations can be integrated in an efficient and effective manner. Most operational and strategic decisions and certain staffing decisions have not yet been made. These decisions and the integration of the two companies will present challenges to management, including the integration of systems and personnel of the two companies, and special risks, including possible unanticipated liabilities and unanticipated costs. As a result of these factors, it is possible that the cost reductions and synergies expected from the acquisition of ReD will not be realized.

CAPSTONE UPON COMPLETION OF THE ARRANGEMENT

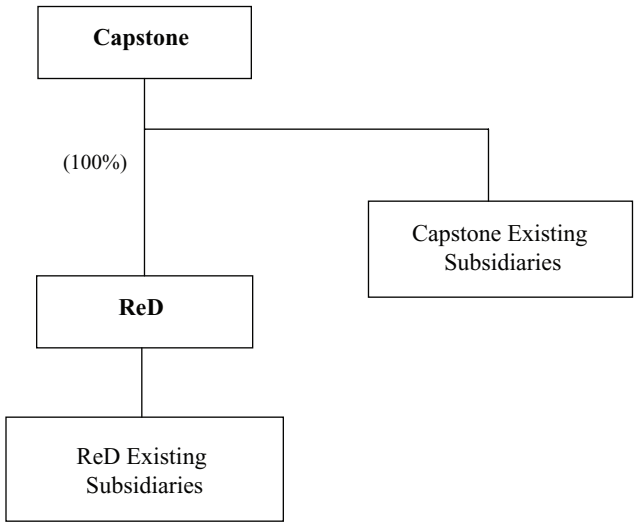
Overview

On completion of the Arrangement, Capstone will continue to be a corporation existing under the BCBCA and the former ReD Shareholders will be shareholders of Capstone. After the Effective Date, ReD will become a wholly-owned subsidiary of Capstone.

The business and operations of Capstone and ReD will be consolidated and the head office of the combined company immediately following the Effective Time will be Capstone's current head office at 155 Wellington St. West, Suite 2930, Toronto, Ontario, M5V 3H1. The registered office of Capstone will remain at 595 Burrard Street, Suite 2600, Three Bentall Centre, Vancouver, British Columbia, V7X 1L3.

Organization Chart

The following chart shows the expected corporate relationship between Capstone and ReD following the completion of the Arrangement (assuming completion of the transactions set out in the Transition Agreement and the Settlement Agreement):



Directors and Officers

Following the Effective Date, it is expected that the Board will be comprised of eight directors. Upon completion of the Arrangement, Capstone expects that the Board will comprise the seven current members of the Board: Michael Bernstein, Richard Knowles, Goran Mornhed, Jerry Patava, François R. Roy, V. James Sardo and Janet Woodruff, with Uwe Roeper, currently a member of the ReD Board, being appointed as an additional director. The current executive management team of Capstone, including Michael Bernstein as President and Chief Executive Officer and Michael Smerdon as Executive Vice President and Chief Financial Officer, will be unchanged.

Description of Share Capital

The share capital of Capstone will remain unchanged as a result of the completion of the Arrangement, other than for the issuance of the Consideration Shares and any Capstone Shares underlying the Replacement Options, the ReD Debentures and/or the assumed ReD Warrants.

The authorized capital of the Corporation consists of an unlimited number of Capstone Shares and a limited number of preferred shares issuable in series. The aggregate number of preferred shares that may be issued is limited to 50% of the number of Capstone Shares outstanding at the relevant time.

As at July 29, 2013, Capstone had 72,865,409 Capstone Shares issued and outstanding. The Capstone Shares trade under the symbol "CSE" on the TSX.

As at July 29, 2013, Capstone had 3,000,000 cumulative five-year rate reset preferred shares, series A (the "**Preferred Shares**") issued and outstanding. The Preferred Shares trade under the symbol "CSE.PR.A" on the TSX.

As at July 29, 2013, MPT LTC Holding LP, a subsidiary of Capstone, had 3,249,390 Class B exchangeable limited partnership units issued and outstanding (the "**Class B Exchangeable Units**"). The Class B Exchangeable Units have economic rights equivalent in all material respects to those of the Capstone Shares. Subject to certain conditions, the Class B Exchangeable Units are exchangeable for Capstone Shares on a one-for-one basis.

As at July 29, 2013, an aggregate principal amount of approximately $42.7 million 6.50% convertible unsecured subordinated debentures of Capstone, due December 31, 2016 (the "**Capstone Debentures**") were outstanding. The Capstone Debentures are convertible into Capstone Shares at a conversion price of $7.00 per Capstone Share. The Capstone Debentures trade under the symbol "CSE.DB.A" on the TSX.

For a summary of the rights of the Capstone Shares, Preferred Shares, Class B Exchangeable Units and Capstone Debentures, see the section entitled "Capital Structure of the Corporation" in Capstone's annual information form for the year ended December 31, 2012, which is incorporated by reference herein.

Based on the number of ReD Shares outstanding as at August 1, 2013, Capstone expects to issue an aggregate of approximately 19,684,403 Capstone Shares to acquire the ReD Shares, which would result in there being up to a total of approximately 92,549,812 Capstone Shares issued and outstanding (based on the number of Capstone Shares outstanding as at July 29, 2013) immediately following the completion of the Arrangement, with current Capstone Shareholders holding in the aggregate approximately 78.7% of the outstanding Capstone Shares and former ReD Shareholders holding approximately 21.3% of the outstanding Capstone Shares (each on a non-diluted basis). As a result of this issuance, the Shareholders' ownership and voting interests in Capstone will be diluted, relative to their current proportional ownership and voting interest in Capstone.

The number of Capstone Shares to be issued on closing of the Arrangement depends on the number of ReD Options, ReD Warrants and ReD Debentures that are exercised or converted prior the Effective Time. Depending on such exercises and conversions, Shareholders could face additional dilution. Assuming none of the ReD Options, ReD Warrants or ReD Debentures are exercised or converted before the Effective Time, up to approximately 8,805,336 Capstone Shares would be issuable in the future upon exercise or conversion of such securities. Of the approximately 8,805,336 Capstone Shares issuable following the completion of the Arrangement, up to approximately 548,444 Capstone Shares will be issuable upon exercise of the Replacement Options, up to approximately 1,356,892 Capstone Shares upon the exercise of the ReD Warrants, and up to approximately 6,900,000 Capstone Shares upon the conversion of the ReD Debentures.

ReD Debentures

Upon completion of the Arrangement and pursuant to the terms of the ReD Debenture Indenture, the ReD Debentures that are outstanding and have not been duly converted prior to the Effective Time will become convertible into Capstone Shares. Each $1,000 principal amount of ReD Debentures is currently convertible into approximately 769.23 ReD Shares, at the option of the holder, representing a conversion price of $1.30 per ReD Share, subject to adjustment. After the Effective Time, each $1,000 principal amount of ReD Debentures will become convertible into approximately 200 Capstone Shares and $0.769, at the option of the holder, representing a conversion price of $5.00 per Capstone Share, subject to adjustment. For a summary of the terms of the ReD Debentures, see the section entitled "Development of the Business — 2012 — Public Offering of Debentures" in ReD's annual information form for the year ended December 31, 2012, which is incorporated by reference herein.

ReD Warrants

Upon completion of the Arrangement, Capstone will assume ReD's obligations under the ReD Warrant Indenture with respect to the ReD Warrants that are outstanding and have not been duly exercised prior to the Effective Time. Capstone's assumption of the ReD Warrants will be effected pursuant to the terms of a supplemental warrant indenture to be entered into by ReD, Capstone and Equity Financial Trust Company, as

warrant agent, to evidence the succession by Capstone as the successor pursuant to and in accordance with the terms of the ReD Warrant Indenture. Each ReD Warrant is currently exercisable for one ReD Share at a price of $1.35 per ReD Share, at any time prior to March 6, 2014. After the Effective Time, each ReD Warrant will become exercisable for 0.26 of a Capstone Share and $0.001 at a price of $1.35 per ReD Warrant. For more information regarding the ReD Warrants, see the section entitled "Development of the Business — 2012 — Public Offering of Units" in ReD's annual information form for the year ended December 31, 2012, which is incorporated by reference herein.

Replacement Options

Upon completion of the Arrangement, the ReD Options that are outstanding and have not been duly exercised prior to the Effective Time will be exchanged for Replacement Options. The Replacement Options will entitle the holders thereof to purchase the number of Capstone Shares equal to the Option Exchange Ratio multiplied by the number of ReD Shares subject to such ReD Options being replaced. The ReD Options were issued pursuant to the ReD Option Plan. For a description of the ReD Option Plan, see the section entitled "Securities Authorized for Issuance Under Equity Compensation Plans — Option Plan" in ReD's management information circular dated May 30, 2013, which is incorporated by reference herein.

Selected Capstone Unaudited Pro Forma Financial Information

The selected unaudited pro forma condensed consolidated financial information set forth below should be read in conjunction with Capstone's unaudited pro forma consolidated financial statements and the accompanying notes thereto attached as Schedule C to this Circular. The unaudited pro forma consolidated statement of financial position of the combined company as at March 31, 2013 has been prepared from the unaudited interim consolidated statement of financial position of Capstone as at March 31, 2013 and the unaudited interim condensed consolidated statement of financial position of ReD as at March 31, 2013 and gives pro forma effect to the successful completion of the Arrangement as if the Arrangement occurred on March 31, 2013. The unaudited pro forma consolidated statements of income for the year ended December 31, 2012 and the three months ended March 31, 2013 have been prepared from the audited consolidated statement of income of Capstone for the year ended December 31, 2012 and the unaudited consolidated statement of income of Capstone for the three months ended March 31, 2013 and the audited consolidated statement of loss of ReD for the year ended December 31, 2012 and the unaudited interim condensed consolidated statement of loss of ReD for the three months ended March 31, 2013 and give pro forma effect to the successful completion of the Arrangement as if the Arrangement occurred on January 1, 2012.

The summary unaudited pro forma condensed consolidated financial information is not intended to be indicative of the results that would actually have occurred, or the results expected in future periods, had the events reflected herein occurred on the dates indicated. Actual amounts recorded upon consummation of the Arrangement will differ from the pro forma information presented below. No attempt has been made to calculate or estimate potential synergies between Capstone and ReD. The unaudited pro forma condensed consolidated financial information set forth below is extracted from and should be read in conjunction with the unaudited pro forma consolidated financial statements of Capstone and the accompanying notes included in Schedule C to this Circular.

(in thousands of Canadian dollars)	Three Months Ended March 31, 2013	Year Ended December 31, 2012
Pro Forma Statement of Income data:		
Revenue	100,284	374,298
Earnings before interest expense, taxes, depreciation, and amortization	40,590	163,929
Net income	5,259	35,479
(in thousands of Canadian dollars)		
Per Capstone Share data:		
Basic	0.001	0.149
Diluted	0.001	0.149

(in thousands of Canadian dollars)	As at March 31, 2013
Pro Forma Statement of Financial Position data:	
Current assets	174,778
Total assets	1,901,474
Current Liabilities	145,088
Total liabilities	1,298,759
Equity attributable to owners of the parent	497,894
Non-controlling interests	104,820

Post-Arrangement Shareholdings and Principal Shareholders

Based on the number of ReD Shares outstanding as at August 1, 2013, Capstone expects to issue an aggregate of approximately 19,684,403 Capstone Shares to acquire the ReD Shares, which would result in there being up to a total of approximately 92,549,812 Capstone Shares issued and outstanding (based on the number of Capstone Shares outstanding as at July 29, 2013) immediately following the completion of the Arrangement, with current Capstone Shareholders holding in the aggregate approximately 78.7% of the outstanding Capstone Shares and former ReD Shareholders holding approximately 21.3% of the outstanding Capstone Shares (each on a non-diluted basis). As a result of this issuance, the Shareholders' ownership and voting interests in Capstone will be diluted, relative to their current proportional ownership and voting interest in Capstone.

The number of Capstone Shares to be issued on closing of the Arrangement depends on the number of ReD Options, ReD Warrants and ReD Debentures that are exercised or converted prior the Effective Time. Depending on such exercises and conversions, Shareholders could face additional dilution. Assuming none of the ReD Options, ReD Warrants or ReD Debentures are exercised or converted before the Effective Time, up to approximately 8,805,336 Capstone Shares would be issuable in the future upon exercise or conversion of such securities. Of the approximately 8,805,336 Capstone Shares issuable following the completion of the Arrangement, up to approximately 548,444 Capstone Shares will be issuable upon exercise of the Replacement Options, up to approximately 1,356,892 Capstone Shares upon the exercise of the ReD Warrants, and up to approximately 6,900,000 Capstone Shares upon the conversion of the ReD Debentures.

To the knowledge of the directors and executive officers of the Company, following completion of the Arrangement, there will be no person or company that beneficially owns, directly or indirectly, or exercises control or direction over, voting securities of the Company carrying 10% or more of the voting rights attached to any class of voting securities of the Company.

It is anticipated that the issuance of Capstone Shares pursuant to the Arrangement will not result in any person or company acquiring beneficial ownership of, and control or direction over, directly or indirectly, more than 10% of the voting securities of Capstone. There are no Capstone Shares issuable pursuant to the Arrangement to "insiders" of Capstone, as such term is defined in the *Securities Act* (Ontario), including the directors and officers of Capstone.

INFORMATION CONCERNING CAPSTONE

Overview

The Company's mission is to build and responsibly manage a high quality portfolio of infrastructure businesses in Canada and internationally in order to deliver a superior total return to shareholders through a combination of stable dividends and capital appreciation. The Company's portfolio currently includes investments in gas cogeneration, wind, hydro, biomass and solar power generating facilities, representing approximately 370 MW of installed capacity, a 33.3% ownership interest in a district heating business in Sweden, and a 50% ownership interest in a regulated water utility in the United Kingdom.

Capstone's vision is to be the pre-eminent diversified infrastructure company in Canada with a high quality portfolio that could include electricity generation and distribution businesses, utilities, water or wastewater facilities and transportation, among others, including investments through public-private partnerships. Capstone's strategy to achieve its mission and vision has three key elements: (i) maximize and sustain the

long-term value of the Corporation's existing businesses; (ii) deliver strong financial performance and maintain a sound financial position; and (iii) achieve prudent growth and continue to diversify its portfolio. Capstone's parameters for growth include: (i) a mandate to seek opportunities in Canada and in select countries that are members of the Organization for Economic Cooperation and Development offering a stable political, regulatory and economic environment; (ii) focusing on regulated or contractually defined core infrastructure businesses, which typically generate stable cash flows throughout the economic cycle; (iii) seeking a blend of operating businesses as well as development opportunities that offer an appropriate risk-adjusted rate of return; and (iv) a preference for wholly-owned businesses with the ability to take minority or partnership positions where Capstone is protected by strong governance frameworks.

Capstone is a reporting issuer or the equivalent in all provinces and territories of Canada and files its continuous disclosure documents with the relevant Canadian securities regulatory authorities. Such documents are available at www.sedar.com.

Share Capital of Capstone

For a description of Capstone's share capital, see the Section of the Circular entitled, "Capstone Upon Completion of the Arrangement — Description of Share Capital".

Price Range and Trading Volumes of Capstone Shares

Capstone Shares

The Capstone Shares are listed on the TSX under the symbol "CSE". The following table sets forth the high and low sales prices per outstanding Capstone Share and trading volumes for the outstanding Capstone Shares on the TSX for the periods indicated:

	High ($)	Low ($)	Trading Volume
2012			
August	4.74	4.32	2,636,285
September	4.50	4.31	2,215,980
October	4.50	4.01	2,305,902
November	4.30	3.81	4,004,193
December	4.20	3.93	2,305,266
2013			
January	4.51	4.00	2,676,704
February	4.51	4.23	2,794,967
March	4.38	4.17	3,380,241
April	4.30	4.04	1,789,869
May	4.29	3.76	7,418,932
June	4.22	3.72	5,624,870
July	4.13	3.72	4,252,579
August 1, 2013	4.05	3.97	54,745

As at July 3, 2013, the date the entering into of the Arrangement Agreement was announced, the implied value of the Arrangement was $1.01 per ReD Share, representing a premium of approximately 10.8%, based on the preceding 20-day volume-weighted average price of the ReD Shares traded on the TSX and the July 2, 2013 closing price of the Capstone Shares traded on the TSX. The closing price of the Capstone Shares on the TSX on August 1, 2013 was $4.00.

Prior Sales

For the 12-month period prior to the date of this Circular, Capstone has issued the Capstone Shares listed in the table set forth below:

Date	Security	Price per Security ($)	Number of Securities
August 15, 2012	Capstone Shares[1]	$3.8951	96,572
October 31, 2012	Capstone Shares[1]	$3.9080	287,707
January 31, 2013	Capstone Shares[1]	$4.1546	251,679
April 30, 2013	Capstone Shares[1]	$3.9049	168,221

Notes:

(1) Issued pursuant to the dividend reinvestment plan of Capstone.

Consolidated Capitalization

The following table sets forth Capstone's consolidated capitalization as at March 31, 2013, the date of Capstone's most recent interim unaudited consolidated financial statements, adjusted to give effect to the Circular. The table should be read in conjunction with the unaudited interim consolidated financial statements of Capstone as at and for the three month period ended March 31, 2013 including the notes thereto, and management's discussion and analysis thereof and the other financial information contained in or incorporated by reference in this Circular.

	As at March 31, 2013	As at March 31, 2013 to Give Effect to the Arrangement
Capstone share capital[1]	$732,250,000	$808,625,483
Capstone Shares (unlimited authorized)[2]	72,697,188	92,381,591[3]
Cash and cash equivalents available to Capstone	$43,278,212	$57,079,544
Long-term debt	$783,077,227	$915,249,128

Notes:

(1) Includes $26,710,000 and $72,020,000 of Class B Exchangeable Units and Preferred Shares, respectively.

(2) Excluding 6,107,000 Capstone Shares issuable upon conversion of the Capstone Debentures.

(3) Assumes that: (i) no ReD Options are exercised prior to the completion of the Arrangement; (ii) no ReD Warrants are exercised prior to the completion of the Arrangement; and (iii) no ReD Debentures are converted into Capstone Shares prior to the completion of Arrangement.

Capstone Documents Incorporated by Reference and Further Information

The following documents of Capstone are specifically incorporated by reference into, and form an integral part of, this Circular:

- annual information form dated March 21, 2013 for the year ended December 31, 2012;
- annual audited consolidated financial statements for the years ended December 31, 2012 and 2011, including consolidated statements of financial position as at December 31, 2012 and 2011 and the consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the years then ended and the related notes, together with the auditor's report thereon, contained therein;
- management's discussion and analysis for the annual audited consolidated financial statements as at and for the years ended December 31, 2012 and 2011;
- unaudited interim consolidated financial statements and related notes as at and for the three months ended March 31, 2013;

- management's discussion and analysis for the unaudited consolidated interim financial statements as at and for the three months ended March 31, 2013;
- management information circular dated May 13, 2013 in connection with the annual meeting of Shareholders held on June 18, 2013; and
- material change report dated July 15, 2013 announcing the entering into of the Arrangement Agreement;

All documents of the type referred to above (excluding confidential material change reports) and any business acquisition reports subsequently filed by Capstone with any securities commission or similar regulatory authority in Canada on or after the date of this Circular and prior to the completion of the Arrangement in accordance with the terms of the Arrangement Agreement and the Plan of Arrangement shall be deemed to be incorporated by reference into this Circular.

Any statement contained herein or in any document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purposes of this Circular to the extent that a statement contained herein, or in any subsequently filed document which also is or is deemed to be incorporated by reference herein, modifies or supersedes such statement. The modifying statement or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document which it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute part of this Circular.

Information has been incorporated by reference in this Circular from documents filed with the securities regulatory authority in each of the provinces and territories of Canada. Copies of the documents incorporated by reference in this Circular regarding Capstone may be obtained may be obtained by accessing SEDAR at www.sedar.com or on request without charge from the Executive Vice President, General Counsel and Corporate Secretary, Capstone Infrastructure Corporation, 155 Wellington Street West, Suite 2930, Toronto, Ontario, M5V 3H1, telephone: 416-649-1300 or 1-855-649-1300, email: info@capstoneinfrastructure.com.

Information contained in or otherwise accessed through Capstone's website, www.capstoneinfrastructure.com, or any other website does not form part of this Circular.

INFORMATION CONCERNING RED

The information concerning ReD contained in this Circular, including information incorporated herein by reference, has been taken from or based upon publicly available documents and records on file with Canadian securities regulatory authorities and other public sources. Although Capstone does not have any knowledge that would indicate that any statements contained herein relating to ReD taken from or based upon such documents and records are inaccurate or incomplete, neither Capstone nor any of its officers or directors assumes any responsibility for the accuracy or completeness of the information relating to ReD taken from or based upon such documents and records, or for any failure by ReD to disclose events which may have occurred or may affect the significance or accuracy of any such information but which are unknown to Capstone.

General

ReD was incorporated on May 26, 2010, under the CBCA. On January 31, 2011, ReD amalgamated with a wholly-owned subsidiary of First Asset PowerGen Fund pursuant to a statutory plan of arrangement. On June 26, 2013, ReD changed its name to "Renewable Energy Developers Inc."

ReD is a developer, owner and operator of renewable energy projects. Through acquisitions, partnerships and joint ventures, ReD's goals are to:

(i) provide investors with the opportunity to participate in the development, construction and operation of long-term renewable energy power generation assets in North America;

(ii) generate low risk yield for ReD Shareholders by utilizing the best available renewable technologies and proven construction methods and operating procedures; and

(iii) provide investors with predictable and sustainable distributions and grow its distributable cash over time by making attractive and accretive investments in the North American renewable power sector.

ReD focuses on optimizing its operating assets and on advancing its development assets towards commercial operations.

In addition, ReD's objective has been to sell its power generation under long-term PPAs to highly-rated public utilities. These government-backed PPAs provide price assurance and enhance ReD's ability to obtain project and other financing. The PPAs provide predictability in estimating cash flows so as to determine distributions payable to investors and support development activities.

Operations

ReD's portfolio is comprised of renewable power generating projects in three phases of development:

(i) Operational Assets;

(ii) Near-Term Development Projects and Investments in Contracted Projects; and

(iii) Advanced Stage Projects.

The following tables summarize ReD's current Operational Assets, Near-Term Development Projects and Investments in Contracted Projects:

Operational Assets

Locations	Type	Installed Gross Capacity (MWs)	PPA Expiry
Nova Scotia	Wind	121.6[1]	2020 to 2037
Ontario	Wind	21.6	2026 to 2029
Sub-total		**143.2**	

Near-Term Development Projects

Locations	Type	Projected Gross Capacity (MWs)	Anticipated Commercial Operations Date
Nova Scotia	Wind	0.8[2]	2014
Ontario	Wind	25.0	2014
Quebec	Wind	24.0[3]	2014
Saskatchewan	Wind	10.0	2015
Sub-total		**59.8**	
Total Operating and Near-Term Development Projects		**203.0**	

Investments in Contracted Projects

Locations	Type	Projected Gross Capacity (MWs)	Anticipated Commercial Operations Date
Ontario (Letters of Intent and Loan Agreements)	Wind	77.5[4]	2014/2015
Total Investments in Contracted Projects		**77.5**	

(1) Includes the following projects which are not wholly owned: the 31.5 MW Amherst I project, in which ReD indirectly owns a 51% interest: the 62.1 MW Glen Dhu project, in which ReD indirectly owns a 49% interest: and the 1.6 MW Fitzpatrick Mountain project, in which ReD indirectly owns a 50% interest. ReD has an option to purchase the remaining 49% of the Amherst I project before 2014.

(2) Represents the Glace Bay III project, which is adjacent to ReD's existing Glace Bay I facility where a community partner is expected to control 51% of the project entity.

(3) ReD currently owns 100% of the 24.0 MW Saint-Philemon project and has arranged for the Municipalité de Saint-Philémon and the MRC de Bellechasse to invest equity to hold up to 49% of the project assets once development completes certain milestones.

(4) ReD has rights to 77.5 MW of projects under secured loans agreements and/or letters of intent with third parties. ReD does not currently own these projects but expects to acquire and develop these projects with partners and retain at least a 50% ownership upon completion of the development in all but one of the projects which ReD expects to acquire 100%.

Advanced Stage Projects

ReD has over 1,000 gross MWs of development opportunities across Canada for a number of wind projects. These development projects are non-contracted and represent potential growth opportunities.

Market Price and Trading Volume Data

ReD Shares

The ReD Shares are listed for trading on the TSX under the symbol "RDZ". The following table sets forth the high and low sales prices per outstanding ReD Share and trading volumes for the outstanding ReD Shares on the TSX for the periods indicated:

Period	High ($)	Low ($)	Volume
August 2012	1.01	0.90	3,517,211
September 2012	1.01	0.91	3,182,431
October 2012	1.12	0.98	2,970,975
November 2012	1.17	1.00	3,959,215
December 2012	1.18	1.08	3,422,653
January 2013	1.37	1.10	10,507,590
February 2013	1.22	1.01	4,156,895
March 2013	1.19	1.15	1,636,313
April 2013	1.21	1.05	3,121,284
May 2013	1.20	0.96	2,946,515
June 2013	1.02	0.84	1,591,064
July 2013	1.04	0.97	6,846,699
August 1, 2013	1.03	1.01	10,140

The closing price of the ReD Shares on the TSX on July 2, 2013, the last trading day preceding the announcement of the Arrangement Agreement, was $1.00. The closing price of the ReD Shares on the TSX on August 1, 2013 was $1.01.

Prior Sales

The following table summarizes the issuance of the ReD Shares, and securities convertible into ReD Shares, within the 12 months prior to the date hereof.

Date Issued	Type of Securities	Number Issued	Issue Price
July 31, 2013	ReD Shares	7,504,272	$1.05
August 28, 2012	Debentures	30,000	$1,000
August 30, 2012	Debentures	4,500	$1,000

Consolidated Capitalization

As at August 1, 2013, ReD had an aggregate of 75,709,242 ReD Shares issued and outstanding.

As at August 1, 2013, there have been no material changes in the share and loan capital of ReD on a consolidated basis since March 31, 2013.

Auditors, Transfer Agent and Registrar

Grant Thornton LLP, ReD's external auditor, is independent of ReD in accordance with the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario. Grant Thornton LLP was first appointed as the auditors on May 26, 2010.

The transfer agent and registrar for the ReD Shares is Equity Transfer & Trust Company, at its principal office in Toronto, Ontario.

ReD Documents Incorporated by Reference and Further Information

Information regarding ReD has been incorporated by reference in the Circular from documents filed by ReD with the securities regulatory authority in each of the provinces of Canada. Capstone understands that copies of the documents incorporated herein by reference regarding ReD may be obtained on request without charge from ReD's General Counsel and Corporate Secretary at 1 Richmond St W, Suite 500, Toronto, Ontario M5H 3W4, telephone: (647) 476-7574. Copies of documents incorporated by reference may also be obtained by accessing the website located at www.red-inc.ca.

The following documents of ReD have been filed with the securities regulatory authority in each of the provinces of Canada and are specifically incorporated by reference into, and form an integral part of, the Circular:

- revised annual information form dated April 2, 2013 for the year ended December 31, 2012;
- annual audited consolidated financial statements for the years ended December 31, 2012 and 2011, including consolidated statements of financial position as at December 31, 2012 and 2011 and the consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the years then ended and the related notes, together with the auditor's report thereon, contained therein;
- management's discussion and analysis for the annual audited consolidated financial statements as at and for the years ended December 31, 2012 and 2011;
- unaudited interim consolidated financial statements and related notes as at and for the three months ended March 31, 2013;
- management's discussion and analysis for the unaudited consolidated interim financial statements as at and for the three months ended March 31, 2013;
- management information circular dated May 30, 2013 in connection with the annual meeting of shareholders held on June 26, 2013;

- business acquisition report dated March 13, 2013 regarding the acquisition of all of the common shares of Shear Wind Inc.;
- material change report dated February 6, 2013 announcing ReD's decision to transition to internal management;
- material change report dated February 19, 2013 announcing the entering into of the Transition Agreement; and
- material change report dated July 15, 2013 announcing the entering into of the Arrangement Agreement.

All documents of the type referred to above (excluding confidential material change reports) and any business acquisition reports subsequently filed by ReD with any securities commission or similar regulatory authority in Canada on or after the date of this Circular and prior to the completion of the Arrangement in accordance with the terms of the Arrangement Agreement and the Plan of Arrangement shall be deemed to be incorporated by reference into this Circular.

Any statement contained herein or in any document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purposes of this Circular to the extent that a statement contained herein, or in any subsequently filed document which also is or is deemed to be incorporated by reference herein, modifies or supersedes such statement. The modifying statement or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document which it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute part of this Circular.

Information contained in or otherwise accessed through ReD's website, http://www.red-inc.ca, or any other website does not form part of this Circular.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Since January 1, 2012, no Informed Person of Capstone, or any associate or affiliate of an Informed Person, has or had any material interest, direct or indirect, in any transaction or any proposed transaction which has materially affected or will materially affect the Company or its subsidiaries.

INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON

No (a) person who has been a director or executive officer of the Company at any time since January 1, 2012, or (b) any associate or affiliate of a person in (a), has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the Special Meeting.

AUDITORS

The auditor of the Company is PricewaterhouseCoopers LLP, Chartered Accountants, Toronto, Ontario, who has advised the Company that it is independent of the Company within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario.

ReD's auditors Grant Thornton, Chartered Accountants, have advised that they are independent with respect to ReD within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario.

The audited consolidated financial statements of Capstone as at December 31, 2012 and 2011 and for each of the years in the two-year period ended December 31, 2012, incorporated by reference in this Circular, have been audited by PricewaterhouseCoopers LLP, independent registered chartered accountants, as set forth in their report thereon, included therein and incorporated herein by reference.

The audited consolidated financial statements of ReD as at December 31, 2012 and 2011 and for each of the years in the two-year period ended December 31, 2012, incorporated by reference in this Circular, have been audited by Grant Thornton LLP, independent registered chartered accountants, as set forth in their report thereon, included therein and incorporated herein by reference.

ADDITIONAL INFORMATION

Capstone's head office is located at 155 Wellington Street West, Suite 2930, Toronto, Ontario, M5V 3H1. Its registered office is located at 595 Burrard Street, Suite 2600, Three Bentall Centre, Vancouver, British Columbia, V7X 1L3.

Financial information regarding Capstone may be found in its 2012 Annual Report, which contains Capstone's audited annual consolidated financial statements, together with the auditor's report thereon and the related management's discussion and analysis, as at and for the years ended December 31, 2012 and 2011. Copies of the 2012 Annual Report and any unaudited interim consolidated financial statements of Capstone, together with the related management's discussion and analysis, subsequent thereto, in each case filed with the applicable securities regulatory authorities, may be obtained, free of charge, upon request from Capstone's Investor Relations Department, Capstone Infrastructure Corporation, 155 Wellington Street West, Suite 2930, Toronto, Ontario, M5V 3H1, telephone: 416-649-1300 or 1-855-649-1300, email: info@capstoneinfrastructure.com.

Additional information relating to Capstone, including the 2012 Annual Report and the AIF, is available under Capstone's profile on SEDAR at www.sedar.com and on Capstone's website at www.capstoneinfrastructure.com.

DIRECTORS' APPROVAL

The contents of this Circular and the sending thereof to the Shareholders of the Company have been approved by the Board.

BY ORDER OF THE BOARD OF DIRECTORS

"*Stuart M. Miller*"
Stuart M. Miller, MBA JD
Executive Vice President, General Counsel and
Corporate Secretary

Toronto, Ontario
August 1, 2013

CONSENTS

Consent of RBC Dominion Securities Inc.

To the Board of Directors of Capstone Infrastructure Corporation:

We refer to the written fairness opinion dated July 2, 2013, which we prepared solely for the information of the Board of Directors of Capstone Infrastructure Corporation (the "**Company**") in connection with the plan of arrangement involving Capstone and Renewable Energy Developers Inc.

We consent to the inclusion of the fairness opinion and references to our firm name and a summary of our fairness opinion in the management information circular of Capstone dated August 1, 2013.

Toronto, Ontario
August 1, 2013

(Signed) RBC Dominion Securities Inc.

Consent of Origin Merchant Partners

To the Board of Directors of Capstone Infrastructure Corporation:

We refer to the written fairness opinion dated July 2, 2013, which we prepared for the Board of Directors of Capstone Infrastructure Corporation (the "**Company**") in connection with the plan of arrangement involving Capstone and Renewable Energy Developers Inc.

We consent to the inclusion of the fairness opinion and a summary of our fairness opinion in the management information circular of Capstone dated August 1, 2013.

Toronto, Ontario
August 1, 2013

(Signed) Origin Merchant Partners

SCHEDULE A
SHARE ISSUANCE RESOLUTION

RESOLVED THAT:

1. The issuance of up to approximately 28,489,739 common shares ("**Capstone Shares**") of Capstone Infrastructure Corporation ("**Capstone**") in connection with the acquisition of all of the common shares of Renewable Energy Developers Inc. ("**ReD**") pursuant to an arrangement under section 192 of the *Canada Business Corporations Act* (the "**Arrangement**") between Capstone and ReD, including the Capstone Shares required to be issued (i) as part of the consideration pursuant to the terms of the Arrangement, (ii) on exercise of Replacement Options (as defined in the management information circular of Capstone dated August 1, 2013 (the "**Circular**")) to be issued in exchange for all of the outstanding ReD Options (as defined in the Circular), (iii) on the exercise of ReD Warrants (as defined in the Circular) which warrants are being assumed by Capstone upon completion of the Arrangement and will become exercisable for Capstone Shares pursuant to the terms of the ReD Warrants, and (iv) on the conversion of the ReD Debentures (as defined in the Circular) which debentures will become convertible into Capstone Shares upon completion of the Arrangement pursuant to the terms of the ReD Debentures, as more particularly described in the Circular, subject to adjustment pursuant to the terms of the ReD Options, ReD Warrants and ReD Debentures, as may be applicable, is hereby authorized and approved;

2. Any director or officer of Capstone is hereby authorized and directed to execute or cause to be executed, whether under corporate seal of Capstone or otherwise, and to deliver or cause to be delivered, all such documents, agreements or instruments and to do or cause to be done all such acts and things, as in the opinion of such director or officer may be necessary or desirable in connection with the foregoing, such determination to be conclusively evidenced by the execution and delivery of any such documents, agreements or instruments or the doing of any such act or thing; and

3. The board of directors of Capstone be and is authorized to abandon all or any part of these resolutions at any time prior to giving effect thereto.

SCHEDULE B

ARRANGEMENT AGREEMENT

(see attached)

CAPSTONE INFRASTRUCTURE CORPORATION

and

RENEWABLE ENERGY DEVELOPERS INC.

ARRANGEMENT AGREEMENT

July 3, 2013

TABLE OF CONTENTS

ARTICLE 6
CONDITIONS

ARTICLE 7
TERM AND TERMINATION

ARTICLE 8
GENERAL PROVISIONS

SCHEDULES

ARRANGEMENT AGREEMENT

THIS AGREEMENT is made as of July 3, 2013,

BETWEEN:

CAPSTONE INFRASTRUCTURE CORPORATION, a corporation incorporated under the laws of British Columbia ("**Capstone**")

- and -

RENEWABLE ENERGY DEVELOPERS INC., a corporation incorporated under the laws of Canada (the "**Company**").

NOW THEREFORE, in consideration of the covenants and agreements herein contained, the Parties agree as follows:

ARTICLE 1

INTERPRETATION

Section 1.1 Defined Terms

As used in this Agreement, the following terms have the following meanings:

"**Acquisition Proposal**" means, other than the transactions contemplated by this Agreement, any *bona fide* offer, proposal or inquiry (whether written or oral) from any Person or group of Persons other than Capstone (or any affiliate of Capstone) made after the date of this Agreement relating to:

(a) any direct or indirect acquisition, purchase or joint venture (or any lease, long-term supply agreement or other arrangement having the same economic effect as a purchase), in a single transaction or a series of related transactions, of assets representing 20% or more of the consolidated assets of or contributing 20% or more of the consolidated revenue of the Company and its Subsidiaries or of 20% or more of the voting, equity or other securities (or rights or interests therein or thereto) of the Company and/or one or more of its Subsidiaries representing, individually or in the aggregate, 20% or more of the consolidated assets or contributing, individually or in the aggregate, 20% or more of the consolidated revenue of the Company and its Subsidiaries;

(b) any direct or indirect take-over bid, tender offer, exchange offer, treasury issuance or other transaction that, if consummated, would result in a Person or group of Persons beneficially owning 20% or more of any class of voting, equity or other securities or any other equity interests (including securities convertible into or exercisable or exchangeable for voting or equity securities) of the Company and/or one or more of its Subsidiaries representing, individually or in the aggregate, 20% or more of the consolidated assets or contributing, individually or in the aggregate, 20% or more of the consolidated revenue of the Company and its Subsidiaries;

(c) any plan of arrangement, merger, amalgamation, consolidation, share exchange, business combination, reorganization, recapitalization, liquidation, dissolution or winding up involving the Company and/or one or more of its Subsidiaries representing, individually or in the aggregate, 20% or more of the consolidated assets or contributing, individually or in the aggregate, 20% or more of the consolidated revenue of the Company and its Subsidiaries; or

(d) any other similar transaction or series of transactions, the consummation of which would or could reasonably be expected to impede, interfere with, prevent or delay the transactions contemplated by this Agreement or the Arrangement or which would or could reasonably be expected to materially reduce the benefits to Capstone under this Agreement or the Arrangement.

"**affiliate**" has the meaning specified in National Instrument 45-106 — *Prospectus and Registration Exemptions*.

"**Agreement**" means this arrangement agreement.

"**Arrangement**" means the arrangement under Section 192 of the CBCA on the terms and subject to the conditions set out in the Plan of Arrangement, subject to any amendments or variations to the Plan of Arrangement made in accordance with the terms of this Agreement or Section 5.1 of the Plan of Arrangement or made at the direction of the Court in the Final Order with the prior written consent of both the Company and Capstone, each acting reasonably.

"**Arrangement Resolution**" means the special resolution approving the Plan of Arrangement to be considered at the Company Meeting substantially in the form set out in Schedule B.

"**Articles of Arrangement**" means the articles of arrangement of the Company in respect of the Arrangement, required by the CBCA to be sent to the Director after the Final Order is made, which shall include the Plan of Arrangement and otherwise be in form and content satisfactory to the Company and Capstone, each acting reasonably.

"**associate**" has the meaning specified in the Securities Act (Ontario).

"**Authorization**" means, with respect to any Person, any order, permit, approval, consent, waiver, licence or similar authorization of any Governmental Entity having jurisdiction over the Person.

"**Breaching Party**" has the meaning ascribed thereto in Section 4.10(3).

"**Bristol Water Entities**" means CSE Water UK Limited, its Subsidiaries and Bristol Wessex Billing Services Limited.

"**Business Day**" means any day of the year, other than a Saturday, a Sunday, a public holiday or a day when banks in Toronto, Ontario are not generally open for business.

"**CBCA**" means the *Canada Business Corporations Act*.

"**Canadian Resident**" means a beneficial owner of Company Shares immediately prior to the Effective Time who is a resident of Canada for purposes of the Tax Act (other than a Tax Exempt Person), or a partnership any member of which is a resident of Canada for the purposes of the Tax Act (other than a Tax Exempt Person).

"**Capstone**" means Capstone Infrastructure Corporation.

"**Capstone AIF**" means the annual information form of Capstone dated March 21, 2013.

"**Capstone Assets**" means all of the assets, properties, permits, rights or other privileges (whether contractual or otherwise) of Capstone and its Subsidiaries.

"**Capstone Board**" means the board of directors of Capstone as constituted from time to time.

"**Capstone Circular**" means the notice of the Capstone Meeting and accompanying management information circular, including all schedules, appendices and exhibits to, and information incorporated by reference in, such management information circular, to be sent to Capstone Shareholders in connection with the Capstone Meeting, as amended, supplemented or otherwise modified from time to time in accordance with the terms of this Agreement.

"**Capstone Confidentiality Agreement**" means the confidentiality agreement between the Company and Capstone dated June 7, 2013 governing, among other things, the Company obtaining access to confidential information regarding Capstone.

"**Capstone Constating Documents**" means the notice of articles and articles of Capstone and all amendments or supplements to such notice of articles or articles.

"**Capstone Debentures**" means the 6.50% convertible unsecured subordinated debentures of Capstone due December 31, 2016.

"**Capstone Disclosure Letter**" means the disclosure letter dated the date of this Agreement and delivered by Capstone to the Company with this Agreement.

"**Capstone Employees**" means the Employees of Capstone and its Subsidiaries.

"**Capstone Expense Reimbursement Amount**" has the meaning ascribed thereto in Section 8.3(1).

"**Capstone Fairness Opinion**" means the opinion of RBC Capital Markets addressed to the Capstone Board to the effect that, as of the date of such opinion, the consideration to be paid by Capstone pursuant to the Arrangement is fair, from a financial point of view, to Capstone.

"**Capstone Filings**" means all documents publicly filed by or on behalf of Capstone on SEDAR since January 1, 2011.

"**Capstone Financial Statements**" means the audited annual consolidated financial statements of Capstone for the year ended December 31, 2012 and the unaudited interim consolidated financial statements of Capstone for the three months ended March 31, 2013.

"**Capstone Leased Properties**" has the meaning specified in Schedule D.

"**Capstone Material Contract**" means any Contract that if terminated or modified or if it ceased to be in effect, would reasonably be expected to have a Material Adverse Effect on Capstone, including, but not limited to, the Contacts listed under the heading "Material Contracts" in the Capstone AIF and the credit facilities described in the Capstone AIF other than those relating to the Bristol Water Entities and the Värmevärden Entities.

"**Capstone Meeting**" means the special meeting of Capstone Shareholders, including any adjournment or postponement of such special meeting in accordance with the terms of this Agreement, to be called to obtain the Required Capstone Shareholder Approval.

"**Capstone Owned Properties**" has the meaning specified in Schedule D. "Capstone Proposal" has the meaning specified in Section 8.2(2)(d).

"**Capstone Preferred Shares**" means the cumulative five-year rate reset preferred shares, series A in the capital of Capstone.

"**Capstone Shareholders**" means the registered or beneficial holders of the Capstone Shares, as the context requires.

"**Capstone Shares**" means common shares in the capital of Capstone.

"**Certificate of Arrangement**" means the certificate of arrangement to be issued by the Director pursuant to Subsection 192(7) of the CBCA in respect of the Articles of Arrangement.

"**Class B Units**" has the meaning specified in Schedule D.

"**Commissioner**" means the Commissioner of Competition appointed under subsection 7(1) of the Competition Act or his designee.

"**Company**" means Renewable Energy Developers Inc.

"**Company Assets**" means all of the assets, properties, permits, rights or other privileges (whether contractual or otherwise) of the Company and its Subsidiaries.

"**Company Board**" means the board of directors of the Company as constituted from time to time.

"**Company Board Recommendation**" has the meaning ascribed thereto in Section 2.4(2).

"**Company Circular**" means the notice of the Company Meeting and accompanying management information circular, including all schedules, appendices and exhibits to, and information incorporated by reference in, such management information circular, to be sent to Company Shareholders in connection with the Company Meeting, as amended, supplemented or otherwise modified from time to time in accordance with the terms of this Agreement.

"**Company Confidentiality Agreement**" means the confidentiality agreement between the Company and Capstone dated January 21, 2013 governing, among other things, Capstone obtaining access to confidential information regarding the Company.

"**Company Constating Documents**" means the articles of incorporation and by-laws of the Company and all amendments or supplements to such articles or by-laws.

"**Company Data Room**" means the material contained in the virtual data room established by the Company as at 12:00 a.m. on July 3, 2013.

"**Company Debenture Indenture**" means the debenture indenture dated as of August 28, 2012 between the Company and Equity Financial Trust Company, as debenture agent, providing for the issue of Company Debentures.

"**Company Debentures**" means the $34,500,000 aggregate principal amount of 6.75% convertible unsecured subordinated debentures of the Company due December 31, 2017 issued pursuant to the Company Debenture Indenture.

"**Company Disclosure Letter**" means the disclosure letter dated the date of this Agreement and delivered by the Company to Capstone with this Agreement.

"**Company Employees**" means the Employees of the Company and its Subsidiaries.

"**Company Expense Reimbursement Amount**" has the meaning ascribed thereto in Section 8.3(2).

"**Company Fairness Opinion**" means the opinion of Canaccord Genuity Corp. addressed to the Company Board to the effect that, as of the date of such opinion, the Consideration to be received by the Company Shareholders is fair, from a financial point of view, to the Company Shareholders (other than Capstone and its affiliates).

"**Company Filings**" means all documents publicly filed by or on behalf of the Company on SEDAR since February 7, 2011.

"**Company Financial Statements**" means the audited annual consolidated financial statements of the Company for the year ended December 31, 2012 and the unaudited interim condensed consolidated financial statements of the Company for the three months ended March 31, 2013.

"**Company Leased Properties**" means all leases, subleases, licenses or occupancy agreements for real or immovable property leased, subleased, licensed or occupied by the Company or its Subsidiaries.

"**Company Material Contract**" means any Contract to which the Company or any of its Subsidiaries is a party:

(a) that if terminated or modified or if it ceased to be in effect, would reasonably be expected to have a Material Adverse Effect on the Company;

(b) that is a partnership agreement, limited liability company agreement, joint venture agreement or similar agreement or arrangement relating to the formation, creation or operation of any partnership, limited liability company, joint venture or other similar arrangement;

(c) relating directly or indirectly to the guarantee of any liabilities or obligations or to indebtedness (currently outstanding or which may become outstanding) for borrowed money in excess of $5,000,000;

(d) restricting the incurrence of indebtedness by the Company or any of its Subsidiaries or the incurrence of any Liens (including by requiring the granting of an equal and rateable Lien) on any properties or assets of the Company or any of its Subsidiaries, or restricting the payment of dividends by the Company or by any of its Subsidiaries;

(e) under which the Company or any of its Subsidiaries is obligated to make payments on an annual basis in excess of $1,000,000 or in excess of $5,000,000 over the remaining term;

(f) under which the Company or any of its Subsidiaries receives or is entitled to receive payments on an annual basis in excess of $1,000,000 or in excess of $5,000,000 over the remaining term;

(g) that creates an exclusive dealing arrangement or right of first offer or refusal over any of the material assets of the Company or any of its Subsidiaries;

(h) providing for severance or change in control payments in excess of $250,000;

(i) providing for the purchase, sale or exchange of, or option to purchase, sell or exchange, any property or asset where the purchase or sale price or agreed value or fair market value of such property or asset exceeds $1,000,000;

(j) including the Asset Purchase Agreement between Sky Generation Inc. and Skyway 8 Wind Energy Inc. made as of June 7, 2013;

(k) that is a power purchase agreement, operation and maintenance agreement, turbine supply agreement, interconnection agreement, Authorization, lease, easement or credit agreement; or

(l) that is otherwise material to the Company or any of its Subsidiaries, taken as a whole.

"**Company Meeting**" means the special meeting of Company Shareholders, including any adjournment or postponement of such special meeting in accordance with the terms of this Agreement, to be called and held in accordance with the Interim Order to consider the Arrangement Resolution.

"**Company Optionholders**" means the holders of Company Options granted pursuant to the Stock Option Plan.

"**Company Options**" means the outstanding options to purchase Company Shares issued pursuant to the Stock Option Plan.

"**Company Owned Properties**" has the meaning specified in Schedule C.

"**Company Shareholders**" means the registered or beneficial holders of the Company Shares, as the context requires.

"**Company Shares**" means common shares in the capital of the Company.

"**Company Warrant Indenture**" means the warrant indenture dated March 6, 2012 between the Company and Equity Financial Trust Company, as warrant agent, providing for the issuance of the Company Warrants.

"**Company Warrantholders**" means the holders of Company Warrants issued pursuant to the Company Warrant Indenture.

"**Company Warrants**" means the common share purchase warrants of the Company exercisable at a price of $1.35 per Common Share until March 6, 2014 issued pursuant to the Company Warrant Indenture.

"**Competition Act**" means the *Competition Act* (Canada).

"**Competition Act Clearance**" means, with respect to the transactions contemplated by this Agreement, either of the following:

(a) the Commissioner shall have issued an advance ruling certificate under subsection 102(1) of the Competition Act; or

(b) (i) the waiting period under section 123 of the Competition Act shall have expired or been terminated within the meaning of that section, or the Commissioner shall have waived the Parties' obligation to submit a notification pursuant to paragraph 113(c) of the Competition Act, and (ii) the Commissioner shall have provided written confirmation to Capstone that he does not, at that time, intend to make an application for an order pursuant to section 92 of the Competition Act.

"**Confidentiality Agreements**" means the Company Confidentiality Agreement and the Capstone Confidentiality Agreement.

"**Consideration**" means 0.26 of a Capstone Share and $0.001 in cash per Company Share.

"**Contract**" means any third party agreement, commitment, engagement, contract, licence, lease, obligation, undertaking or joint venture (written or oral) to which a Person or any of its Subsidiaries is a party or by which it or any of its Subsidiaries is bound or affected or to which any of its or their respective properties or assets is subject.

"**Court**" means the Ontario Superior Court of Justice, or such other court as applicable. "Depositary" means Equity Financial Trust Company.

"**Development Project Entities**" means Snowy Ridge Wind Park LP, Settlers Landing Wind Park LP, ZEP Wind Farm Ganaraska LP, Grey Highlands Zero Emission People LP, Skyway 8 Wind Energy Inc. and Grey Highlands Clean Energy LP and, following completion of the Wind Works Project Acquisitions and the Natenco Project Acquisitions, means any Person (i) holding title to or an economic interest in the project assets previously held by any of the foregoing and (ii) in whom the Company holds a direct or indirect economic interest.

"**Director**" means the Director appointed pursuant to Section 260 of the CBCA.

"**Dissent Rights**" means the rights of dissent in respect of the Arrangement described in the Plan of Arrangement.

"**Effective Date**" means the date shown on the Certificate of Arrangement giving effect to the Arrangement.

"**Effective Time**" has the meaning ascribed thereto in the Plan of Arrangement.

"**Eligible Non-Resident**" means a beneficial owner of Company Shares immediately prior to the Effective Time, who is not, and is not deemed to be, a resident of Canada for the purposes of the Tax Act, and whose Company Shares are "taxable Canadian property" and not "treaty-protected property", in each case as defined in the Tax Act, or a partnership any member of which is not, and is not deemed to be, a resident of Canada for the purposes of the Tax Act, and whose Company Shares are "taxable Canadian property" and not "treaty protected property", in each case as defined in the Tax Act.

"**Eligible Holder**" means: (i) a Canadian Resident, or (ii) an Eligible Non-Resident.

"**Employee Plans**" means all health, welfare, supplemental unemployment benefit, bonus, profit sharing, option, stock appreciation, savings, insurance, incentive, incentive compensation, deferred compensation, share purchase, share compensation, disability, pension or supplemental retirement plans and other material employee or director compensation or benefit plans, policies, trusts, funds, agreements or arrangements for the benefit of directors or former directors of a Person or any of its Subsidiaries or Employees or former Employees of a Person or its Subsidiaries which are maintained by or binding upon the Person or any of its Subsidiaries or in respect of which the Person or any of its Subsidiaries has any actual or potential liability.

"**Employees**" means the officers, employees and independent contractors of the Person and its Subsidiaries.

"**Environmental Laws**" means all Laws and agreements with Governmental Entities and all other statutory requirements relating to public health and safety, noise control, pollution or the protection of the environment or to the generation, production, installation, use, storage, treatment, transportation, Release or threatened Release of Hazardous Substances, including civil responsibility for acts or omissions with respect to the environment, and all Authorizations issued pursuant to such Law, agreements or other statutory requirements.

"**Environmental Liabilities**" means all liabilities, remedial and removal costs, investigation costs, capital costs, operation and maintenance costs, losses, damages, costs and expenses, fines, penalties and sanctions incurred as a result of, or related to, any claim, suit, action, administrative order, investigation, proceeding or demand by any Person, whether based in contract, tort, implied or express warranty, strict liability, criminal or civil statute or common law arising under, or related to, any Environmental Laws, Authorizations issued pursuant to Environmental Laws, or in connection with any Release or threatened Release or presence of a Hazardous Substance whether on, at, in, under, from or about or in the vicinity of any real or personal property.

"**Final Order**" means the final order of the Court in a form acceptable to the Company and Capstone, each acting reasonably, approving the Arrangement, as such order may be amended by the Court (with the consent of both the Company and Capstone, each acting reasonably) at any time prior to the Effective Date or, if appealed, then, unless such appeal is withdrawn or denied, as affirmed or as amended (provided that any such amendment is acceptable to both the Company and Capstone, each acting reasonably) on appeal.

"**First Nations**" means any first nations, Métis and/or indigenous and/or aboriginal person(s), tribe(s) and/or band(s) of Canada.

"**First Nations Claims**" means any claims, assertions or demands, written or oral, whether proven or unproven, made by any First Nations to a Person, its Subsidiaries or a Governmental Entity, or any representatives thereof, in respect of asserted or proven aboriginal rights, aboriginal title, treaty rights or any other aboriginal interest in or to all or any portion of any Company Owned Property, Company Leased Property, Capstone Owned Property or Capstone Leased Property, as applicable.

"**First Nations Information**" means any and all material written and oral communications and documentation of which the Company is aware as of the date hereof, including electronic or other form related to any (a) First Nations Claims; (b) First Nations making any First Nations Claims; (c) First Nations groups; or (d) any Governmental Entity, or representatives thereof, in respect of any matter, including the issuance of required permits, licences and other governmental authorizations, involving any First Nations Claims or First Nations groups in relation to any Company Owned Property, Company Leased Property, Capstone Owned Property or Capstone Leased Property, as applicable.

"**GAAP**" means generally accepted accounting principles as set out in the Canadian Institute of Chartered Accountants Handbook — Accounting for an entity that prepares its financial statements in accordance with International Financial Reporting Standards, at the relevant time, applied on a consistent basis.

"**Governmental Entity**" means (a) any international, multinational, national, federal, provincial, territorial, state, regional, municipal, local or other government, governmental or public department, central bank, court, tribunal, arbitral body, commission, board, bureau, commissioner, minister, cabinet, governor in council, ministry, agency or instrumentality, domestic or foreign, (b) any subdivision or authority of any of the above, (c) any quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing, or (d) any stock exchange.

"**Hazardous Substances**" means any element, waste or other substance, whether natural or artificial and whether consisting of gas, liquid, solid or vapour that is prohibited, listed, defined, judicially interpreted, designated or classified as dangerous, hazardous, radioactive, explosive or toxic or a pollutant or a contaminant under or pursuant to any applicable Environmental Laws, and specifically including petroleum and all derivatives thereof or synthetic substitutes therefor and asbestos or asbestos-containing materials or any substance which is deemed under Environmental Laws to be deleterious to natural resources or worker or public health and safety.

"**IFRS**" means International Financial Reporting Standards.

"**Indemnified Persons**" has the meaning specified in Section 8.7(1).

"**Intellectual Property**" has the meaning specified in Schedule C.

"**Interim Order**" means the interim order of the Court in a form acceptable to the Company and Capstone, each acting reasonably, providing for, among other things, the calling and holding of the Company Meeting, as such order may be amended by the Court with the consent of both the Company and Capstone, each acting reasonably.

"**Law**" means, with respect to any Person, any and all applicable law (statutory, common or otherwise), by-law, constitution, treaty, convention, ordinance, code, rule, regulation, order, injunction, judgment, award, decree, ruling or other similar requirement, whether domestic or foreign, enacted, adopted, promulgated or applied by a Governmental Entity that is binding upon or applicable to such Person or its business, undertaking, property or securities, and to the extent that they have the force of law, policies, guidelines, notices and protocols of any Governmental Entity, as amended, unless expressly specified otherwise.

"**Lien**" means any mortgage, charge, pledge, assignment, encumbrance, hypothec, security interest, claim, encroachment, option, warrant, right of first refusal or first offer, occupancy right (including, but not limited to, a lease or sublease), covenant, assignment, lien (statutory or otherwise), defect of title, or restriction or adverse right or claim, or other third party interest or encumbrance of any kind, in each case, whether contingent or absolute and any agreement, option, right or privilege (whether by Law, contract or otherwise) capable of becoming any of the foregoing.

"**Matching Period**" has the meaning ascribed thereto in Section 5.4(1)(d).

"**Material Adverse Effect**" means, with respect to any Person, any change, event, occurrence, effect, state of facts or circumstance that, individually or in the aggregate with other such changes, events, occurrences, effects, state of facts or circumstances, is or would likely be material and adverse to the business, operations, results of operations, assets (tangible or intangible), properties, capitalization, condition (financial or otherwise), liabilities (contingent or otherwise) or obligations (whether absolute, accrued, conditional or otherwise) of such Person and its Subsidiaries, taken as a whole, except that none of the following changes, events, occurrences, effects, states of facts or circumstances, whether direct or indirect, either alone or in combination, shall be considered in determining whether there has been a Material Adverse Effect:

(a) any change generally affecting the industry in which the Person and its Subsidiaries operate;

(b) any change or proposed change in Law or GAAP or in the interpretation or application of any Laws or GAAP by any Governmental Entity;

(c) the announcement of this Agreement or the transactions contemplated hereby;

(d) changes, developments or conditions in or relating to general international, political, economic, financial, capital market or credit conditions in any jurisdiction in which the Person or any of its Subsidiaries operate or carry on business;

(e) changes, developments or conditions resulting from any act of sabotage, terrorism, outbreak of hostilities or declared or undeclared war, or any escalation or worsening of such acts;

(f) any earthquake, hurricane, tornado, flood or other natural disaster;

(g) changes or developments in or relating to currency exchange, interest rates or rates of inflation; or

(h) any change in the market price or trading volume of any securities of the Person (it being understood that the causes underlying such change in market price or trading volume (other than those in items (a) to (g) above) may be taken into account in determining whether a Material Adverse Effect has occurred),

provided, however, that with respect to clauses (a), (b), (d), (e), (f) and (g), such matter does not have a materially disproportionate effect on the business, operations, results of operations, assets, properties, capitalization, condition (financial or otherwise), or liabilities (contingent or otherwise) of the Person and its Subsidiaries, taken as a whole, relative to other comparable entities operating in the same industry in which the Person and its Subsidiaries operate.

"**MI 61-101**" means Multilateral Instrument 61-101 — *Protection of Minority Security Holders in Special Transactions*.

"**Misrepresentation**" has the meaning ascribed thereto under Securities Laws.

"**Natenco Project Acquisitions**" means the acquisition from Natenco, LLC, its affiliates or any other Person holding an economic interest therein of (i) a 100% economic interest in the wind power development project known as [redacted] **[REDACTED: Language identifying project]** and (ii) a 37.5% economic interest in the wind power development project known as "Grey Highlands Clean" (which wind power development project is being developed by Natenco, LLC and its affiliates through Grey Highlands Clean Energy LP).

"**NI 51-102**" means National Instrument 51-102 — *Continuous Disclosure Obligations*.

"**NI 52-109**" means National Instrument 52-109 — *Certification of Disclosure in Issuers' Annual and Interim Filings*.

"**officer**" has the meaning ascribed thereto in the Securities Act (Ontario). "Option Exchange Ratio" means 0.26026.

"**Ordinary Course**" means, with respect to an action taken by a Person, that such action is consistent with the past practices of the Person and its Subsidiaries and is taken in the ordinary course of the normal day-to-day operations and development of the business of the Person and its Subsidiaries, including, without limitation, actions taken in accordance with a budget approved by the Person's board of directors and actions taken consistent with the development plan and capital expenditure plan of the Person.

"**Outside Date**" means November 30, 2013 or such later date as may be agreed to in writing by the Parties.

"**Parties**" means the Company and Capstone, and a "**Party**" means either one of them.

"**Person**" includes any individual, partnership, association, body corporate, organization, trust, estate, trustee, executor, administrator, legal representative, government (including Governmental Entity), syndicate or other entity, whether or not having legal status.

"**Permitted Liens**" means, in respect of the Company or any of its Subsidiaries or Capstone and its Subsidiaries, as applicable, any one or more of the following:

(a) Liens for Taxes which are not yet due or delinquent and inchoate statutory Liens for overdue Taxes, the validity of which the Person or its Subsidiaries owing such Taxes are contesting in good faith but only for so long as such contestation effectively postpones enforcement and registration of any such Liens or Taxes;

(b) inchoate statutory Liens of contractors, subcontractors, mechanics, workers, suppliers, material men, carriers and others in respect of the construction, maintenance, repair or operation of its assets, provided that, individually or in the aggregate they would not have a Material Adverse Effect, notice of them has not been given to the Person or its Subsidiaries, such Liens are related to obligations not due or delinquent, are not registered against title to any of its assets and in respect of which adequate holdbacks are being maintained as required by Law;

(c) security given by the Person or any of its Subsidiaries to a public utility or any Governmental Entity when required in the Ordinary Course;

(d) minor easements, including rights of way for, or reservations or rights of others relating to, sewers, water lines, gas lines, pipelines, electric lines, telegraph and telephone lines, roads, railroads and other similar products or services and any minor registered restrictions or covenants that run with the land, provided that there has been compliance with the provisions thereof and that they do not, in the aggregate, materially detract from the value of the Company Owned Properties and Company Leased Properties or Capstone Owned Properties and Capstone Leased Properties, as applicable, and will not materially and adversely affect the ability of the Person and its Subsidiaries to carry on their business as it is currently being conducted;

(e) rights reserved or vested in any Governmental Entity to control or regulate any interest in the Company Owned Properties and Company Leased Properties or Capstone Owned Properties and Capstone Leased Properties, as applicable, as imposed by Law, zoning by-laws, ordinances or other restrictions as to the use of the Company Owned Properties and Company Leased Properties or Capstone Owned Properties and Capstone Leased Properties, as applicable, provided that there has been compliance with provisions thereof and that they do not, in the aggregate, materially detract from the value of the Company Owned Properties and Company Leased Properties or Capstone Owned Properties and Capstone Leased Properties, as applicable, and will not materially and adversely affect the ability of the Person and its Subsidiaries to carry on their business as it is currently being conducted;

(f) any condition that reasonably would be expected to be shown by a current survey provided that same would not materially detract from the value of Company Owned Properties and Company Leased Properties or Capstone Owned Properties and Capstone Leased Properties, as applicable, and will not materially and adversely affect the ability of the Person and its Subsidiaries to carry on their business as it is currently being conducted;

(g) the rights of lessors and lessees of the Company Leased Properties or Capstone Leased Properties, as applicable, executed in the Ordinary Course;

(h) restrictive covenants, minor defects, minor imperfections or minor irregularities of title, if any, if complied with, and which do not, in the aggregate, materially detract from the value of Company Owned Properties and Company Leased Properties or Capstone Owned Properties and Capstone Leased Properties, as applicable, and will not materially and adversely affect the ability of the Person and its Subsidiaries to carry on their business as it is currently being conducted; and

(i) the Liens listed and described in Section 1.1 — "Permitted Liens" of the Company Disclosure Letter or Section 1.1 — "Permitted Liens" of the Capstone Disclosure Letter.

"**Plan of Arrangement**" means the plan of arrangement, substantially in the form set out in Schedule A, subject to any amendments or variations to such plan made in accordance with Section 8.1 of this Agreement or Section 5.1 of the Plan of Arrangement or made at the direction of the Court in the Final Order with the prior written consent of both the Company and Capstone, each acting reasonably.

"**Pre-Arrangement Reorganization**" has the meaning ascribed thereto in Section 4.12.

"**Regulatory Approvals**" means those consents, waivers, permits, exemptions, reviews, orders, decisions or approvals of, or registrations or filings with, Governmental Entities, or the expiry, waiver or termination of any waiting period imposed by Law or a Governmental Entity, in each case required under Laws in connection with the Arrangement, each of which is set out in Schedule E.

"**Release**" has the meaning prescribed in any Environmental Law and includes any sudden, intermittent or gradual release, spill, leak, pumping, addition, pouring, emission, emptying, discharge, migration, injection, escape, leaching, disposal, dispersal, dumping, deposit, spraying, burial, abandonment, incineration, seepage, migration, placement or introduction of a Hazardous Substance, whether accidental or intentional, into the environment.

"**Replacement Option**" has the meaning ascribed thereto in Section 2.11.

"**Representative**" has the meaning ascribed thereto in Section 5.1(1).

"**Required Company Shareholder Approval**" has the meaning specified in Section 2.2(2).

"**Required Capstone Shareholder Approval**" means the approval by the Capstone Shareholders at the Capstone Meeting by ordinary resolution of the issuance of the Capstone Shares to be issued as Consideration under the Arrangement, in accordance with the policies of the TSX.

"**Resolution Agreement**" means the resolution agreement among the Company, Sprott Power Consulting Limited Partnership and Jeffrey Jenner dated February 10, 2013.

"**Securities Regulatory Authority**" means the Ontario Securities Commission or the applicable securities commission or securities regulatory authority of a province or territory of Canada.

"**Securities Laws**" means the *Securities Act* (Ontario) and any other applicable Canadian provincial and territorial securities laws, rules and regulations and published policies thereunder.

"**SEDAR**" means the System for Electronic Document Analysis and Retrieval.

"**Settlement Agreement**" means the agreement dated July 3, 2013 among the Company, Sprott Power Consulting Limited Partnership, SP Operating Limited Partnership, SP Development Limited Partnership and Sprott Power Consulting GP Inc.

"**Shareholder Rights Plan**" means the shareholder rights plan agreement dated April 10, 2012 between the Company and Equity Financial Trust Company, as rights agent.

"**Stock Option Plan**" means the Company's stock option plan, as amended and approved by Company Shareholders on May 15, 2012.

"**Strategic Review Committee**" means the committee of independent directors of the Company Board, consisting of Finn Greflund (Chair), David Kerr, and F. David Rounthwaite.

"**Subsidiary**" has the meaning specified in National Instrument 45-106 — *Prospectus and Registration Exemptions* and, in the case of the Company, also includes SP Development Limited Partnership, SPWC Development LP, SPWC Development GP Inc., SP Operating Limited Partnership, Fitzpatrick Mountain Wind Energy Inc., Glen Dhu Wind Energy Inc., Glen Dhu Wind Energy Limited Partnership and each of their Subsidiaries and, following completion of the Wind Works Project Acquisitions and the Natenco Project Acquisitions, as applicable, the applicable Development Project Entities and each of their respective Subsidiaries.

"**Superior Proposal**" means any unsolicited *bona fide* written Acquisition Proposal made after the date of this Agreement:

(a) to acquire not less than all of the outstanding Company Shares (other than any Company Shares held, directly or indirectly, by the Person making the Acquisition Proposal or its affiliates) or all or substantially all of the assets of the Company on a consolidated basis;

(b) that did not result from or involve a breach of Section 5.1 or Section 5.2 by the Company or its Representatives;

(c) that is not subject to a due diligence and/or access condition;

(d) if cash is to make up all or a portion of the consideration to be paid, that the Company Board has determined in good faith is fully financed or is reasonably capable of being fully financed;

(e) that the Company Board has determined in good faith is reasonably capable of being completed without undue delay, taking into account all financial, legal, regulatory and other aspects of such Acquisition Proposal and the Person making such Acquisition Proposal; and

(f) in respect of which the Company Board and any relevant committee thereof determines, in its good faith judgment, after receiving the advice of its outside legal counsel and financial advisors, and after taking into account all the terms and conditions of the Acquisition Proposal, including all legal, financial, regulatory and other aspects of such Acquisition Proposal, and the party making such Acquisition Proposal, (i) would, if consummated in accordance with its terms, but without assuming away the risk of non-completion, result in a transaction which is more favourable from a financial point of view to Company Shareholders (other than Capstone and its affiliates) than the Arrangement (including any amendments to the terms and conditions of the Arrangement proposed by Capstone pursuant to Section 5.4(2)) and (ii) failure to recommend such Acquisition Proposal to the Company Shareholders would be inconsistent with its fiduciary duties.

"**Superior Proposal Notice**" has the meaning specified in Section 5.4(1)(b).

"**Supplemental Debenture Indenture**" means a supplemental indenture, in form and content satisfactory to each of the Company and Capstone, acting reasonably, to be entered into by the Company, Capstone and Equity Financial Trust Company, as debenture trustee, to evidence the succession by Capstone as the successor pursuant to and in accordance with the terms of the Company Debenture Indenture.

"**Supplemental Warrant Indenture**" means a supplemental indenture, in form and content satisfactory to each of the Company and Capstone, acting reasonably, to be entered into by the Company, Capstone and Equity Financial Trust Company, as warrant agent, to evidence the succession by Capstone as the successor pursuant to and in accordance with the terms of the Company Warrant Indenture.

"**Tax Act**" means the *Income Tax Act* (Canada) and the regulations made thereunder, as now in effect and as they may be promulgated or amended from time to time.

"**Tax Returns**" means any and all returns, reports, declarations, elections, notices, forms, designations, filings, and statements (including estimated tax returns and reports, withholding tax returns and reports, and information returns and reports) filed or required to be filed in respect of Taxes.

"**Tax Exempt Person**" means a person who is exempt from tax under Part I of the Tax Act.

"**Taxes**" means (a) any and all taxes, duties, fees, excises, premiums, assessments, imposts, levies and other charges or assessments of any kind whatsoever imposed by any Governmental Entity, whether computed on a separate, consolidated, unitary, combined or other basis, including those levied on, or measured by, or described with respect to, income, gross receipts, profits, gains, windfalls, capital, capital stock, production, recapture, transfer, land transfer, license, gift, occupation, wealth, environment, net worth, indebtedness, surplus, sales, goods and services, harmonized sales, use, value-added, excise, special assessment, stamp, withholding, business, franchising, real or personal property, health, employee health, payroll, workers' compensation, employment or unemployment, severance, social services, social security, education, utility, surtaxes, customs, import or export, and including all license and registration fees and all employment insurance, health insurance and government pension plan premiums or contributions; (b) all interest, penalties, fines, additions to tax or other additional amounts imposed by any Governmental Entity on or in respect of amounts of the type described in clause (a) above; (c) any liability for the payment of any amounts of the type described in clauses (a) or (b) as a result of being a member of an affiliated, consolidated, combined or unitary group for any period; and (d) any liability for the payment of any amounts of the type described in clauses (a) or (b) as a result of any express or implied obligation to indemnify any other Person or as a result of being a transferee or successor in interest to any party.

"**Terminating Party**" has the meaning specified in Section 4.10(3).

"**Termination Fee**" has the meaning specified in Section 8.2(2).

"**Termination Fee Event**" has the meaning specified in Section 8.2(2).

"**Termination Notice**" has the meaning specified in Section 4.10(3).

"**Third Party Consents**" means those consents, waivers, approvals or notices set out in Schedule F.

"**Transition Agreement**" means the Transition Agreement dated February 10, 2013 between the Company and Sprott Power Consulting Limited Partnership.

"**TSX**" means the Toronto Stock Exchange.

"**U.S. Exchange Act**" means the United States Securities Exchange Act of 1934, as the same has been, and hereafter from time to time may be, amended, and the rules and regulations promulgated thereunder;

"**U.S. Securities Act**" means the United States Securities Act of 1933, as the same has been, and hereafter from time to time may be, amended, and the rules and regulations promulgated thereunder.

"**Värmevärden Entities**" means Sefyr Heat Luxembourg S.a.r.l. and its Subsidiaries.

"**wilful breach**" has the meaning specified in Section 7.3(2).

"**Wind Works Project Acquisitions**" has the meaning ascribed thereto in Section 4.1(3).

Section 1.2 Certain Rules of Interpretation.

In this Agreement, unless otherwise specified:

(1) **Headings, etc.** The provision of a Table of Contents, the division of this Agreement into Articles and Sections and the insertion of headings are for convenient reference only and do not affect the construction or interpretation of this Agreement.

(2) **Currency**. All references to dollars or to "$" are references to Canadian dollars.

(3) **Gender and Number**. Any reference to gender includes all genders. Words importing the singular number only include the plural and vice versa.

(4) **Certain Phrases, etc.** The words (a) "including", "includes" and "include" mean "including (or includes or include) without limitation", (b) "the aggregate of", "the total of", "the sum of", or a phrase of similar meaning means "the aggregate (or total or sum), without duplication, of", and (c) unless stated otherwise, "Article", "Section", and "Schedule" followed by a number or letter mean and refer to the specified Article or Section of or Schedule to this Agreement. The term "made available" means copies of the subject materials were (a) included in the Company Data Room, (b) listed in the Company Disclosure Letter and copies were provided to Capstone or its counsel by the Company if requested or (c) publicly filed on SEDAR by the Company since February 7, 2011.

(5) **Capitalized Terms**. All capitalized terms used in any Schedule or in the Company Disclosure Letter have the meanings ascribed to them in this Agreement.

(6) **Knowledge**. Where any representation or warranty is expressly qualified by reference to the knowledge of the Company, it is deemed to refer to the actual knowledge, after due inquiry, of Jeffrey Jenner and Martin Lim, as executive officers of the Company and not in their personal capacity. Where any representation or warranty is expressly qualified by reference to the knowledge of Capstone, it is deemed to refer to the actual knowledge, after due inquiry, of Michael Bernstein and Michael Smerdon, as executive officers of Capstone and not in their personal capacity.

(7) **Accounting Terms**. All accounting terms are to be interpreted in accordance with GAAP and all determinations of an accounting nature in respect of the Company required to be made shall be made in a manner consistent with GAAP.

(8) **Statutes**. Any reference to a statute refers to such statute and all rules and regulations made under it having the force of law, as it or they may have been or may from time to time be amended or re-enacted, unless stated otherwise.

(9) **Computation of Time**. A period of time is to be computed as beginning on the day following the event that began the period and ending at 11:59 p.m. on the last day of the period, if the last day of the period is a Business Day, or at 11:59 p.m. on the next Business Day if the last day of the period is not a Business Day. If the date on which any action is required or permitted to be taken under this Agreement by a Person is not a Business Day, such action shall be required or permitted to be taken on the next succeeding day which is a Business Day.

(10) **Time References**. References to time are to local time, Toronto, Ontario.

(11) **Subsidiaries**. To the extent any covenants or agreements relate, directly or indirectly, to a Subsidiary of the Company, each such provision shall be construed as a covenant by the Company to cause (to the fullest extent to which it is legally capable) such Subsidiary to perform the required action.

(12) **Consent**. If any provision requires approval or consent of a Party and such approval or consent is not delivered within the specified time limit, the Party whose consent or approval is required shall be conclusively deemed to have withheld its approval or consent.

(13) **Schedules**. The schedules attached to this Agreement form an integral part of this Agreement for all purposes of it.

ARTICLE 2

THE ARRANGEMENT

Section 2.1 Arrangement

The Parties agree that the Arrangement will be implemented in accordance with and subject to the terms and conditions of this Agreement and the Plan of Arrangement pursuant to which (among other things):

(1) Company Shareholders who do not validly exercise Dissent Rights will receive the Consideration for each Company Share held;

(2) Replacement Options will be issued in exchange for the Company Options; and

(3) Capstone will assume all rights and obligations of the Company relating to the Company Warrants and the Company Debentures.

Section 2.2 Interim Order

As soon as reasonably practicable after the date of this Agreement, but in any event on or before August 1, 2013, the Company shall apply to the Court in a manner acceptable to Capstone, acting reasonably, pursuant to Section 192 of the CBCA and, in cooperation with Capstone, prepare, file and diligently pursue an application for the Interim Order, which must provide, among other things:

(1) for the class of persons to whom notice is to be provided in respect of the Arrangement and the Company Meeting and for the manner in which such notice is to be provided;

(2) that the required level of approval for the Arrangement Resolution (the "**Required Company Shareholder Approval**") shall be two-thirds of the votes cast on the Arrangement Resolution by Company Shareholders present in person or represented by proxy at the Company Meeting and, if applicable, a majority of the votes attached to the Company Shares held by Company Shareholders present in person or by proxy at the Company Meeting, excluding for this purpose votes attached to Company Shares required to be excluded pursuant to MI 61-101;

(3) that, in all other respects, the terms, restrictions and conditions of the Company Constating Documents, including quorum requirements and all other matters, shall apply in respect of the Company Meeting;

(4) for the grant of Dissent Rights to registered Company Shareholders, as contemplated in the Plan of Arrangement;

(5) for the notice requirements with respect to the presentation of the application to the Court for the Final Order;

(6) that the Company Meeting may be adjourned or postponed from time to time by the Company subject to the terms of this Agreement without the need for additional approval of the Court;

(7) that the record date for the Company Shareholders entitled to notice of and to vote at the Company Meeting will not change in respect of any adjournment(s) or postponement(s) of the Company Meeting, unless required by Securities Laws;

(8) that it is Capstone's intention to rely upon the exemption from registration provided by Section 3(a)(10) of the U.S. Securities Act and similar exemptions under applicable state securities laws with respect to the issuance of the Capstone Shares to be issued as Consideration pursuant to the Arrangement and the Replacement Options, based on the Court's approval of the Arrangement; and

(9) for such other matters as Capstone may reasonably require.

Section 2.3 The Company Meeting

The Company shall:

(1) convene and conduct the Company Meeting in accordance with the Interim Order, the Company Constating Documents and applicable Law as soon as reasonably practicable, but in any event on or before 75 days from the date of this Agreement, provided that Capstone has complied with its obligations pursuant to Section 2.4(4), for the purpose of considering the Arrangement Resolution and for any other proper purpose as may be set out in the Company Circular;

(2) subject to the terms of this Agreement, use its commercially reasonable efforts to solicit proxies in favour of the approval of the Arrangement Resolution and the completion of any of the transactions contemplated by this Agreement, and against any resolution submitted by any Person that is inconsistent with the Arrangement Resolution, including by engaging the services of soliciting dealers or proxy solicitation services and permitting Capstone to assist the Company in such solicitation;

(3) give notice to Capstone of the Company Meeting and allow Capstone's representatives and legal counsel to attend the Company Meeting;

(4) provide Capstone, at such times as Capstone may reasonably request and at least on a daily basis on each of the last 10 Business Days prior to the date of the Company Meeting, with the aggregate tally of the proxies received by the Company in respect of the Arrangement Resolution;

(5) promptly advise Capstone of any communication (written or oral) from or claims brought by (or threatened to be brought by) any Person in opposition to the Arrangement, and/or purported exercise or withdrawal of Dissent Rights by Company Shareholders. The Company shall not settle or compromise, or agree to settle or compromise, any such claims without the prior written consent of Capstone, which written consent shall not be unreasonably withheld, conditioned or delayed;

(6) at the request of Capstone from time to time, provide, or cause to be provided, to Capstone a list (in both written and electronic form) of (i) the registered Company Shareholders, together with their addresses and respective holdings of Company Shares, (ii) the names, addresses and holdings of all Persons having rights issued by the Company to acquire Company Shares (including the Company Optionholders, Company Warrantholders and holders of Company Debentures), and (iii) the participants in book-based nominee registrants such as CDS Clearing and Depository Inc. and the Depository Trust Company, and non-objecting beneficial owners of Company Shares, together with their addresses and respective holdings of Company Shares. The Company shall from time to time require that its registrar and transfer agent furnish Capstone with such additional information, including updated or additional lists of Company Shareholders, and lists of securities positions and other assistance as Capstone may reasonably request in order to be able to communicate with securityholders of the Company with respect to the Arrangement; and

(7) not, except as required under Section 4.10(3) or as required for quorum purposes or as otherwise permitted under this Agreement, adjourn (except as required by Law or by valid Company Shareholder action), postpone or cancel (or propose or permit the adjournment, postponement or cancellation of) the Company Meeting without Capstone's prior written consent.

Section 2.4 The Company Circular

(1) Provided that Capstone has furnished the information required under Section 2.4(4), the Company shall promptly prepare and complete, in consultation with Capstone, the Company Circular, together with any other documents required by Law in connection with the Company Meeting and the Arrangement Resolution and the Company shall, promptly after obtaining the Interim Order, and in any event on or prior to August 12, 2013, cause the Company Circular and such other documents to be filed with the applicable Securities Regulatory Authorities and sent to Company Shareholders and other Persons as required by the Interim Order and applicable Law, in each case so as to permit the Company Meeting to be held by the date specified in Section 2.3(1).

(2) The Company shall ensure that the Company Circular complies in material respects with Law, does not contain any Misrepresentation (other than with respect to information provided by Capstone) and provides the Company Shareholders with sufficient information to permit them to form a reasoned judgement concerning the matters to be placed before the Company Meeting. Without limiting the generality of the foregoing, the Company Circular must include: (i) a copy of the Company Fairness Opinion, and (ii) a statement that the Company Board has received the Company Fairness Opinion, and has determined that the Arrangement is in the best interests of the Company, and that the Consideration to be received by the Company Shareholders (excluding Capstone and its affiliates) is fair to such Company Shareholders and recommends that the Company Shareholders vote in favour of the Arrangement Resolution (the "**Company Board Recommendation**").

(3) The Company shall give Capstone and its legal counsel a reasonable opportunity to review and comment on drafts of the Company Circular and other related documents, and shall give reasonable consideration to any comments made by Capstone and its counsel, and agrees that all information relating solely to Capstone included in the Company Circular must be in form and content satisfactory to Capstone, acting reasonably.

(4) Capstone shall provide all necessary information concerning Capstone, its affiliates and the Capstone Shares, including financial statements, pro forma financial statements and auditor consents, that is required by Law to be included by the Company in the Company Circular or other related documents to the Company in writing, and shall ensure that such information does not contain any Misrepresentation.

(5) Each Party shall promptly notify the other if it becomes aware that the Company Circular contains a Misrepresentation, or otherwise requires an amendment or supplement. The Parties shall co-operate in the preparation of any such amendment or supplement as required or appropriate, and the Company shall promptly mail, file or otherwise publicly disseminate any such amendment or supplement to the Company Shareholders, if required by the Court or by Law, and file the same with the Securities Regulatory Authorities and any other Governmental Entity, in each case as required.

Section 2.5 The Capstone Meeting

Capstone shall:

(1) convene and conduct the Capstone Meeting in accordance with the Capstone Constating Documents and applicable Law as soon as reasonably practicable, but in any event on or before 75 days from the date of this Agreement, provided that the Company has complied with its obligations pursuant to Section 2.6(4), for the purpose of obtaining the Required Capstone Shareholder Approval and for any other proper purpose as may be set out in the Capstone Circular;

(2) subject to the terms of this Agreement, use its commercially reasonable efforts to solicit proxies in favour of the approval of the completion of any of the transactions contemplated by this Agreement, and against any resolution submitted by any Person that is inconsistent with completion of any of the transactions contemplated by this Agreement, including by engaging the services of soliciting dealers or proxy solicitation services and permitting the Company to assist Capstone in such solicitation;

(3) give notice to the Company of the Capstone Meeting and allow the Company's representatives and legal counsel to attend the Capstone Meeting;

(4) provide the Company, at such times as the Company may reasonably request and at least on a daily basis on each of the last 10 Business Days prior to the date of the Capstone Meeting, with the aggregate tally of the proxies received by Capstone in respect of the vote to obtain the Required Capstone Shareholder Approval;

(5) promptly advise the Company of any communication (written or oral) from or claims brought by (or threatened to be brought by) any Person in opposition to the Arrangement; and

(6) not, except as required under Section 4.10(3) or as required for quorum purposes or as otherwise permitted under this Agreement, adjourn (except as required by Law or by valid Capstone Shareholder action), postpone or cancel (or propose or permit the adjournment, postponement or cancellation of) the Capstone Meeting without the Company's prior written consent.

Section 2.6 Capstone Circular

(1) Provided that the Company has furnished the information required under Section 2.6(4), Capstone shall promptly prepare and complete, in consultation with the Company, the Capstone Circular, together with any other documents required by Law in connection with the Capstone Meeting and obtaining the Required Capstone Shareholder Approval and Capstone shall, promptly after the Company obtains the Interim Order, and in any event on or prior to August 12, 2013, cause the Capstone Circular and such other documents to be filed with the applicable Securities Regulatory Authorities and sent to Capstone Shareholders and other Persons as required by applicable Law, in each case so as to permit the Capstone Meeting to be held by the date specified in Section 2.5(1).

(2) Capstone shall ensure that the Capstone Circular complies in material respects with Law, does not contain any Misrepresentation (other than with respect to information provided by the Company) and provides the Capstone Shareholders with sufficient information to permit them to form a reasoned judgement concerning the matters to be placed before the Capstone Meeting. Without limiting the generality of the foregoing, the Capstone Circular must include: (i) a copy of the Capstone Fairness Opinion, and (ii) a statement that the Capstone Board has received the Capstone Fairness Opinion, and has determined that the Arrangement (including the consideration payable thereunder) is fair to the Capstone Shareholders and the entry into this Agreement is in the best interests of Capstone and recommends that the Capstone Shareholders vote in favour of the issuance of Capstone Shares to be issued as Consideration under the Arrangement.

(3) Capstone shall give the Company and its legal counsel a reasonable opportunity to review and comment on drafts of the Capstone Circular and other related documents, and shall give reasonable consideration to any comments made by the Company and its counsel, and agrees that all information relating solely to the Company included in the Capstone Circular must be in a form and content satisfactory to the Company, acting reasonably.

(4) The Company shall provide all necessary information concerning the Company, its affiliates and the Company Shares that is required by Law to be included by Capstone in the Capstone Circular or other related documents to Capstone in writing, and shall ensure that such information does not contain any Misrepresentation.

(5) Each Party shall promptly notify the other if it becomes aware that the Capstone Circular contains a Misrepresentation, or otherwise requires an amendment or supplement. The Parties shall co-operate in the preparation of any such amendment or supplement as required or appropriate, and Capstone shall promptly mail, file or otherwise publicly disseminate any such amendment or supplement to the Capstone Shareholders, if required by Law, and file the same with the Securities Regulatory Authorities and any other Governmental Entity, in each case as required.

Section 2.7 Final Order

If the Interim Order is obtained, the Arrangement Resolution is passed at the Company Meeting as provided for in the Interim Order and the Required Capstone Shareholder Approval is obtained at the Capstone Meeting, the Company shall take all steps necessary or desirable to submit the Arrangement to the Court and diligently pursue an application for the Final Order pursuant to Section 192 of the CBCA, as soon as reasonably practicable, but in any event not later than three Business Days after the later of (i) the date the Arrangement Resolution is passed at the Company Meeting and (ii) the date the Required Capstone Shareholder Approval is obtained at the Capstone Meeting.

Section 2.8 Court Proceedings

In connection with all Court proceedings relating to obtaining the Interim Order and the Final Order, or otherwise in connection with this Agreement or the transactions contemplated by this Agreement, the Company shall:

(1) diligently pursue obtaining the Interim Order and the Final Order;

(2) provide Capstone and its legal counsel with a reasonable opportunity to review and comment upon drafts of all material to be filed with the Court in connection with the Arrangement, and will give reasonable consideration to such comments;

(3) provide legal counsel to Capstone, on a timely basis, with copies of any notice of appearance, evidence or other documents served on the Company or its legal counsel in respect of the application for the Interim Order or the Final Order or any appeal therefrom, and any notice, written or oral, indicating the intention of any Person to appeal, or oppose the granting of, the Interim Order or the Final Order;

(4) ensure that all material filed with the Court in connection with the Arrangement is consistent in all material respects with the terms of this Agreement and the Plan of Arrangement;

(5) not file any material with the Court in connection with the Arrangement or serve any such material, or agree to modify or amend any material so filed or served, except as contemplated by this Agreement or with Capstone's prior written consent, which written consent shall not be unreasonably withheld, conditioned or delayed, provided that Capstone is not required to agree or consent to any increase in the consideration payable pursuant to this Agreement, or other modification or amendment to such filed or served materials that expands or increases Capstone's obligations, or diminishes or limits Capstone's rights, set forth in any such filed or served materials or under this Agreement;

(6) oppose any proposal from any Person that the Final Order contain any provision inconsistent with this Agreement, and if required by the terms of the Final Order or by Law to return to Court with respect to the Final Order, do so only after notice to, and in consultation and cooperation with, Capstone; and

(7) not object to legal counsel to Capstone making such submissions on the application for the Interim Order and the application for the Final Order as such counsel considers appropriate, provided that such submissions are consistent with this Agreement and the Company's obligations in Section 2.8(1), and provided further that the Company and its legal counsel are advised of the nature of any such submissions prior to the hearing.

Section 2.9 Articles of Arrangement and Effective Date

(1) The Articles of Arrangement shall include the form of the Plan of Arrangement attached to this Agreement as Schedule A, as it may be amended from time to time as agreed by the Parties, acting reasonably, provided that no such amendment is inconsistent with the Interim Order, the Final Order or this Agreement or is prejudicial to the Company Shareholders.

(2) Provided that Capstone is in compliance with its obligations under this Agreement, the Company shall file the Articles of Arrangement with the Director no later than the third Business Day after the satisfaction or, where not prohibited, the waiver by the applicable Party or Parties in whose favour the condition is, of the conditions set out in Article 6 (excluding conditions that, by their terms, cannot be satisfied until the Effective Date, but subject to the satisfaction or, where not prohibited, the waiver by the applicable Party or Parties in whose favour the condition is, of those conditions as of the Effective Date), unless another time or date is agreed to in writing by the Parties.

(3) The closing of the Arrangement will take place at the offices of Blake, Cassels & Graydon LLP in Toronto, Ontario at 8:30 a.m. on the Effective Date, or at such other time and location as may be agreed upon by the Parties.

Section 2.10 Payment of Consideration

Capstone will, following receipt by the Company of the Final Order and prior to the filing by the Company of the Articles of Arrangement, deposit in escrow with the Depositary (a) sufficient Capstone Shares and cash to satisfy the aggregate Consideration payable to the Company Shareholders (other than Company Shareholders who have validly exercised their Dissent Rights and who have not withdrawn their notice of objection) and (b) sufficient cash to satisfy any cash payments to Company Shareholders in lieu of fractional Capstone Shares, in each case pursuant to the Plan of Arrangement.

Section 2.11 Convertible Securities

(1) In accordance with the Plan of Arrangement, all Company Options which are outstanding and have not been duly exercised prior to the Effective Date shall be exchanged for options (each, a "**Replacement Option**") to purchase from Capstone the number of Capstone Shares equal to: (i) the Option Exchange Ratio multiplied by (ii) the number of Company Shares subject to such Company Options immediately prior to the Effective Date. Subject only to such adjustment as may be provided for under the Plan of Arrangement, such Replacement Options shall each provide for an exercise price per Capstone Share (rounded up to the nearest whole cent) equal to: (x) the exercise price per Company Share otherwise purchasable pursuant to such Company Option; divided by (y) the Option Exchange Ratio. Except as provided for in the Plan of Arrangement, all terms and conditions of a Replacement Option, including the term to expiry and the conditions to and manner of exercising, will be the same as the Company Option for which it was exchanged. Any certificate or option agreement previously evidencing an Option shall after the Effective Time evidence and be deemed to evidence such Replacement Option.

(2) Capstone shall have executed the Supplemental Warrant Indenture, and such other instruments as contemplated and required by the Company Warrant Indenture, in order to provide for the assumption, pursuant to and in accordance with the Company Warrant Indenture by Capstone of all of the obligations of the Company under the Company Warrant Indenture, such that, following the Effective Time, all Company Warrants which are outstanding and have not been duly exercised prior to the Effective Time become valid and binding obligations of Capstone entitling the holders thereof to acquire from Capstone, in lieu of the number of Company Shares such holder was entitled to acquire, the aggregate number of Capstone Shares which such holder would have been entitled to receive as a result of the Arrangement if, on the Effective Date, the holder of Company Warrants had been the registered holder of the number of Company Shares to which such holder was entitled upon exercise of Company Warrants in accordance with the terms and conditions of such Company Warrants and the Company Warrant Indenture.

(3) Capstone shall have executed the Supplemental Debenture Indenture, and such other instruments as contemplated and required by the Company Debenture Indenture, in order to provide for the assumption, pursuant to and in accordance with the Company Debenture Indenture by Capstone of all of the obligations of the Company under the Company Debenture Indenture, such that, following the Effective Time, all Company Debentures which are outstanding and have not been duly exercised prior to the Effective Time become valid and binding obligations of Capstone entitling the holders thereof to acquire from Capstone, in lieu of the number of Company Shares such holder was entitled to acquire, the aggregate number of Capstone Shares which such holder would have been entitled to receive as a result of the Arrangement if, on the Effective Date, the holder of Company Debentures had been the registered holder of the number of Company Shares to which such holder was entitled upon exercise of Company Debentures in accordance with the terms and conditions of such Company Debentures and the Company Debenture Indenture. Capstone shall comply with the terms of the Company Debentures and the Supplemental Debenture Indenture following the Effective Date.

Section 2.12 Withholding Taxes

Capstone, the Company and the Depositary, as applicable, shall be entitled to deduct and withhold from any consideration otherwise payable or otherwise deliverable to any Company Shareholders under the Plan of Arrangement or this Agreement such amounts as Capstone, the Company or the Depositary, as applicable, are required or reasonably believe, after considering the advice of counsel, to be required to deduct and withhold from such consideration under any provision of any Laws in respect of Taxes. Any such amounts will be deducted, withheld and remitted from the consideration payable pursuant to the Plan of Arrangement or this Agreement. Provided that such deducted and withheld amounts are actually remitted to the appropriate Governmental Entity in accordance with applicable Law, they shall be treated for all purposes as having been paid to the Company Shareholders in respect of which such deduction, withholding and remittance was made.

Section 2.13 U.S. Securities Law Matters

The Parties agree that the Arrangement will be carried out with the intention that all Capstone Shares and Replacement Options issued and exchanged on completion of the Arrangement will be issued and exchanged by Capstone in reliance on the exemption from the registration requirements of the U.S. Securities Act provided by Section 3(a)(10) thereunder. To ensure the availability of the exemption under Section 3(a)(10) of the U.S. Securities Act, the Parties agree that the Arrangement will be carried out on the following basis:

(1) the procedural and substantive fairness of the terms and conditions of the Arrangement will be subject to the approval of the Court;

(2) the Court will be advised as to the intention of the Parties to rely on the exemption provided by Section 3(a)(10) of the U.S. Securities Act prior to the hearing required to approve the procedural and substantive fairness of the terms and conditions of the Arrangement;

(3) the Court will be required to satisfy itself as to the procedural and substantive fairness of the terms and conditions of the Arrangement to Company Shareholders and Company Optionholders subject to the Arrangement;

(4) Company will ensure that each Company Shareholder and Company Optionholder will be given adequate notice advising them of their right to attend the hearing of the Court at which the Court will consider the procedural and substantive fairness of the terms and conditions of the Arrangement and providing them with sufficient information necessary for them to exercise that right;

(5) Company Shareholders and Company Optionholders will be advised that the securities to be issued pursuant to the Arrangement have not been registered under the U.S. Securities Act and will be issued by Capstone in reliance on the exemption provided by Section 3(a)(10) of the U.S. Securities Act and exemptions under applicable U.S. state securities laws and may be subject to restrictions on resale under the securities laws of the United States, including, as applicable, Rule 144 under the U.S. Securities Act with respect to "affiliates", as such term is defined in Rule 405 under the U.S. Securities Act;

(6) the Final Order approving the terms and conditions of the Arrangement that is obtained from the Court will expressly state that the Arrangement is approved by the Court as being procedurally and substantively fair to Company Shareholders and Company Optionholders;

(7) the Interim Order approving the Company Meeting will specify that each Company Shareholder and Company Optionholder will have the right to appear before the Court at the hearing of the Court to give approval of the Arrangement so long as they enter an appearance within a reasonable time;

(8) the Court will hold a hearing before approving the procedural and substantive fairness of the terms and conditions of the Arrangement; and

(9) the Final Order shall include a statement to substantially the following effect: "This Order will serve as a basis of a claim to an exemption, pursuant to Section 3(a)(10) of the U.S. Securities Act, from the registration requirements otherwise imposed by that Act, and the Arrangement is approved by the Court as being fair to the Company Shareholders and Company Optionholders pursuant to the Arrangement".

ARTICLE 3

REPRESENTATIONS AND WARRANTIES

Section 3.1 Representations and Warranties of the Company

(1) Except as set forth in the Company Disclosure Letter (which shall make reference to the applicable section, subsection, paragraph or subparagraph in respect of which such qualification is being made), the Company represents and warrants to Capstone as set forth in Schedule C and acknowledges and agrees that Capstone is relying upon such representations and warranties in connection with the entering into of this Agreement.

(2) The representations and warranties of the Company contained in this Agreement shall survive the execution and delivery of this Agreement and shall expire and be terminated on the earlier of the Effective Time and the time that this Agreement is terminated in accordance with its terms.

Section 3.2 Representations and Warranties of Capstone

(1) Except as set forth in the Capstone Disclosure Letter (which shall make reference to the applicable section, subsection, paragraph or subparagraph in respect of which such qualification is being made), Capstone represents and warrants to the Company as set forth in Schedule D and acknowledges and agrees that the Company is relying upon such representations and warranties in connection with the entering into of this Agreement.

(2) The representations and warranties of Capstone contained in this Agreement shall survive the execution and delivery of this Agreement and shall expire and be terminated on the earlier of the Effective Time and the time that this Agreement is terminated in accordance with its terms.

ARTICLE 4

COVENANTS

Section 4.1 Conduct of Business of the Company

(1) The Company covenants and agrees that, subject to applicable Law, during the period from the date of this Agreement until the earlier of the Effective Time and the time that this Agreement is terminated in accordance with its terms, except with the express prior written consent of Capstone, which written consent shall not be unreasonably withheld, conditioned or delayed, or as required or permitted by this Agreement, the Company shall, and shall cause each of its Subsidiaries, to conduct its business in the Ordinary Course.

(2) Without limiting the generality of Section 4.1(1), subject to applicable Law, the Company covenants and agrees that, during the period from the date of this Agreement until the earlier of the Effective Time and the time that this Agreement is terminated in accordance with its terms, except with the express prior written consent of Capstone, which written consent shall not be unreasonably withheld, conditioned or delayed, or as required or permitted by this Agreement, the Company shall use its reasonable commercial efforts to preserve intact the current business organization of the Company and its Subsidiaries and maintain good relations with, and the goodwill of, Persons having business relationships with the Company and its Subsidiaries and, except with the prior written consent of Capstone, which written consent shall not be unreasonably withheld, conditioned or delayed, the Company shall not, and shall not permit any of its Subsidiaries to, directly or indirectly:

(a) except as set out in the Company Disclosure Letter, amend its articles of incorporation, articles of continuance, articles of amalgamation or by-laws or, in the case of any Subsidiary which is not a corporation, its similar organizational documents;

(b) split, combine or reclassify any shares or amend any term of any outstanding securities of the Company or of any of its Subsidiaries;

(c) except as required pursuant to the terms of the Company Debentures, the Transition Agreement, the Resolution Agreement and the Settlement Agreement, redeem, repurchase, or otherwise acquire or offer to redeem, repurchase or otherwise acquire any outstanding securities of the Company or any of its Subsidiaries;

(d) declare, set aside or pay any dividend or other distribution (whether in cash, securities or property or any combination thereof) in respect of any securities of the Company or any of its Subsidiaries except for (i) the regular quarterly dividends to holders of Company Shares in an amount consistent with past practise but not to exceed $0.01625 per Company Share; (ii) in the case of any of the Company's Subsidiaries, dividends payable to the Company or a wholly-owned Subsidiary of the Company; and (iii) interest or principal payable on the Company Debentures or other outstanding debt obligations of the Company or its Subsidiaries;

(e) reorganize, amalgamate or merge the Company or any of its Subsidiaries with any other Person;

(f) except as set out in the Company Disclosure Letter, issue, grant, deliver, sell, pledge or otherwise encumber, or authorize the issuance, grant, delivery, sale, pledge or other encumbrance of any shares of capital stock, securities, any options, warrants or similar rights exercisable or exchangeable for or convertible into such capital stock, of the Company or any of its Subsidiaries, except for the issuance of Company Shares issuable upon the exercise of the currently outstanding Company Options, Company Debentures, Company Warrants or pursuant to the Transition Agreement, the Resolution Agreement or the Settlement Agreement;

(g) except as set out in the Company Disclosure Letter, acquire (by merger, consolidation, acquisition of stock or assets or otherwise), directly or indirectly, in one transaction or in a series of related transactions, assets, securities, properties, interests or businesses;

(h) reduce the stated capital of the shares of the Company or any of its Subsidiaries;

(i) except as set out in the Company Disclosure Letter and as required pursuant to the terms of the Transition Agreement, the Resolution Agreement and the Settlement Agreement, incur, create, assume or otherwise become liable for any indebtedness for borrowed money or any other liability or obligation or issue any debt securities or guarantee, endorse or otherwise as an accommodation become responsible for, the obligations of any other Person or make any loans or advances, in each case that exceed, individually or in the aggregate, the applicable project budget by more than $50,000 or, in aggregate, all project budgets by $250,000;

(j) adopt a plan of liquidation or resolutions providing for the liquidation or dissolution of the Company or any of its Subsidiaries;

(k) sell, pledge, lease, dispose of, abandon, let lapse, lose the right to use, mortgage, license, encumber or otherwise dispose of or transfer any assets of the Company or of any of its Subsidiaries the value of which, individually or in the aggregate, exceeds $25,000;

(l) except as required pursuant to the terms of the Transition Agreement, the Resolution Agreement and the Settlement Agreement, make any capital expenditure(s) which, individually or in the aggregate, exceeds $1,000,000 or make any capital commitment which, individually or in the aggregate, exceeds $5,000;

(m) make any material Tax election, information schedule, return or designation, settle or compromise any material Tax claim, assessment, reassessment or liability, file any material amended Tax Return, enter into any material agreement with a Governmental Entity with respect to Taxes, surrender any right to claim a material Tax abatement, reduction, deduction, exemption, credit or refund, consent to the extension or waiver of the limitation period applicable to any material Tax matter or materially amend or change any of its methods or reporting income, deductions or accounting for income Tax purposes, except as may be required by Law;

(n) make any loan or advance to, or any capital contribution or investment in, or assume, guarantee or otherwise become liable with respect to the liabilities or obligations of, any Person, except loans or advances to, or capital contributions or investments in any of the Company's wholly-owned Subsidiaries;

(o) prepay any long-term indebtedness before its scheduled maturity or increase, create, incur, assume or otherwise become liable, in one transaction or in a series of related transactions, with respect to any indebtedness for borrowed money or guarantees thereof other than in connection with advances in the Ordinary Course under the Company's or any of its Subsidiaries' existing credit facilities;

(p) except as set out in the Company Disclosure Letter, enter into any interest rate, currency, equity or commodity swaps, hedges, derivatives, forward sales contracts or similar financial instruments;

(q) make any material change in the Company's methods of accounting or internal controls, except as required by concurrent changes in GAAP or applicable Law;

(r) except as set out in the Company Disclosure Letter or as required by Law: (i) adopt, enter into or amend any Employee Plan; (ii) pay any benefit to any director or officer of the Company or any of its Subsidiaries or to any Company Employee that is not required under the terms of any Employee Plan or Contract in effect on the date of this Agreement, it being acknowledged and agreed that the forgoing shall not limit the ability of the Company to pay the fees and expenses of the Strategic Review Committee and any director's fees; (iii) grant, accelerate, increase or otherwise amend any payment, award or other benefit payable to, or for the benefit of, any director or officer of the Company or any of its Subsidiaries or to any Company Employee; (iv) make any material determination under any Employee Plan that is not in the Ordinary Course; or (v) take or propose any action to effect any of the foregoing;

(s) cancel, waive, release, assign, settle or compromise any claims or rights, except where such action would not be reasonably expected to have a Material Adverse Effect, individually or in the aggregate;

(t) except as set out in the Company Disclosure Letter, commence any litigation, proceedings or governmental investigations involving sums in excess of $100,000, or waive, release, assign, settle or compromise any litigation, proceedings or governmental investigations involving sums in excess of $100,000;

(u) except as set out in the Company Disclosure Letter, amend or modify, or terminate or waive any right under, or fail to renew, or cancel, or assign, or grant or transfer any rights under, any Company Material Contract or enter into any contract or agreement that would be a Company Material Contract if in effect on the date hereof or consent to any material agreement or modification of existing agreements with any Government Entity;

(v) except as contemplated in Section 4.11, amend, modify, terminate, cancel or let lapse any material insurance (or re-insurance) policy of the Company or any of its Subsidiaries in effect on the date of this Agreement, unless simultaneously with any termination, cancellation or lapse, replacement policies underwritten by insurance and re-insurance companies of nationally recognized standing providing coverage equal to or greater than the coverage under the terminated, cancelled or lapsed policies for substantially similar premiums are in full force and effect;

(w) waive, release, abandon, let lapse, grant or transfer any material right or value, or amend, modify or change, or agree to amend, modify or change, in any material respect any existing material license, right to use, lease, contract, intellectual property or other material document;

(x) abandon or fail to diligently pursue any application for any material licenses, leases, permits, authorizations or registrations or take any action, or fail to take any action, that could lead to the termination of any material licenses, leases, permits authorizations or registrations;

(y) subject to Section 4.1(2)(z), make an application to amend, terminate, allow to expire or lapse or otherwise modify any of its Authorizations;

(z) take any action or fail to take any action which action or failure to act would result in the material loss, expiration or surrender of, or the loss of any material benefit under, or reasonably be expected to cause any Governmental Entities to institute proceedings for the suspension, revocation or limitation of rights under, any material licenses, permits, certificates, consents, orders, grants, approvals or registration necessary to conduct its businesses as now conducted; or fail to prosecute with commercially reasonable diligence any pending applications to any Governmental Entities;

(aa) incur business expenses other than in the Ordinary Course or in connection with this Agreement;

(bb) take any action or fail to take any action that is intended to, or would reasonably be expected to, individually or in the aggregate, prevent, materially delay or materially impede the ability of the Company or Capstone to consummate the Arrangement or the other transactions contemplated by this Agreement;

(cc) except as set out in the Company Disclosure Letter, engage in any transaction with any related party (as defined in MI 61-101), other than its wholly-owned Subsidiaries in the Ordinary Course; or

(dd) authorize, agree, resolve or otherwise commit, whether or not in writing, to do any of the foregoing.

(3) The Company covenants and agrees that, subject to applicable Law, during the period from the date of this Agreement until the earlier of the Effective Time and the time that this Agreement is terminated in accordance with its terms, except with the express prior written consent of Capstone, which written consent shall not be unreasonably withheld, conditioned or delayed, or as required or permitted by this Agreement, the Company shall, and shall cause its Subsidiaries to, use reasonable commercial efforts to acquire from Wind Works Power Corp., its affiliates or any other Person holding an economic interest, not less than a 37.5% economic interest in each of the wind power development projects known as "Wind Farm Ganaraska", "Snowy Ridge Wind Park", "Settlers Landing Wind Park" and "Grey Highlands Zero Emission People" (which wind power development projects are being developed by Wind Works Corp. and its affiliates through ZEP Wind Farm Ganaraska LP, Snowy Ridge Wind Park LP, Settlers Landing Wind Park LP, and Grey Highlands Zero Emission People LP respectively) (collectively the "**Wind Works Project Acquisitions**") on terms and conditions and with co-investment arrangements, if any, that are substantially in the form provided to Capstone (collectively, the "**Wind Works Project Acquisition Documents**").

(4) The Company covenants to provide, as soon as practicable and in any event within 10 Business Days of the date hereof, the following:

(a) A list setting forth the name and location (including municipal address) of each bank, trust company or other institution in which the Company or any of its Subsidiaries has an account, money on deposit or a safety deposit box and the name of each Person authorized to draw thereon or to have access thereto and the name of each Person holding a power of attorney from the Company or any of its Subsidiaries and a summary of the terms thereof; and

(b) A list of all Company Leased Properties that sets out (i) the date of the applicable agreement and any amendments thereto; (ii) the parties; (iii) the subject lands; and (iv) the term and any options to extend or renew the term.

Section 4.2 Covenants of the Company Relating to the Arrangement

(1) The Company shall perform, and shall cause its Subsidiaries to perform, all obligations required to be performed by the Company or any of its Subsidiaries under this Agreement, co-operate with Capstone in connection therewith, and do all such other commercially reasonable acts and things as may be necessary in order to consummate and make effective, as soon as reasonably practicable, the transactions contemplated by this Agreement and, without limiting the generality of the foregoing, the Company shall and, where appropriate, shall cause each of its Subsidiaries to:

(a) use all commercially reasonable efforts to satisfy all conditions precedent in this Agreement and take all steps set forth in the Interim Order and Final Order applicable to it;

(b) provide such assistance as may be reasonably requested by Capstone for the purposes of obtaining the Required Capstone Shareholder Approval at the Capstone Meeting;

(c) use all commercially reasonable efforts to obtain all third party consents, waivers, approvals, agreements, amendments or confirmations that are required under the Company Material Contracts in order to complete the Arrangement or to maintain the Company Material Contracts in full force and effect following completion of the Arrangement, including the Third Party Consents, in each case, on terms that are satisfactory to Capstone, acting reasonably; use all commercially reasonable efforts to effect all necessary registrations, filings and submissions of information required by Governmental Entities from the Company and its Subsidiaries in order to complete the Arrangement;

(d) use all commercially reasonable efforts to oppose, lift or rescind any injunction, restraining or other order, decree or ruling seeking to restrain, enjoin or otherwise prohibit or adversely affect the consummation of the Arrangement and defend, or cause to be defended, any proceedings to which it is a party or brought against it or its directors or officers challenging the Arrangement or this Agreement;

(e) use all commercially reasonable efforts to ensure that the exemption from the registration requirements of the U.S. Securities Act provided by Section 3(a)(10) thereunder is available for the issuance of securities pursuant to the Plan of Arrangement and, in that regard, use all commercially reasonable efforts to comply, or assist Capstone in complying, with the provisions of Section 2.13; and

(f) not take any action, or refrain from taking any commercially reasonable action, or permit any action to be taken or not taken, which is inconsistent with this Agreement or the Arrangement.

(2) The Company shall, to the extent not precluded by applicable Law, promptly notify Capstone in writing when it becomes aware of:

(a) any Material Adverse Effect in respect of the Company;

(b) any written notice from any Person alleging that the consent (or waiver, permit, exemption, order, approval, agreement, amendment or confirmation) of such Person is or may be required in connection with this Agreement or the Arrangement;

(c) any written notice from any Governmental Entity in connection with the Arrangement or this Agreement (and, subject to compliance with Law, contemporaneously provide a copy of any such written notice to Capstone); or

(d) any filing, actions, suits, claims, investigations or proceedings commenced or, to its knowledge, threatened against, relating to or involving or otherwise affecting the Company, its Subsidiaries or the assets of the Company or its Subsidiaries.

Section 4.3 Conduct of Business of Capstone

(1) Capstone covenants and agrees that, subject to applicable Law, during the period from the date of this Agreement until the earlier of the Effective Time and the time that this Agreement is terminated in accordance with its terms, except with the express prior written consent of the Company or as set out in the Capstone Disclosure Letter, which written consent shall not be unreasonably withheld, conditioned or delayed, or as required or permitted by this Agreement, Capstone shall, and shall cause each of its Subsidiaries (other than the Bristol Water Entities), to conduct its business in the Ordinary Course.

(2) Without limiting the generality of Section 4.3(1), subject to applicable Law, Capstone covenants and agrees that, during the period from the date of this Agreement until the earlier of the Effective Time and the time that this Agreement is terminated in accordance with its terms, except with the express prior written consent of the Company, which written consent shall not be unreasonably withheld, conditioned or delayed, or as required or permitted by this Agreement, Capstone shall use its reasonable commercial efforts to preserve intact the current business organization of Capstone and its Subsidiaries and maintain good relations with, and the goodwill of, Persons having business relationships with Capstone and its Subsidiaries and, except with the prior written consent of the Company, which written consent shall not be unreasonably withheld, conditioned or delayed, Capstone shall not, and shall not permit any of its Subsidiaries to, directly or indirectly:

(a) amend its articles of incorporation, articles of continuance, articles of amalgamation or by-laws or, in the case of any Subsidiary which is not a corporation, its similar organizational documents;

(b) split, combine or reclassify any shares or amend any term of any outstanding securities of Capstone or of any of its Subsidiaries (other than the Bristol Water Entities);

(c) except as disclosed in Section D(6)(d)(i) of the Capstone Disclosure Letter, redeem, repurchase, or otherwise acquire or offer to redeem, repurchase or otherwise acquire any outstanding securities of Capstone or any of its Subsidiaries (other than the Bristol Water Entities);

(d) declare, set aside or pay any dividend or other distribution (whether in cash, securities or property or any combination thereof) in respect of any securities of Capstone or any of its Subsidiaries (other than the Bristol Water Entities) except for (i) the regular quarterly dividends to holders of Capstone Shares and to holders of Capstone's Rate Reset Preferred Shares, Series A and the regular quarterly distributions to holders of the Class B Units, in each case in an amount consistent with past practise; (ii) in the case of any of Capstone's Subsidiaries, dividends payable to Capstone or a wholly-owned Subsidiary of Capstone and (iii) interest or principal payable on the Capstone Debentures or other outstanding debt obligations of Capstone or its Subsidiaries;

(e) reorganize, amalgamate or merge Capstone or any of its Subsidiaries with any other Person other than Capstone or a wholly-owned Subsidiary of Capstone;

(f) except as disclosed in Section 4.3(2)(f) of the Capstone Disclosure Letter or with respect to the Bristol Water Entities or the Class B Units, issue, grant, deliver, sell, pledge or otherwise encumber, or authorize the issuance, grant, delivery, sale, pledge or other encumbrance of any shares of capital stock, securities, any options, warrants or similar rights exercisable or exchangeable for or convertible into such capital stock, of Capstone or any of its Subsidiaries other than in the Ordinary Course, except for the issuance of Capstone Shares and Replacement Options issuable (i) in connection with the Arrangement, (ii) upon the exercise of currently outstanding securities of Capstone and (iii) pursuant to any existing Capstone Material Contracts, the dividend reinvestment plan of Capstone or the employee share purchase plan of Capstone;

(g) acquire (by merger, consolidation, acquisition of stock or assets or otherwise), directly or indirectly, in one transaction or in a series of related transactions, assets, securities, properties, interests or businesses, outside the current business of Capstone, as described in Section 4.3(2)(g) of the Capstone Disclosure Letter;

(h) adopt a plan of liquidation or resolutions providing for the liquidation or dissolution of Capstone or any of its Subsidiaries;

(i) except as disclosed in Section 4.3(2)(i) of the Capstone Disclosure Letter or with respect to the Bristol Water Entities, sell, pledge, lease, dispose of, abandon, let lapse, lose the right to use, mortgage, license, encumber or otherwise dispose of or transfer any assets of Capstone or of any of its Subsidiaries, other than in the Ordinary Course, except where such action or inaction would not be reasonably expected to have a Material Adverse Effect;

(j) make any material change in Capstone's methods of accounting or internal controls, except as required by concurrent changes in GAAP or applicable Law;

(k) except as disclosed in Section 4.3(2)(k) of the Capstone Disclosure Letter, with respect to the Bristol Water Entities or in connection with a transaction permitted by Section 4.3(2)(g), other than in the Ordinary Course, amend or modify, or terminate or waive any right under, or fail to renew, or cancel, or assign, or grant or transfer any rights under, any Capstone Material Contract or enter into any contract or agreement that would be a Capstone Material Contract if in effect on the date hereof or consent to any material agreement or modification of existing agreements with any Governmental Entity;

(l) amend, modify, terminate, cancel or let lapse any material insurance (or re-insurance) policy of Capstone or any of its Subsidiaries in effect on the date of this Agreement, unless simultaneously with any termination, cancellation or lapse, replacement policies underwritten by insurance and re-insurance companies of nationally recognized standing providing coverage equal to or greater than the coverage under the terminated, cancelled or lapsed policies for substantially similar premiums are in full force and effect;

(m) other than the Bristol Water Entities, engage in any transaction with any related party (as defined in MI 61-101), other than its wholly-owned Subsidiaries in the Ordinary Course or in connection with the transactions contemplated by this Agreement or for bona fide tax planning purposes;

(n) take any action or fail to take any action that is intended to, or would reasonably be expected to, individually or in the aggregate, prevent, materially delay or materially impede the ability of the Company to consummate the Arrangement or the other transactions contemplated by this Agreement; or

(o) authorize, agree, resolve or otherwise commit, whether or not in writing, to do any of the foregoing.

(3) Capstone agrees to notify the Company if it makes any unplanned capital expenditure(s) or capital commitment(s) which, individually or in the aggregate, exceed its budget by more than $5,000,000.

Section 4.4 Covenants of Capstone Relating to the Arrangement

(1) Capstone shall perform all obligations required or desirable to be performed by it under this Agreement, co-operate with the Company in connection therewith, and do all such other commercially reasonable acts and things as may be necessary or desirable in order to consummate and make effective, as soon as reasonably practicable, the transactions contemplated by this Agreement and, without limiting the generality of the foregoing, Capstone shall:

(a) use all commercially reasonable efforts to satisfy all conditions precedent in this Agreement (including assisting the Company to diligently pursue obtaining the Interim Order and the Final Order) and take all steps set forth in the Interim Order and Final Order applicable to it;

(b) provide such assistance as may be reasonably requested by the Company for the purposes of obtaining the Required Company Shareholder Approval at the Company Meeting;

(c) use all commercially reasonable efforts to assist the Company and its Subsidiaries in obtaining the consents, waivers, approvals, agreements, amendments or confirmations referred to in Section 4.2(1)(c);

(d) use all commercially reasonable efforts to effect all necessary registrations, filings and submissions of information required by Governmental Entities from it relating to the Arrangement;

(e) use all commercially reasonable efforts to oppose, lift or rescind any injunction, restraining or other order, decree or ruling seeking to restrain, enjoin or otherwise prohibit or adversely affect the consummation of the Arrangement and defend, or cause to be defended, any proceedings to which it is a party or brought against it or its directors or officers challenging the Arrangement or this Agreement;

(f) (i) apply to list on the TSX the Capstone Shares issuable or to be made issuable pursuant to the Arrangement (including any Capstone Shares issuable pursuant to the exercise of Replacement Options, Company Warrants or Company Debentures); and (ii) use all commercially reasonable efforts to obtain approval for the listing of such Capstone Shares on the TSX;

(g) not take any action, or refrain from taking any commercially reasonable action, or permit any action to be taken or not taken, which is inconsistent with this Agreement or the Arrangement or which would reasonably be expected to prevent, delay or otherwise impede the consummation of the Arrangement or the transactions contemplated by this Agreement;

(h) make joint elections with Eligible Holders in respect of the disposition of their Company Shares pursuant to Section 85 of the Tax Act (or any similar provision of any provincial tax legislation) in accordance with the procedures and within the time limits set out in the Plan of Arrangement. The agreed amount under such joint elections shall be determined by each Eligible Holder in his or her sole discretion within the limits set out in the Tax Act;

(i) ensure that, with effect as and from the Effective Time, the Capstone Board shall be reconstituted to consist of eight (8) individuals, the seven (7) current directors of Capstone plus one (1) nominee of the Company, acceptable to Capstone, acting reasonably, who shall be appointed to the Capstone Board; and

(j) at or prior to the Effective Time, allot and reserve for issuance a sufficient number of Capstone Shares to meet the obligations of Capstone under the Plan of Arrangement (including for greater certainty, the number of Capstone Shares issuable under the Replacement Options, Company Warrants and Company Debentures).

(2) Capstone shall, to the extent not precluded by applicable Law, promptly notify the Company in writing when it becomes aware of:

(a) any Material Adverse Effect in respect of Capstone;

(b) any written notice from any Person alleging that the consent (or waiver, permit, exemption, order, approval, agreement, amendment or confirmation) of such Person is or may be required in connection with this Agreement or the Arrangement;

(c) any written notice from any Governmental Entity in connection with the Arrangement or this Agreement (and, subject to compliance with Law, contemporaneously provide a copy of any such written notice to the Company); or

(d) any filing, actions, suits, claims, investigations or proceedings commenced or, to its knowledge, threatened against, relating to or involving or otherwise affecting Capstone, its Subsidiaries or the assets of Capstone or its Subsidiaries that would be material to Capstone on a consolidated basis.

Section 4.5 Bridge Financing

(1) If requested by the Company, Capstone agrees to negotiate in good faith to enter into a loan agreement on mutually agreeable terms within 30 days of the date hereof, pursuant to which Capstone would provide to the Company, at any time prior to the Effective Date, a loan (the "**Loan**") in the principal amount of up to $30,000,000, which shall be evidenced by such instrument as determined by the Company and Capstone, in each case acting reasonably, in form and substance satisfactory to Capstone and the Company.

(2) The amount outstanding under the Loan shall become due and payable on the earlier to occur of:

(a) the 30th day following any termination of this Agreement pursuant to Section 7.2(1)(d);

(b) the 90th day following the termination of this Agreement pursuant to any Section of this Agreement, other than Section 7.2(1)(d); or

(c) 364 days from the date of the Loan.

Section 4.6 Regulatory Approvals

(1) The Parties shall, as promptly as practicable, prepare and file all necessary documents (including their respective notification pursuant to subsection 114(1) of the Competition Act), registrations, statements, petitions, filings and applications for the Regulatory Approvals and use their commercially reasonable efforts to obtain and maintain all Regulatory Approvals. Notwithstanding the foregoing, for greater certainty, nothing in this Agreement shall require Capstone to do any of the following in connection with the Regulatory Approvals: (i) sell or otherwise dispose of, or hold separate, or to offer to sell or otherwise dispose of or hold separate, assets, categories of assets or businesses of either or both Parties; (ii) terminate or assign any existing relationships or contractual rights and obligations of a Party; (iii) terminate or assign any relevant venture or other arrangement; or (iv) offer or agree to any other remedy, undertaking or commitment with a Governmental Entity.

(2) The Parties shall promptly furnish any documents or information requested by a Governmental Entity in connection with the Regulatory Approvals.

(3) The Parties shall cooperate with one another in connection with obtaining the Regulatory Approvals, including providing one another with all information necessary or which a Party, acting reasonably, considers appropriate in order to prepare or file all documents, registrations, statements, petitions, filings, submissions and applications for or in support of the Regulatory Approvals and providing one another with copies of all notices and information or other correspondence supplied to, filed with or received from any Governmental Entity (except for information which a Party reasonably considers to be confidential or sensitive, which such Party shall provide on an "external legal counsel only" basis to the other Party's external legal counsel provided that such external legal counsel confirms that it will not provide any such information to its Party client and that its Party client has authorized its external legal counsel to receive information on that basis). Neither Party shall make any substantive filing, application or submission to a Governmental Entity in connection with the Regulatory Approvals without giving the other Party a reasonable opportunity to comment on any such filing, application or submission, and neither Party shall participate in any material communication or participate in any material meeting with any Governmental Entity in connection with the Regulatory Approvals without first notifying the other Party and providing the other Party or its external legal counsel with a reasonable opportunity to participate or attend.

(4) Each Party shall promptly notify the other Party if it becomes aware that any (i) application, filing, document or other submission for a Regulatory Approval contains a Misrepresentation, or (ii) any Regulatory Approval or other order, clearance, consent, ruling, exemption, no-action letter or other approval applied for as contemplated by this Agreement contains, reflects or was obtained following the submission of any application, filing, document or other submission containing a Misrepresentation, such that an amendment or supplement may be necessary or advisable.

(5) The Parties shall request that the Regulatory Approvals be processed by the applicable Governmental Entity on an expedited basis and, to the extent that a public hearing is held, the Parties shall request the earliest possible hearing date for the consideration of the Regulatory Approvals.

(6) If any objections are asserted with respect to the transactions contemplated by this Agreement under any Law, or if any proceeding is instituted or threatened by any Governmental Entity challenging or which could lead to a challenge of any of the transactions contemplated by this Agreement as not in compliance with Law, the Parties shall use their commercially reasonable efforts consistent with the terms of this Agreement to resolve such proceeding so as to allow the Effective Time to occur on or prior to the Outside Date.

Section 4.7 Access to Information; Confidentiality

(1) From the date hereof until the earlier of the Effective Time and the termination of this Agreement, subject to applicable Law and the terms of existing Contracts, the Company shall, and shall cause its Subsidiaries to, give Capstone and its officers, employees, agents, advisors and representatives: (a) upon reasonable advance notice and, at the option of the Company, with a Company representative present, reasonable access during normal business hours to its and its Subsidiaries' (i) premises, (ii) property and assets (including all books and records, whether retained internally or otherwise), (iii) Contracts, and (iv) senior officers, independent auditors, agents, advisors and representatives; and (b) such financial and operating data or other information with respect to the assets or business of the Company as Capstone from time to time reasonably requests, subject to such access not interfering with the ordinary conduct of the business of the Company or its Subsidiaries. Capstone agrees to hold the confidential information received from the Company under this Section 4.7 confidential in accordance with the terms of the Company Confidentiality Agreement.

(2) Investigations made by or on behalf of Capstone, whether under this Section 4.7 or otherwise, will not waive, diminish the scope of, or otherwise affect any representation or warranty made by the Company in this Agreement.

Section 4.8 Further Assurances

Subject to the provisions of this Agreement, the Parties will, from time to time, do all acts and things and execute and deliver all such further documents and instruments, as the other Parties may, either before or after the Effective Date, reasonably require to effectively carry out or better evidence or perfect the full intent and meaning of this Agreement and, in the event the Arrangement becomes effective, to document or evidence any of the transactions or events set out in the Plan of Arrangement.

Section 4.9 Public Communications

The Parties shall co-operate in the preparation of presentations, if any, to the Company's and/or Capstone's investors regarding the Arrangement. No Party shall issue any press release or make any other public statement or disclosure with respect to this Agreement or the Arrangement or make any filing with any Governmental Entity with respect to this Agreement or the Arrangement without the consent of the other Party (which consent shall not be unreasonably withheld, conditioned or delayed); provided that if a Party, in the opinion of its outside legal counsel, is required to make disclosure by Law (other than in connection with the Regulatory Approvals) it shall use its reasonable commercial efforts to give the other Party prior oral or written notice and a reasonable opportunity to review or comment on the public statement, disclosure or filing (other than with respect to confidential information contained in such disclosure or filing), but if prior notice is not possible, the disclosing Party shall give such notice immediately following the making of such disclosure or filing. In making any such public statement, disclosure or filing, the disclosing Party shall give reasonable consideration to any comments made by the other Party and its counsel.

Section 4.10 Notice and Cure Provisions

(1) Each Party shall promptly notify the other Party of the occurrence, or failure to occur, of any event or state of facts which occurrence or failure would, or would be reasonably likely to:

   (a) cause any of the representations or warranties of such Party contained in this Agreement to be untrue or inaccurate in any material respect at any time from the date of this Agreement to the Effective Time; or

   (b) result in the failure to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by such Party under this Agreement.

(2) Notification provided under this Section 4.10 will not affect the representations, warranties, covenants, agreements or obligations of the Parties (or remedies with respect thereto) or the conditions to the obligations of the Parties under this Agreement.

(3) Capstone may not elect to exercise its right to terminate this Agreement pursuant to Section 7.2(1)(d)(i) and the Company may not elect to exercise its right to terminate this Agreement pursuant to Section 7.2(1)(c)(i), unless the Party seeking to terminate the Agreement (the "**Terminating Party**") has delivered a written notice ("**Termination Notice**") to the other Party (the "**Breaching Party**") specifying in reasonable detail all breaches of covenants, representations and warranties or other matters which the Terminating Party asserts as the basis for termination. After delivering a Termination Notice, provided the Breaching Party is proceeding diligently to cure such matter(s) and such matter(s) are capable of being cured prior to the Outside Date, the Terminating Party may not exercise such termination right until the earlier of (a) the Outside Date, and (b) the date that is 10 Business Days following receipt of such Termination Notice by the Breaching Party, if such matter has not been cured by such date. If the Terminating Party delivers a Termination Notice prior to the date of the Company Meeting or the Capstone Meeting, unless the Parties agree otherwise, the Company and the Purchaser shall postpone or adjourn such meetings to the earlier of (a) five Business Days prior to the Outside Date and (b) the date that is 10 Business Days following receipt of such Termination Notice by the Breaching Party.

Section 4.11 Insurance and Indemnification

(1) Prior to the Effective Date, the Company shall purchase customary "tail" policies of directors' and officers' liability insurance providing protection no less favourable in the aggregate than the protection provided by the policies maintained by the Company which are in effect immediately prior to the Effective Date and providing protection in respect of claims arising from facts or events which occurred on or prior to the Effective Date and Capstone will, or will cause the Company to, maintain such tail policies in effect without any reduction in scope or coverage for six years from the Effective Date; provided that Capstone will not be required to pay any amounts in respect of such coverage prior to the Effective Time and provided further that the cost of such policies shall not exceed 250% of the Company's current annual aggregate premium for policies currently maintained by the Company.

(2) Following the Effective Time Capstone shall cause the Company and its Subsidiaries to honour all rights to indemnification or exculpation now existing in favour of present and former employees, officers and directors of the Company and its Subsidiaries, and acknowledges that such rights shall survive the completion of the Plan of Arrangement and shall continue in full force and effect in accordance with their terms for a period of not less than six years from the Effective Date.

Section 4.12 Pre-Arrangement Reorganization

(1) The Company agrees that, upon the reasonable request of Capstone, the Company will and will cause its Subsidiaries to use its and their commercially reasonable efforts to effect such reorganizations of the Company's or its Subsidiaries' business, operations and assets and the integration of other affiliated businesses of the Company as Capstone may reasonably request (each a "**Pre-Arrangement Reorganization**") and cooperate with Capstone and its advisors to determine the nature of the Pre-Arrangement Reorganizations that might be undertaken and the manner in which they most effectively could be undertaken; provided, however, that the Company need not effect a Pre-Arrangement Reorganization which in the opinion of the Company, acting reasonably, would not be in the best interests of the Company or its securityholders. Capstone acknowledges and agrees that all elements of any such Pre-Arrangement Reorganizations (including the planning for and the implementation of any Pre-Arrangement Reorganization) shall, in the opinion of the Company acting reasonably:

   (a) not impede, delay or prevent completion of the Arrangement;

   (b) be effective as close as reasonably practical to the Effective Date and, in any event, after the Final Order and all Regulatory Approvals are obtained;

   (c) not impact the value and the form of the consideration to be paid to Company Shareholders or otherwise prejudice the Company or Company Shareholders in any material respect;

   (d) not require the Company to obtain the approval of Company Shareholders (other than the Required Company Shareholder Approval);

   (e) not unreasonably interfere in the operations of the Company or any of its Subsidiaries prior to the Effective Time;

   (f) not be considered in determining whether a representation, warranty or covenant of the Company hereunder has been breached or whether a condition precedent to the Arrangement has been satisfied, it being acknowledged by Capstone that actions taken pursuant to any Pre-Arrangement Reorganization could require the consent of third parties under applicable contracts of the Company or its Subsidiaries;

   (g) not require the Company or any Subsidiary to contravene any applicable Laws, their respective organizational documents or any contract of the Company or its Subsidiaries;

(h) not result in any Taxes being imposed on, or any adverse Tax or other consequences to, any securityholder of the Company incrementally greater than the Taxes or other consequences to such securityholder in connection with the consummation of the Arrangement in the absence of any Pre-Arrangement Reorganization and for greater certainty and without limitation, adverse Tax or other consequence includes any Tax or other consequence that would not have arisen but for the Agreement; and

(i) not become effective unless Capstone shall have confirmed in writing that it is prepared promptly and without condition to proceed with the Arrangement.

(2) Capstone will provide written notice to the Company of any proposed Pre-Arrangement Reorganization at least 30 days prior to the Effective Date. Subject to Section 4.12(1) and Section 4.12(3), the Company and Capstone will, at the expense of Capstone, work cooperatively and use commercially reasonable efforts to prepare prior to the Effective Time all documentation necessary and do such other acts and things as are necessary to give effect to such Pre-Arrangement Reorganization. The Parties will seek to have the steps and transactions contemplated under any such Pre-Arrangement Reorganization made effective at such times (as directed by Capstone) immediately prior to, on or after the Effective Date but in any event after the Final Order and all Regulatory Approvals are obtained (but if before the Effective Time, after Capstone will have waived or confirmed that all conditions referred to in Section 6.1 and Section 6.2 have been satisfied, and confirmed in writing that it is prepared to promptly proceed to effect the Arrangement). Capstone shall upon request by the Company advance all reasonable out-of-pocket expenses incurred by the Company or its Subsidiaries in connection with any actions taken by the Company or its Subsidiaries or, promptly upon request by the Company, reimburse the Company or its Subsidiaries for all reasonable fees and expenses (including any professional fees and expenses) and Taxes incurred by the Company and its Subsidiaries in effecting any Pre-Arrangement Reorganization and shall indemnify the Company for any costs, Taxes, loss of opportunity or otherwise of the Company and its Subsidiaries in reversing or unwinding any Pre-Arrangement Reorganization that was effected prior to the termination of this Agreement in accordance with its terms. For greater certainty, the Company shall not be liable for any Taxes arising as a result of, or the failure of Capstone to benefit from any anticipated tax efficiency as a result of, a Pre-Arrangement Reorganization.

(3) Capstone shall indemnify the Company, its Subsidiaries and their respective Representatives for any and all Taxes, liabilities, losses, damages, claims, costs, expenses, interest awards, judgments and penalties suffered or incurred by any of them in connection with or as a result of their co-operation or assistance with or participation in any Pre-Arrangement Reorganization (including any actual out-of-pocket costs and expenses for filing fees and external counsel). No director, officer, employee or agent of the Company or its Subsidiaries shall be required, in connection with a Pre-Arrangement Reorganization, to take any action in any capacity other than as a director, officer, employee or agent of the Company or its Subsidiaries, as the case may be. This Section 4.12 shall survive the consummation of the Arrangement and is intended to be for the benefit of, and shall be enforceable by, each Representative and his or her heirs, executors, administrators and personal representatives and shall be binding on the Company and its successors and assigns and, for such purpose, the Company hereby confirms that it is acting as agent and trustee on behalf of each Subsidiary and Representative.

ARTICLE 5

ADDITIONAL COVENANTS REGARDING NON-SOLICITATION

Section 5.1 Non-Solicitation

(1) Except as expressly provided in this Article 5, the Company and its Subsidiaries shall not, directly or indirectly, through any officer, director, employee, representative (including any financial or other advisor) or agent of the Company or of any of its Subsidiaries (collectively "**Representatives**"), or otherwise, and shall not permit any such Person to:

(a) solicit, assist, initiate, knowingly encourage or otherwise facilitate (including by way of furnishing or providing copies of, access to, or disclosure of, any confidential information, properties, facilities, books or records of the Company or any Subsidiary or entering into any form of agreement, arrangement or understanding) any inquiry, proposal or offer that constitutes or could reasonably be expected to constitute or lead to, an Acquisition Proposal;

(b) enter into or otherwise engage or participate in any substantive discussions or negotiations with any Person (other than Capstone and its affiliates) regarding any inquiry, proposal or offer that constitutes or could reasonably be expected to constitute or lead to an Acquisition Proposal, it being acknowledged and agreed that the Company may communicate with any Person for the purposes of clarifying the terms of any proposal, advising such Person of the restrictions of this Agreement or advising such Person that their proposal does not constitute an Acquisition Proposal or Superior Proposal and is not reasonably expected to constitute or lead to a Superior Proposal;

(c) withdraw, amend, modify or qualify, or publicly propose or state an intention to withdraw, amend, modify or qualify, the Company Board Recommendation;

(d) accept, approve, endorse or recommend, or publicly propose to accept, approve, endorse or recommend any Acquisition Proposal, or take no position or remain neutral with respect to, any publicly disclosed Acquisition Proposal (it being understood that publicly taking no position or a neutral position with respect to a publicly announced, or otherwise publicly disclosed, Acquisition Proposal for a period of no more than five Business Days following such public announcement or public disclosure will not be considered to be in violation of this Section 5.1 provided the Company Board has rejected such Acquisition Proposal and affirmed the Company Board Recommendation before the end of such five Business Day period (or in the event that the Company Meeting is scheduled to occur within such five Business Day period, prior to the third Business Day prior to the date of the Company Meeting)); or

(e) accept or enter into or publicly propose to accept or enter into any agreement, understanding or arrangement in respect of an Acquisition Proposal (other than a confidentiality and standstill agreement permitted by and in accordance with Section 5.3).

(2) The Company shall, and shall cause its Subsidiaries and its Representatives to, immediately cease and terminate, and cause to be terminated, any solicitation, encouragement, discussion, negotiation, or other activities commenced prior to the date of this Agreement with any Person (other than Capstone and its affiliates) with respect to any inquiry, proposal or offer that constitutes, or could reasonably be expected to constitute or lead to, an Acquisition Proposal, and in connection therewith, the Company will immediately discontinue access to any data room and any confidential information, properties, facilities, books and records of the Company or any of its Subsidiaries that is provided to any party outside of the Ordinary Course and shall as soon as possible request the return or destruction of all confidential information provided in connection therewith to the extent such information has not already been returned or destroyed. Subject to Section 5.3, the Company agrees not to release any third party from any confidentiality, non-solicitation or standstill agreement to which such third party is a party, or terminate, modify, amend or waive the terms thereof (it being acknowledged and agreed that:

(a) the automatic termination of any standstill provisions in any such agreement as the result of the entering into and announcement of this Agreement by the Company, pursuant to the existing terms of such agreement; or

(b) the consideration of an Acquisition Proposal from a third party that is permitted to make such an Acquisition Proposal under the terms of such agreement, and the acceptance of a Superior Proposal that might be made by any such third party,

shall not be a violation of this Section 5.1(2)), and the Company undertakes to enforce, or cause its Subsidiaries to enforce, all standstill, non-disclosure, non-disturbance, non-solicitation and similar covenants that it or any of its Subsidiaries have entered into prior to the date hereof or enter into after the date hereof.

Section 5.2 Notification of Acquisition Proposals

If the Company or any of its Subsidiaries or any of their respective Representatives, receives any written or oral inquiry, proposal or offer that constitutes or could reasonably be expected to constitute an Acquisition Proposal, or any request for copies of, access to, or disclosure of, confidential information relating to the Company or any Subsidiary in connection with an Acquisition Proposal, including but not limited to information, access, or disclosure relating to the properties, facilities, books or records of the Company or any Subsidiary, the Company shall immediately notify Capstone, at first orally, and then promptly (and in any event within 24 hours) in writing, of such Acquisition Proposal, inquiry, proposal, offer or request, including a description of its material terms and conditions, the identity of all Persons making the Acquisition Proposal, inquiry, proposal, offer or request, and shall provide Capstone with copies of all written documents, correspondence or other material received in respect of, from or on behalf of any such Person. The Company shall keep Capstone informed on a current basis of the status of developments and (to the extent permitted by Section 5.3) negotiations with respect to any Acquisition Proposal, or any inquiry, proposal, offer or request which would reasonably be expected to constitute an Acquisition Proposal, including any changes, modifications or other amendments to any such Acquisition Proposal, inquiry, proposal, offer or request and shall provide to Capstone copies of all material or substantive correspondence if in writing or electronic form, and if not in writing or electronic form, a description of the material terms of such correspondence sent or communicated to the Company by or on behalf of any Person making any such Acquisition Proposal, inquiry, proposal, offer or request.

Section 5.3 Responding to an Acquisition Proposal

Notwithstanding Section 5.1, if at any time prior to obtaining the approval by the Company Shareholders of the Arrangement Resolution, the Company receives an unsolicited *bona fide* written Acquisition Proposal from a Person, the Company may engage in or participate in discussions or negotiations with such Person regarding such Acquisition Proposal, and may provide copies of, access to or disclosure of information, properties, facilities, books or records of the Company or its Subsidiaries to such Person, if and only if:

(1) the Company Board first determines in good faith, after consultation with its financial advisors and its outside legal counsel, that such Acquisition Proposal constitutes or could reasonably be expected to constitute (disregarding for the purposes of such determination any due diligence or access condition to which such Acquisition Proposal is subject) a Superior Proposal;

(2) prior to providing any such copies, access, or disclosure to the Person, the Company enters into a confidentiality and standstill agreement with such Person on terms no less favourable to the Company than the Company Confidentiality Agreement and any such copies, access or disclosure provided to such Person shall have already (or simultaneously be) provided to Capstone; and

(3) The Company promptly provides Capstone with:

   (a) prior written notice stating the Company's intention to participate in such discussions or negotiations and to provide such copies, access or disclosure; and

   (b) prior to providing any such copies, access or disclosure to the Person, a true, complete and final executed copy of the confidentiality and standstill agreement referred to in Section 5.3(2).

Section 5.4 Superior Proposal and Right to Match

(1) If the Company receives an Acquisition Proposal that constitutes a Superior Proposal prior to the approval of the Arrangement Resolution by the Company Shareholders, the Company Board (or any committee thereof) may, subject to compliance with Article 7 and Section 8.2, enter into a definitive agreement with respect to such Superior Proposal or withdraw or modify the Company Board Recommendation, if and only if:

   (a) the Company has complied with Article 5 hereof;

(b) the Company has delivered to Capstone a written notice including confirmation (i) of the determination of the Company Board that such Acquisition Proposal constitutes a Superior Proposal, (ii) of the intention of the Company Board to enter into such definitive agreement or withdraw or modify the Company Board Recommendation with respect to such Superior Proposal and (iii) of the value in financial terms that the Company Board has, in consultation with its financial advisors, determined should be ascribed to any non-cash consideration offered under the Superior Proposal (the "**Superior Proposal Notice**");

(c) the Company has provided Capstone a copy of the proposed definitive agreement for the Superior Proposal;

(d) at least five Business Days have elapsed from the date that is the later of the date on which Capstone received the Superior Proposal Notice and the date on which Capstone received a copy of the proposed definitive agreement for the Superior Proposal (the "**Matching Period**");

(e) during any Matching Period, Capstone has had the opportunity (but not the obligation), in accordance with Section 5.4(2), to offer to amend this Agreement and the Arrangement so that the Acquisition Proposal no longer constitutes a Superior Proposal;

(f) if Capstone has offered to amend this Agreement and the Arrangement under Section 5.4(2), the Company Board has determined in good faith, after consultation with its outside legal counsel and financial advisors, that such Acquisition Proposal continues to constitute a Superior Proposal (compared to the terms of the Arrangement as proposed to be amended by Capstone under Section 5.4(2)); and

(g) the Company terminates the Agreement pursuant to Section 7.2(1)(c)(ii) and pays the Termination Fee in accordance with Section 8.2(3).

(2) During the Matching Period, or such longer period as the Company may approve in writing for such purpose: (a) the Company Board shall review any offer made by Capstone under Section 5.4(1)(e) to amend the terms of this Agreement and the Arrangement in good faith and in consultation with outside legal and financial advisors to determine whether such proposal would, upon acceptance, result in the Acquisition Proposal previously determined to constitute a Superior Proposal ceasing to be a Superior Proposal; and (b) the Company shall negotiate in good faith with Capstone to make such amendments to the terms of this Agreement and the Arrangement as would enable Capstone to proceed with the transactions contemplated by this Agreement on such amended terms. If the Company Board determines that such Acquisition Proposal would cease to be a Superior Proposal, the Company shall promptly so advise Capstone and the Parties shall amend this Agreement to reflect such offer made by Capstone, and shall take and cause to be taken all such actions as are necessary to give effect to the foregoing.

(3) Each successive amendment or modification to any Acquisition Proposal that results in an increase in, or modification of, the consideration (or value of such consideration) to be received by the Company Shareholders or other material terms or conditions thereof shall constitute a new Acquisition Proposal for the purposes of this Section 5.4, and Capstone shall be afforded a new Matching Period from the later of the date on which Capstone received the new Superior Proposal Notice and the date on which Capstone received a copy of the proposed definitive agreement for the new Superior Proposal.

(4) The Company Board shall promptly, and in any event within three Business Days, reaffirm the Company Board Recommendation by press release after any Acquisition Proposal which is not determined to be a Superior Proposal is publicly announced or publicly disclosed or the Company Board determines that a proposed amendment to the terms of this Agreement as contemplated under Section 5.4(2) would result in an Acquisition Proposal no longer being a Superior Proposal. The Company shall provide Capstone and its outside legal counsel with a reasonable opportunity to review and comment on the form and content of any such press release.

(5) If the Company provides a Superior Proposal Notice to Capstone on a date that is less than five Business Days before the Company Meeting, the Company shall either proceed with or shall postpone the Meeting to a date that is not more than five Business Days after the scheduled date of the Company Meeting, as directed by Capstone.

(6) The Company shall advise its Subsidiaries and their respective Representatives of the prohibitions set out in this Article 5 and any violation of the restrictions set forth in this Article 5 by the Company, its Subsidiaries or their respective Representatives is deemed to be a breach of this Article 5 by the Company.

(7) Nothing in this Agreement shall prevent the Company Board from responding through a director's circular or otherwise as required by applicable Law to an Acquisition Proposal that it determines is not a Superior Proposal. The Company shall provide Capstone and its outside legal counsel with a reasonable opportunity to review and comment on the form and content of any such response.

ARTICLE 6

CONDITIONS

Section 6.1 Mutual Conditions Precedent

The Parties are not required to complete the Arrangement unless each of the following conditions is satisfied on or prior to the Effective Time, which conditions may only be waived, in whole or in part, by the mutual consent of the Parties:

(1) **Interim Order**. The Interim Order shall have been granted and shall not have been set aside or modified in a manner unacceptable to either Party, each acting reasonably, on appeal or otherwise.

(2) **Arrangement Resolution**. The Arrangement Resolution shall have been approved and adopted by the Company Shareholders at the Company Meeting in accordance with the Interim Order and applicable Laws.

(3) **Required Capstone Shareholder Approval**. The Required Capstone Shareholder Approval shall have been obtained from the Capstone Shareholders at the Capstone Meeting in accordance with applicable Laws.

(4) **Final Order**. The Final Order shall have been granted and shall not have been set aside or modified in a manner unacceptable to either Party, each acting reasonably, on appeal or otherwise.

(5) **Illegality**. No Law shall have been enacted, made or issued that makes the consummation of the Arrangement illegal or otherwise prohibits or enjoins the Company or Capstone from consummating the Arrangement.

(6) **Regulatory Approvals**. Each of the Regulatory Approvals has been made, given or obtained on terms acceptable to both the Company and Capstone, each acting reasonably, and each such Regulatory Approval is in force and has not been modified or withdrawn.

(7) **No Legal Action**. There is no action or proceeding by a Governmental Entity known to Capstone or the Company to be pending or threatened in any jurisdiction to:

(a) cease trade, temporarily or permanently enjoin, prohibit, or impose any limitations, damages or conditions on, Capstone's ability to acquire, hold or exercise full rights of ownership over, any Company Shares, including the right to vote the Company Shares; or

(b) prohibit, restrict or impose terms or conditions on the Arrangement, or the ownership or operation by Capstone of the business or assets of Capstone, its affiliates and related entities, the Company or any of the Company's Subsidiaries and related entities, or compel Capstone to dispose of or hold separate any of the business or assets of Capstone, its affiliates and related entities, the Company or any of the Company's Subsidiaries and related entities as a result of the Arrangement.

(8) **No Prospectus or Resale Restrictions**. The distribution of the Capstone Shares pursuant to the Arrangement shall be exempt from the prospectus and registration requirements of applicable Law, either by virtue of exemptive relief from the applicable securities regulatory authorities or by virtue of applicable exemptions under applicable Law, and the first trade of such Capstone Shares shall not be subject to resale restrictions under applicable Law.

(9) **Listing of Capstone Shares**. The TSX shall have conditionally approved the listing thereon, subject only to compliance with the usual requirements of the TSX, of the Capstone Shares (including for greater certainty, the Capstone Shares issuable under the Replacement Options, Company Warrants and Company Debentures) to be issued or made issuable pursuant to the Arrangement as of the Effective Date, or as soon as possible thereafter.

(10) **No Termination**. This Agreement shall not have been terminated pursuant to Article 7.

Section 6.2 Additional Conditions Precedent to the Obligations of Capstone

Capstone is not required to complete the Arrangement unless each of the following conditions is satisfied on or before the Effective Time, which conditions are for the exclusive benefit of Capstone and may only be waived, in whole or in part, by Capstone in its sole discretion:

(1) **Representations and Warranties**. (A) The representations and warranties of the Company which are qualified by the expression "Material Adverse Effect" shall have been true and correct in all respects as of the date of this Agreement and shall be true and correct in all respects as of the Effective Time as if made on and as of such date (unless made as of a specified date, in which case the accuracy of such representation and warranty shall be determined as of such specified date), (B) all other representations and warranties of the Company shall have been true and correct as of the date of this Agreement and shall be true and correct as of the Effective Time as if made on and as of such date (unless made as of a specified date, in which case the accuracy of such representation and warranty shall be determined as of such specified date), except to the extent that the failure of such representations and warranties to be true and correct would not have a Material Adverse Effect on the Company, and (C) the Company shall have delivered a certificate confirming the satisfaction of (A) and (B) to Capstone, executed by two senior officers of the Company (in each case without personal liability), addressed to Capstone and dated the Effective Date.

(2) **Performance of Covenants**. The Company shall have fulfilled or complied in all material respects with each of the covenants of the Company contained in this Agreement to be fulfilled or complied with by it on or prior to the Effective Time, and the Company shall delivered a certificate confirming same to Capstone, executed by two senior officers of the Company (in each case without personal liability) addressed to Capstone and dated the Effective Date.

(3) **Third Party Consents**. Each of the Third Party Consents has been given or obtained on terms acceptable to Capstone, acting reasonably, and each such Third Party Consent is in force and has not been modified or withdrawn.

(4) **Dissent Rights**. Dissent Rights have not been exercised with respect to more than 5% of the issued and outstanding Company Shares.

(5) **Material Adverse Effect**. There shall not have been or occurred a Material Adverse Effect in respect of the Company prior to the date hereof that has not been publicly disclosed and from the date hereof to the Effective Time there shall not have been or occurred a Material Adverse Effect in respect of the Company.

(6) **Wind Works Project Acquisitions**. On or prior to the Effective Time, the Company shall have entered into agreements with respect to the Wind Works Project Acquisitions on terms and conditions and with co-investment arrangements, if any, that are substantially in the form provided to Capstone, and the Company shall have delivered a certificate to Capstone, executed by two senior officers of the Company (in each case without personal liability) addressed to Capstone and dated the Effective Date attaching true and complete copies of all Wind Works Project Acquisition Documents.

Section 6.3 Additional Conditions Precedent to the Obligations of the Company

The Company is not required to complete the Arrangement unless each of the following conditions is satisfied on or before the Effective Time, which conditions are for the exclusive benefit of the Company and may only be waived, in whole or in part, by the Company in its sole discretion:

(1) **Representations and Warranties**. (A) The representations and warranties of Capstone which are qualified by the expression "Material Adverse Effect" shall have been true and correct in all respects as of the date of this Agreement and shall be true and correct in all respects as of the Effective Time as if made on and as of such date (unless made as of a specified date, in which case the accuracy of such representation and warranty shall be determined as of such specified date), (B) all other representations and warranties of Capstone shall have been true and correct as of the date of this Agreement and shall be true and correct as of the Effective Time as if made on and as of such date (unless made as of a specified date, in which case the accuracy of such representation and warranty shall be determined as of such specified date), except to the extent that the failure of such representations and warranties to be true and correct would not have a Material Adverse Effect on Capstone, and (C) Capstone shall have delivered a certificate confirming the satisfaction of (A) and (B) to the Company, executed by two senior officers of Capstone (in each case without personal liability), addressed to the Company and dated the Effective Date.

(2) **Performance of Covenants**. Capstone shall have fulfilled or complied in all material respects with each of the covenants of Capstone contained in this Agreement to be fulfilled or complied with by it on or prior to the Effective Time, and Capstone shall have delivered a certificate confirming same to the Company, executed by two senior officers of Capstone (in each case without personal liability) addressed to the Company and dated the Effective Date.

(3) **Material Adverse Effect**. There shall not have been or occurred a Material Adverse Effect in respect of Capstone prior to the date hereof that has not been publicly disclosed and from the date hereof to the Effective Time there shall not have been or occurred a Material Adverse Effect in respect of Capstone.

(4) **Consideration**. Subject to the terms and conditions of this Agreement and the Plan of Arrangement, and in compliance with Section 2.10, Capstone will have deposited or caused to be deposited with the Depository sufficient Capstone Shares and funds to effect payment in full of the aggregate Consideration.

Section 6.4 Satisfaction of Conditions

The conditions precedent set out in Section 6.1, Section 6.2 and Section 6.3 will be conclusively deemed to have been satisfied, waived or released when the Certificate of Arrangement is issued by the Director.

ARTICLE 7

TERM AND TERMINATION

Section 7.1 Term

This Agreement shall be effective from the date hereof until the earlier of the Effective Date and the termination of this Agreement in accordance with its terms.

Section 7.2 Termination

(1) This Agreement may be terminated prior to the Effective Time by:

(a) the mutual written agreement of the Parties;

(b) either the Company or Capstone if:

(i) the Required Company Shareholder Approval is not obtained at the Company Meeting in accordance with the Interim Order, provided that a Party may not terminate this Agreement pursuant to this Section 7.2(1)(b)(i) if the failure to obtain the Required Company Shareholder Approval has been caused by, or is a result of, a breach by such Party of any of its representations or warranties or the failure of such Party to perform any of its covenants or agreements under this Agreement;

(ii) the Required Capstone Shareholder Approval is not obtained at the Capstone Meeting, provided that a Party may not terminate this Agreement pursuant to this Section 7.2(1)(b)(ii) if the failure to obtain the Required Capstone Shareholder Approval has been caused by, or is a result of, a breach by such Party of any of its representations or warranties or the failure of such Party to perform any of its covenants or agreements under this Agreement;

(iii) after the date of this Agreement, any Law is enacted, made, enforced or amended, as applicable, that makes the consummation of the Arrangement illegal or otherwise permanently prohibits or enjoins the Company or Capstone from consummating the Arrangement, and such Law has, if applicable, become final and non-appealable; or

(iv) the Effective Time does not occur on or prior to the Outside Date, provided that a Party may not terminate this Agreement pursuant to this Section 7.2(1)(b)(iv) if the failure of the Effective Time to so occur has been caused by, or is a result of, a breach by such Party of any of its representations or warranties or the failure of such Party to perform any of its covenants or agreements under this Agreement;

(c) the Company, if it is not in breach of the terms of this Agreement and:

(i) a breach of any representation or warranty or failure to perform any covenant or agreement on the part of Capstone under this Agreement occurs that would cause any condition in Section 6.3(1) or Section 6.3(2) not to be satisfied and such breach or failure is incapable of being cured prior to the Outside Date in accordance with the terms of Section 4.10(3), provided that any intentional breach shall be deemed to be incurable; or

(ii) prior to the approval by the Company Shareholders of the Arrangement Resolution, the Company Board approves and authorizes the Company to enter into a definitive agreement (other than a confidentiality and standstill agreement permitted by and in accordance with Section 5.3(2)) providing for the implementation of a Superior Proposal, provided that the Company pays the Termination Fee pursuant to Section 8.2; or

(d) Capstone, if it is not in breach of the terms of this Agreement and:

(i) a breach of any representation or warranty or failure to perform any covenant or agreement on the part of the Company under this Agreement occurs that would cause any condition in Section 6.2(1) or Section 6.2(2) not to be satisfied, and such breach or failure is incapable of being cured prior to the Outside Date in accordance with the terms of Section 4.10(3), provided that any intentional breach shall be deemed to be incurable; or

(ii) (A) the Company Board or any committee of the Company Board fails to recommend or withdraws, amends, modifies or qualifies, or publicly proposes or states an intention to withdraw, amend, modify or qualify, the Company Board Recommendation, (B) the Company Board or any committee of the Company Board accepts, approves, endorses or recommends, or publicly proposes to accept, approve, endorse or recommend an Acquisition Proposal or takes no position or remains neutral with respect to a publicly announced, or otherwise publicly disclosed, Acquisition Proposal for more than five Business Days (or beyond the third Business Day prior to the date of the Company Meeting, if sooner)), (C) the Company Board or any committee of the Company Board accepts or enters into or publicly proposes to accept or enter into any agreement, understanding or arrangement in respect of an Acquisition Proposal (other than a confidentiality and standstill agreement permitted by and in accordance with Section 5.3(2)), (D) the Company Board or any committee of the Company Board fails to publicly recommend or reaffirm the Company Board Recommendation within five Business Days after having been requested in writing by Capstone to do so (or in the event that the Company Meeting is scheduled to occur within such five-Business Day period, prior to the third Business Day prior to the date of the Company Meeting) or (E) the Company breaches Section 5.1 in any material respect and such breach does not result solely from unauthorized actions of a Representative who is an officer or employee (but not a director) of the Company.

(2) The Party desiring to terminate this Agreement pursuant to this Section 7.2 (other than Pursuant to Section 7.2(1)(a)) shall give notice of such termination to the other Party, specifying in reasonable detail the basis for such Party's exercise of its termination right.

Section 7.3 Effect of Termination/Survival

(1) If this Agreement is terminated pursuant to Section 7.1 or Section 7.2, this Agreement shall become void and of no further force or effect without liability of any Party (or any shareholder, director, officer, employee, agent, consultant or representative of such Party) to any other Party to this Agreement, except that: (a) in the event of termination under Section 7.1 as a result of the Effective Time occurring, Section 4.11 shall survive for a period of six years following such termination; and (b) in the event of termination under Section 7.2, this Section 7.3 and Section 4.7 (to the extent they related to Capstone's obligations), Section 4.12(2), Section 4.12(3) and Section 8.2 through to and including Section 8.14 shall survive, and provided further that no Party shall be relieved of any liability for any wilful breach by it of this Agreement.

(2) As used in this Section 7.3, "**wilful breach**" means a material breach that is a consequence of an act undertaken by the breaching party with the actual knowledge that the taking of such act would, or would be reasonably expected to, cause a breach of this Agreement.

ARTICLE 8

GENERAL PROVISIONS

Section 8.1 Amendments

This Agreement and the Plan of Arrangement may, at any time and from time to time before or after the holding of the Company Meeting, but not later than the Effective Time and subject to the Interim Order and Final Order and applicable Laws, be amended by mutual written agreement of the Parties without further notice to or authorization on the part of the Company Shareholders or Capstone Shareholders, and any such amendment may, without limitation:

(1) change the time for performance of any of the obligations or acts of the Parties;

(2) waive any inaccuracy in or modify any representation or warranty contained in this Agreement or in any document delivered pursuant to this Agreement;

(3) waive compliance with or modify any of the covenants contained in this Agreement and waive or modify performance of any of the obligations of the Parties; and/or

(4) waive compliance with or modify any of the conditions contained in this Agreement,

provided, however, that no such amendment may reduce or materially affect the Consideration to be received by the Company Shareholders without their approval at the Company Meeting or, following the Company Meeting, without their approval given in the same manner as required by applicable Laws for the approval of the Arrangement or as may be required by the Court.

Section 8.2 Termination Fees

(1) Despite any other provision in this Agreement relating to the payment of fees and expenses, including the payment of brokerage fees, if a Termination Fee Event set out in Section 8.2(2)(a), (b) or (c) occurs, the Company shall pay Capstone the Termination Fee in accordance with Section 8.2(3) and if a Termination Fee Event set out in Section 8.2(2)(d) occurs, Capstone shall pay the Company the Termination Fee in accordance with Section 8.2(3).

(2) For the purposes of this Agreement, "**Termination Fee**" means $4,000,000, and "**Termination Fee Event**" means the termination of this Agreement:

(a) by Capstone pursuant to Section 7.2(1)(d)(ii);

(b) by the Company pursuant to Section 7.2(1)(c)(ii); or

(c) by the Company or Capstone pursuant to Section 7.2(1)(b)(i) or Section 7.2(1)(b)(iv), if:

(i) prior to such termination, an Acquisition Proposal is proposed, offered, made or publicly announced or otherwise publicly disclosed by any Person (other than Capstone or any of its affiliates) or any Person (other than Capstone or any of its affiliates) shall have publicly announced an intention to do so and such Acquisition Proposal has not been withdrawn; and

(ii) the Company or one or more of its Subsidiaries, directly or indirectly, in one or more transactions, enters into a definitive agreement in respect of an Acquisition Proposal within twelve months following the date of such termination and such Acquisition Proposal is consummated at any time,

provided, however that for the purposes of this Section 8.2(2)(c) all references in the definition of "**Acquisition Proposal**" to "20%" shall be read as "50%".

(d) by the Company or Capstone pursuant to Section 7.2(1)(b)(ii) or Section 7.2(1)(b)(iv), if:

(i) prior to such termination, a Capstone Proposal is proposed, offered, made or publicly announced or otherwise publicly disclosed by any Person or any Person shall have publicly announced an intention to do so and such Capstone Proposal has not been withdrawn; and

(ii) Capstone or one or more of its Subsidiaries, directly or indirectly, in one or more transactions, enters into a definitive agreement in respect of a Capstone Proposal within twelve months following the date of such termination and such Capstone Proposal is consummated at any time,

where, "**Capstone Proposal**" means, other than the transactions contemplated by this Agreement, any bona fide offer, proposal or inquiry (whether written or oral) from any Person or group of Persons made after the date of this Agreement relating to:

(iii) any direct or indirect acquisition, purchase or joint venture (or any lease, long-term supply agreement or other arrangement having the same economic effect as a purchase), in a single transaction or a series of related transactions, of assets representing 50% or more of the consolidated assets of or contributing 50% or more of the consolidated revenue of Capstone and its Subsidiaries or of 50% or more of the voting, equity or other securities (or rights or interests therein or thereto) of Capstone and/or one or more of its Subsidiaries representing, individually or in the aggregate, 50% or more of the consolidated assets or contributing, individually or in the aggregate, 50% or more of the consolidated revenue of Capstone and its Subsidiaries;

(iv) any direct or indirect take-over bid, tender offer, exchange offer, treasury issuance or other transaction that, if consummated, would result in a Person or group of Persons beneficially owning 50% or more of any class of voting, equity or other securities or any other equity interests (including securities convertible into or exercisable or exchangeable for voting or equity securities) of Capstone and/or one or more of its Subsidiaries representing, individually or in the aggregate, 50% or more of the consolidated assets or contributing, individually or in the aggregate, 50% or more of the consolidated revenue of Capstone and its Subsidiaries;

(v) any plan of arrangement, merger, amalgamation, consolidation, share exchange, business combination, reorganization, recapitalization, liquidation, dissolution or winding up involving Capstone and/or one or more of its Subsidiaries representing, individually or in the aggregate, 50% or more of the consolidated assets or contributing, individually or in the aggregate, 50% or more of the consolidated revenue of Capstone and its Subsidiaries; or

(vi) any other similar transaction or series of transactions, the consummation of which would or could reasonably be expected to impede, interfere with, prevent or delay the transactions contemplated by this Agreement or the Arrangement or which would or could reasonably be expected to materially reduce the benefits to the Company under this Agreement or the Arrangement.

(3) If a Termination Fee Event occurs in the circumstances set out in Section 8.2(2)(a) or Section 8.2(2)(b), the Termination Fee shall be paid within two Business Days following such Termination Fee Event. If a Termination Fee Event occurs in the circumstances set out in Section 8.2(2)(c) or Section 8.2(2)(d), the Termination Fee shall be paid upon the consummation of the Acquisition Proposal or Capstone Proposal, as applicable, referred to therein. Any Termination Fee payable pursuant to Section 8.2(2)(a), (b) or (c) shall be paid by the Company to Capstone (or as Capstone may direct by notice in writing), by wire transfer in immediately available funds to an account designated by Capstone. Any Termination Fee payable pursuant to Section 8.2(2)(d) shall be paid by Capstone to the Company (or as the Company may direct by notice in writing), by wire transfer in immediately available funds to an account designated by the Company.

(4) Each Party acknowledges that the agreements contained in this Section 8.2 are an integral part of the transactions contemplated by this Agreement, without which the other Party would not enter into this Agreement, and that the amounts set out in this Section 8.2 represent liquidated damages which are a genuine pre-estimate of the damages, including opportunity costs, which the applicable Party will suffer or incur as a result of the event giving rise to such damages and resultant termination of this Agreement, and are not penalties. Each Party irrevocably waives any right it may have to raise as a defence that any such liquidated damages are excessive or punitive. The Company acknowledges and agrees that in the event that a Termination Fee Event arises pursuant to Section 7.2(1)(d)(ii), Capstone does not waive, nor is deemed to waive, any of its rights under this Agreement, including its right to terminate the Agreement pursuant to Section 7.2(1)(d)(ii) and receive the Termination Fee pursuant to this Section 8.2, by continuing to perform any of its obligations under this Agreement at any time after such right to terminate pursuant to Section 7.2(1)(d)(ii) arises. Each Party agrees that the payment of the Termination Fee in the manner provided in this Section 8.2 is the sole remedy of such Party as against the other Party and its shareholders, advisors, directors and officers in respect of the event giving rise to such payment, other than the right to injunctive and other equitable relief in accordance with Section 8.6 to prevent breaches or threatened breaches of this Agreement and to enforce compliance with the terms of this Agreement, and when such Termination Fee is paid in full to the applicable Party, such Party shall not seek to obtain any recovery, judgment, or damages of any kind, including consequential, indirect, or punitive damages, against the other Party or its shareholders, advisors, directors and officers in connection with this Agreement or the transactions contemplated hereby.

Section 8.3 Expenses and Expense Reimbursement

Subject to Section 4.12, all out-of-pocket third party transaction expenses incurred in connection with this Agreement and the Plan of Arrangement, including all costs, expenses and fees of the Parties incurred prior to or after the Effective Time in connection with, or incidental to, the Plan of Arrangement, shall be paid by the Party incurring such expenses, whether or not the Arrangement is consummated; provided that:

(1) The Company acknowledges that Capstone, in connection with the negotiation and completion of the Arrangement, shall be deemed to have incurred costs and expenses in the aggregate amount of $1,500,000 (the "**Capstone Expense Reimbursement Amount**") in connection with such negotiations, this Agreement and the Arrangement, and the Company shall pay to Capstone the Capstone Expense Reimbursement Amount if this Agreement is terminated pursuant to Section 7.2(1)(b)(i*) [Required Company Shareholder Approval]* or Section 7.2(1)(d)(i) *[Company Breach]* promptly by wire transfer of immediately available funds, in each case except in a circumstance where the Company is entitled to terminate this Agreement pursuant to Section 7.2(1)(c)(i) *[Capstone Breach],* in which event no Purchaser Expense Reimbursement Amount will be payable hereunder;

(2) Capstone acknowledges that the Company, in connection with the negotiation and completion of the the Arrangement, shall be deemed to have incurred costs and expenses in the aggregate amount of $975,000 (the "**Company Expense Reimbursement Amount**") in connection with such negotiations, this Agreement and the Arrangement, and Capstone shall pay to the Company the Company Expense Reimbursement Amount if this Agreement is terminated pursuant to Section 7.2(1)(b)(ii) *[Required Capstone Shareholder Approval]* or Section 7.2(1)(c)(i) *[Capstone Breach]* promptly by wire transfer of immediately available funds, except in a circumstance where Capstone is entitled to terminate this Agreement pursuant to Section 7.2(1)(d)(i) *[Company Breach]*, in which event no Company Expense Reimbursement Amount will be payable hereunder.

(3) If a Termination Fee becomes payable by the Company to Capstone pursuant to Section 8.2(2)(a), (b) or (c), the amount of any such Termination Fee shall be reduced by the amount of any Capstone Expense Reimbursement Amount previously paid by the Company and if a Termination Fee becomes payable by Capstone to the Company pursuant to Section 8.2(2)(d), the amount of any such Termination Fee shall be reduced by the amount of any Company Expense Reimbursement Amount previously paid by Capstone.

Section 8.4 Notices.

Any notice, or other communication given regarding the matters contemplated by this Agreement must be in writing, sent by personal delivery, courier, facsimile or electronic mail and addressed:

(1) to Capstone at:

Capstone Infrastructure Corporation
155 Wellington Street West, Suite 2930
Toronto, Ontario M5V 3H1

Attention:	Executive Vice President, General Counsel & Corporate Secretary
Telephone:	(416) 649-1300
Facsimile:	(416) 649-1335
Email:	smiller@capstoneinfrastructure.com

with a copy to:

Blake, Cassels & Graydon LLP
199 Bay Street, Suite 4000
Toronto, Ontario M5L 1A9

Attention: Jeff Lloyd
Telephone: (416) 863-5848
Facsimile: (416) 863-2653
Email: jeff.lloyd@blakes.com

(2) to the Company at:

Renewable Energy Developers Inc.
1 Richmond West, Suite 500
Toronto, Ontario
M5H 3W4

Attention: President and Chief Executive Officer
Telephone: (647) 476-7571
Email: info@red-inc.ca

with a copy to:

Cassels Brock & Blackwell LLP
Suite 2100, Scotia Plaza
40 King Street West
Toronto, Ontario M5H 3C2

Attention: Alexandra Illiopoulos
Telephone: (416) 860-2909
Facsimile: (416) 640-3013
Email: ailiopoulos@casselsbrock.com

Any notice or other communication is deemed to be given and received (i) if sent by personal delivery, same day courier or electronic mail, on the date of delivery if it is a Business Day and the delivery was made prior to 5:00 p.m. (local time in place of receipt) and otherwise on the next Business Day, (ii) if sent by overnight courier, on the next Business Day, or (iii) if sent by facsimile, on the Business Day following the date of confirmation of transmission by the originating facsimile. Sending a copy of a notice or other communication to a Party's legal counsel as contemplated above is for information purposes only and does not constitute delivery of the notice or other communication to that Party. The failure to send a copy of a notice or other communication to legal counsel does not invalidate delivery of that notice or other communication to a Party.

Section 8.5 Time of the Essence

Time is of the essence in this Agreement.

Section 8.6 Injunctive Relief

The Parties agree that irreparable harm would occur for which money damages would not be an adequate remedy at law in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the Parties shall be entitled to injunctive and other equitable relief to prevent breaches or threatened breaches of this Agreement, and to enforce compliance with the terms of this Agreement without any requirement for the securing or posting of any bond in connection with the obtaining of any such injunctive or other equitable relief, this being in addition to any other remedy to which the Parties may be entitled at law or in equity.

Section 8.7 Third Party Beneficiaries

(1) Except for the rights of the Company Shareholders to receive the applicable Consideration following the Effective Time pursuant to the Plan of Arrangement (for which purpose the Company hereby confirms that it is acting as agent on behalf of the Company Shareholders but without any obligation to consult or seek instructions from those Company Shareholders in respect of any amendment or waiver of those rights under this Agreement) and except as provided in Section 4.11, Section 4.12 and Section 8.14 which, without limiting their terms, are intended as stipulations for the benefit of the third Persons mentioned in such provisions (such third Persons referred to in this Section 8.7 as the "**Indemnified Persons**"), the Parties intend that this Agreement will not benefit or create any right or cause of action in favour of any Person, other than the Parties and that no Person, other than the Parties, shall be entitled to rely on the provisions of this Agreement in any action, suit, proceeding, hearing or other forum.

(2) Despite the foregoing, the Parties acknowledge to each of the Indemnified Persons their direct rights against the applicable Party under Section 4.11 and Section 4.12, respectively, which are intended for the benefit of, and shall be enforceable by, each Indemnified Person, his or her heirs and his or her legal representatives, and for such purpose, each Party, as applicable, confirms that it is acting as trustee on their behalf, and agrees to enforce such provisions on their behalf. The Parties reserve the right to vary or rescind the rights at any time and in any way whatsoever, if any, granted by or under this Agreement to any Person who is not a party, without notice to or consent of that Person, including any Indemnified Person.

Section 8.8 Waiver

No waiver of any of the provisions of this Agreement will constitute a waiver of any other provision (whether or not similar). No waiver will be binding unless executed in writing by the Party to be bound by the waiver. A Party's failure or delay in exercising any right under this Agreement will not operate as a waiver of that right. A single or partial exercise of any right will not preclude a Party from any other or further exercise of that right or the exercise of any other right.

Section 8.9 Entire Agreement

This Agreement, together with the Confidentiality Agreements, constitutes the entire agreement between the Parties with respect to the transactions contemplated by this Agreement and supersedes all prior agreements, understandings, negotiations and discussions, whether oral or written, of the Parties with respect to the transactions contemplated by this Agreement. There are no representations, warranties, covenants, conditions or other agreements, express or implied, collateral, statutory or otherwise, between the Parties in connection with the subject matter of this Agreement, except as specifically set forth in this Agreement. The Parties have not relied and are not relying on any other information, discussion or understanding in entering into and completing the transactions contemplated by this Agreement.

Section 8.10 Successors and Assigns

(1) This Agreement becomes effective only when executed by the Parties. After that time, it will be binding upon and enure to the benefit of the Parties and their respective successors and permitted assigns.

(2) Neither this Agreement nor any of the rights or obligations under this Agreement are assignable or transferable by any Party without the prior written consent of the other Party, provided that Capstone may assign all or part of its rights under this Agreement to, and its obligations under this Agreement may be assumed by, any of its affiliates, provided that if such assignment and/or assumption takes place, Capstone shall continue to be liable jointly and severally with such affiliate(s) for all of its obligations hereunder.

Section 8.11 Severability

If any provision of this Agreement is determined to be illegal, invalid or unenforceable by any court of competent jurisdiction, that provision will be severed from this Agreement and the remaining provisions shall remain in full force and effect. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the Parties shall negotiate in good faith to modify this Agreement so as to effect the original intent of the Parties as closely as possible in an acceptable manner to the end that the transactions contemplated hereby are fulfilled to the fullest extent possible.

Section 8.12 Governing Law

(1) This Agreement will be governed by and interpreted and enforced in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein.

(2) Each Party irrevocably attorns and submits to the non-exclusive jurisdiction of the Ontario courts situated in the City of Toronto and waives objection to the venue of any proceeding in such court or that such court provides an inconvenient forum.

Section 8.13 Rules of Construction

The Parties to this Agreement waive the application of any Law or rule of construction providing that ambiguities in any agreement or other document shall be construed against the party drafting such agreement or other document.

Section 8.14 No Liability

No director or officer of Capstone shall have any personal liability whatsoever (other than in the case of fraud, negligence or wilful misconduct by such director or officer) to the Company under this Agreement or any other document delivered in connection with the transactions contemplated hereby on behalf of Capstone. No director or officer of the Company or any of its Subsidiaries shall have any personal liability whatsoever (other than in the case of fraud, negligence or wilful misconduct by such director or officer) to Capstone under this Agreement or any other document delivered in connection with the transactions contemplated hereby on behalf of the Company or any of its Subsidiaries.

Section 8.15 Counterparts

This Agreement may be executed in any number of counterparts (including counterparts by facsimile or any other form of electronic communication) and all such counterparts taken together shall be deemed to constitute one and the same instrument. The Parties shall be entitled to rely upon delivery of an executed facsimile or similar executed electronic copy of this Agreement, and such facsimile or similar executed electronic copy shall be legally effective to create a valid and binding agreement between the Parties.

[Remainder of page intentionally left blank. Signature page follows.]

IN WITNESS WHEREOF the Parties have executed this Arrangement Agreement as of the date first written above.

RENEWABLE ENERGY DEVELOPERS INC.

By: *Jeffrey Jenner*

Name: Jeffrey Jenner
Title: President and Chief Executive Officer

CAPSTONE INFRASTRUCTURE CORPORATION

By: *Michael Bernstein*

Name: Michael Bernstein
Title: President and Chief Executive Officer

By: *Jack Bittan*

Name: Jack Bittan
Title: Senior Vice President, Business Development

SCHEDULE A

PLAN OF ARRANGEMENT

PLAN OF ARRANGEMENT UNDER SECTION 192 OF THE CANADA BUSINESS CORPORATIONS ACT

ARTICLE 1

INTERPRETATION

1.1 Definitions

In this Plan of Arrangement, unless there is something in the subject matter or context inconsistent therewith, the following terms shall have the respective meanings set out below (and grammatical variations of such terms shall have corresponding meanings):

"**Arrangement**" means the arrangement under Section 192 of the CBCA on the terms and subject to the conditions set out in this Plan of Arrangement, subject to any amendments or variations to this Plan of Arrangement made in accordance with the terms of the Arrangement Agreement or Section 5.1 of this Plan of Arrangement or made at the direction of the Court in the Final Order with the prior written consent of both the Company and Capstone, each acting reasonably.

"**Arrangement Agreement**" means the arrangement agreement made as of July 3, 2013 between Capstone and the Company (including the Schedules thereto) as it may be amended, restated, supplemented or novated from time to time in accordance with its terms.

"**Arrangement Resolution**" means the special resolution approving this Plan of Arrangement to be considered at the Company Meeting by the Company Shareholders.

"**Articles of Arrangement**" means the articles of arrangement of the Company in respect of the Arrangement, required by the CBCA to be sent to the Director after the Final Order is made, which shall include this Plan of Arrangement and otherwise be in form and content satisfactory to the Company and Capstone, each acting reasonably.

"**Business Day**" means any day of the year, other than a Saturday, a Sunday, a public holiday or a day when banks in Toronto, Ontario are not generally open for business.

"**Canadian Resident**" means a beneficial owner of Company Shares immediately prior to the Effective Time who is a resident of Canada for purposes of the Tax Act (other than a Tax Exempt Person), or a partnership any member of which is a resident of Canada for the purposes of the Tax Act (other than a Tax Exempt Person).

"**CBCA**" means the *Canada Business Corporations Act*.

"**Certificate of Arrangement**" means the certificate of arrangement to be issued by the Director pursuant to Subsection 192(7) of the CBCA in respect of the Articles of Arrangement.

"**Company**" means Renewable Energy Developers Inc.

"**Company Debenture Indenture**" means the debenture indenture dated as of August 28, 2012 between the Company and Equity Financial Trust Company, as debenture agent, providing for the issue of Company Debentures.

"**Company Debentures**" means the $34,500,000 aggregate principal amount of 6.75% convertible unsecured subordinated debentures of the Company due December 31, 2017 issued pursuant to the Company Debenture Indenture.

"**Company Meeting**" means the special meeting of Company Shareholders, including any adjournment or postponement of such special meeting in accordance with the terms of the Arrangement Agreement, to be called and held in accordance with the Interim Order to consider the Arrangement Resolution.

"**Company Options**" means the outstanding options to purchase Company Shares issued pursuant to the Stock Option Plan.

"**Company Shareholders**" means the registered or beneficial holders of the Company Shares, as the context requires.

"**Company Shares**" means the common shares in the capital of the Company.

"**Company Warrant Indenture**" means the warrant indenture dated March 6, 2012 between the Company and Equity Financial Trust Company, as warrant agent, providing for the issuance of the Company Warrants.

"**Company Warrants**" means the common share purchase warrants of the Company exercisable at a price of $1.35 per Common Share until March 6, 2014 issued pursuant to the Company Warrant Indenture.

"**Consideration**" means 0.26 of a Capstone Share and $0.001 in cash per Company Share. "Court" means the Ontario Superior Court of Justice, or other court as applicable. "Capstone" means Capstone Infrastructure Corporation.

"**Capstone Shares**" means common shares in the capital of Capstone.

"**Depositary**" means Equity Financial Trust Company.

"**Director**" means the Director appointed pursuant to Section 260 of the CBCA. "Dissent Rights" has the meaning specified in Section 3.1 of this Plan of Arrangement.

"**Dissenting Holder**" means a registered holder of Company Shares who has validly exercised its Dissent Rights and has not withdrawn or been deemed to have withdrawn such exercise of Dissent Rights, but only in respect of the Company Shares in respect of which Dissent Rights are validly exercised and have not been withdrawn or been deemed to have been withdrawn by such registered holder of Company Shares.

"**Effective Date**" means the date shown on the Certificate of Arrangement giving effect to the Arrangement.

"**Effective Time**" means 12:01 a.m. on the Effective Date, or such other time as the Parties agree to in writing before the Effective Date.

"**Eligible Non-Resident**" means a beneficial owner of Company Shares immediately prior to the Effective Time, who is not, and is not deemed to be, a resident of Canada for the purposes of the Tax Act, and whose Company Shares are "taxable Canadian property" and not "treaty-protected property", in each case as defined in the Tax Act, or a partnership any member of which is not, and is not deemed to be, a resident of Canada for the purposes of the Tax Act, and whose Company Shares are "taxable Canadian property" and not "treaty protected property", in each case as defined in the Tax Act.

"**Eligible Holder**" means: (i) a Canadian Resident, or (ii) an Eligible Non-Resident.

"**Final Order**" means the final order of the Court in a form acceptable to the Company and Capstone, each acting reasonably, approving the Arrangement, as such order may be amended by the Court (with the consent of both the Company and Capstone, each acting reasonably) at any time prior to the Effective Date or, if appealed, then, unless such appeal is withdrawn or denied, as affirmed or as amended (provided that any such amendment is acceptable to both the Company and Capstone, each acting reasonably) on appeal.

"**Governmental Entity**" means (a) any international, multinational, national, federal, provincial, territorial, state, regional, municipal, local or other government, governmental or public department, central bank, court, tribunal, arbitral body, commission, board, bureau, commissioner, minister, cabinet, governor in council, ministry, agency or instrumentality, domestic or foreign, (b) any subdivision or authority of any of the above, (c) any quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing, or (d) any stock exchange.

"**Interim Order**" means the interim order of the Court in a form acceptable to the Company and Capstone, each acting reasonably, providing for, among other things, the calling and holding of the Company Meeting, as such order may be amended by the Court with the consent of both the Company and Capstone, each acting reasonably.

"**Law**" means, with respect to any Person, any and all applicable law (statutory, common or otherwise), by-law, constitution, treaty, convention, ordinance, code, rule, regulation, order, injunction, judgment, award, decree, ruling or other similar requirement, whether domestic or foreign, enacted, adopted, promulgated or applied by a Governmental Entity that is binding upon or applicable to such Person or its business, undertaking, property or securities, and to the extent that they have the force of law, policies, guidelines, notices and protocols of any Governmental Entity, as amended, unless expressly specified otherwise.

"**Lien**" means any mortgage, charge, pledge, assignment, encumbrance, hypothec, security interest, prior claim, encroachment, option, right of first refusal or first offer, occupancy right, covenant, assignment, lien (statutory or otherwise), defect of title, or restriction or adverse right or claim, or other third party interest or encumbrance of any kind, in each case, whether contingent or absolute and any agreement, option, right or privilege (whether by Law, contract or otherwise) capable of becoming any of the foregoing.

"**Letter of Transmittal**" means the letter of transmittal sent to the Company Shareholders for use in connection with the Arrangement.

"**Option Exchange Ratio**" means 0.26026.

"**Person**" includes any individual, partnership, association, body corporate, organization, trust, estate, trustee, executor, administrator, legal representative, government (including Governmental Entity), syndicate or other entity, whether or not having legal status.

"**Plan of Arrangement**" means this plan of arrangement, and any amendments or variations made in accordance with Section 8.1 of the Arrangement Agreement or Section 5.1 of this plan of arrangement or made at the direction of the Court in the Final Order with the prior written consent of both the Company and Capstone, each acting reasonably.

"**Replacement Option**" has the meaning specified in Section 2.3(d) of this Plan of Arrangement.

"**Section 85 Election**" has the meaning specified in Section 4.1(g) of this Plan of Arrangement.

"**Shareholder Rights Plan**" means the shareholder rights plan agreement dated April 10, 2012, between the Company and Equity Financial Trust Company, as rights agent.

"**Stock Option Plan**" means the Company's stock option plan, as amended and approved by Company Shareholders on May 15, 2012.

"**Tax Act**" means the *Income Tax Act* (Canada) and the regulations made thereunder, as now in effect and as they may be promulgated or amended from time to time.

"**Tax Exempt Person**" means a person who is exempt from tax under Part I of the Tax Act.

"**TSX**" means the Toronto Stock Exchange.

1.2 Certain Rules of Interpretation.

In this Plan of Arrangement, unless otherwise specified:

(1) **Headings, etc**. The division of this Plan of Arrangement into Articles and Sections and the insertion of headings are for convenient reference only and do not affect the construction or interpretation of this Plan of Arrangement.

(2) **Currency**. All references to dollars or to "$" are references to Canadian dollars.

(3) **Gender and Number.** Any reference to gender includes all genders. Words importing the singular number include the plural and vice versa.

(4) **Certain Phrases, etc.** The words (a) "including", "includes" and "include" mean "including (or includes or include) without limitation," (b) "the aggregate of", "the total of", "the sum of", or a phrase of similar meaning means "the aggregate (or total or sum), without duplication, of," and (c) unless stated otherwise, "Article", "Section", and "Schedule" followed by a number or letter mean and refer to the specified Article or Section of or Schedule to this Plan of Arrangement.

(5) **Statutes**. Any reference to a statute refers to such statute and all rules and regulations made under it having the force of law, as it or they may have been or may from time to time be amended or re-enacted, unless stated otherwise.

(6) **Computation of Time**. A period of time is to be computed as beginning on the day following the event that began the period and ending at 5:00 p.m. on the last day of the period, if the last day of the period is a Business Day, or at 5:00 p.m. on the next Business Day if the last day of the period is not a Business Day. If the date on which any action is required or permitted to be taken under this Plan of Arrangement by a Person is not a Business Day, such action shall be required or permitted to be taken on the next succeeding day which is a Business Day.

(7) **Time References**. References to time are to local time, Toronto, Ontario.

ARTICLE 2

THE ARRANGEMENT

2.1 Arrangement Agreement

This Plan of Arrangement is made pursuant to, is subject to the provisions of, and forms part of the Arrangement Agreement.

2.2 Binding Effect

This Plan of Arrangement and the Arrangement, upon the filing of the Articles of Arrangement and the issuance of the Certificate of Arrangement, will become effective, and be binding on Capstone, the Company, all registered and beneficial Company Shareholders, all registered and beneficial Company Optionholders, all registered and beneficial Company Warrantholders, the registration and transfer agents in respect of the Company Shares and the Capstone Shares at and after the Effective Time without any further act or formality required on the part of any Person except as expressly provided herein.

2.3 Arrangement

At the Effective Time each of the following events shall occur and shall be deemed to occur sequentially as set out below without any further authorization, act or formality, in each case, unless stated otherwise, effective as at five-minute intervals starting at the Effective Time:

(a) the Shareholder Rights Plan shall be terminated (and all rights issued thereunder shall expire) and shall cease to be of any force or effect;

(b) each Company Share held by a Dissenting Holder shall be, and be deemed to have been, assigned and transferred, without any further act or formality, by the Dissenting Holder thereof, to Capstone (free and clear of all Liens) in consideration for a debt claim against Capstone for the amount determined in accordance with Article 3, and:

  (i) such Dissenting Holders shall cease to be the holders of such Company Shares and to have any rights as holders of such Company Shares, other than the right to be paid the fair value for such Company Shares as set out in Section 3.1;

  (ii) such Dissenting Holders' names shall be removed from the register of Company Shares maintained by or on behalf of the Company; and

  (iii) Capstone shall be, and be deemed to be, the transferee of such Company Shares (free and clear of all Liens) and shall be entered in the register of Company Shares maintained by or on behalf of the Company;

(c) each Company Share outstanding immediately prior to the Effective Time, other than a Company Share held by a Dissenting Holder, shall be, and be deemed to have been, assigned and transferred, without any further act of formality, by the holder thereof to Capstone (free and clear of all Liens) in exchange for the Consideration, and:

  (i) each Company Shareholder shall cease to be the holder of Company Shares, or have any rights as a holder of such Company Shares (other than to be paid the Consideration in accordance with this Plan of Arrangement);

(ii) each Company Shareholder's name shall be removed from the register of Company Shares maintained by or on behalf of the Company; and

(iii) Capstone shall be, and be deemed to be, the transferee of such Company Shares (free and clear of all Liens) and shall be entered in the register of the Company Shares maintained by or on behalf of the Company;

(d) each Company Option which is outstanding and has not been duly exercised prior to the Effective Date shall be exchanged for an option (each, a "**Replacement Option**") to purchase from Capstone the number of Capstone Shares equal to (i) the Option Exchange Ratio multiplied by (ii) the number of Company Shares subject to such Company Option immediately prior to the Effective Date. Such Replacement Option shall provide for an exercise price per Capstone Share (rounded up to the nearest whole cent) equal to (y) the exercise price per Company Share otherwise purchasable pursuant to such Company Option, subject to adjustment to meet the requirements of Subsection 7(1.4) of the Tax Act as provided below divided by (z) the Option Exchange Ratio. If the foregoing calculation results in the total Replacement Options of a particular holder being exercisable for a number of Capstone Shares that includes a fractional Capstone Share, the total number of Capstone Shares subject to such holder's total Replacement Options shall be rounded down to the nearest whole number of Capstone Shares. All terms and conditions of a Replacement Option, including the term to expiry, conditions to and manner of exercising, will be the same as the Company Option for which it was exchanged, and any certificate or option agreement previously evidencing the Company Option shall thereafter evidence and be deemed to evidence such Replacement Option. Notwithstanding the foregoing, if required for purposes of meeting the requirements of paragraph 7(1.4)(c) of the Tax Act, the exercise price of each Replacement Option of any particular holder shall be, and shall be deemed to be, adjusted at the time of the exchange by the amount, and only to the extent, necessary to ensure that the aggregate fair market value of the Capstone Shares subject to the Replacement Option immediately after the exchange over the aggregate exercise price for such Capstone Shares pursuant to the Replacement Option does not exceed the excess of the aggregate fair market value of Company Shares subject to the Company Option immediately before the exchange over the aggregate exercise price for such Company Shares under the Company Option, and:

(i) each Company Optionholder shall cease to be the holder of Company Options, or have any rights as a holder of such Company Options (other than to receive Replacement Options in accordance with this Plan of Arrangement);

(ii) each Company Optionholder's name shall be removed from the register of Company Options maintained by or on behalf of the Company; and

(iii) all Company Options exchanged pursuant to this Section 2.3(d) shall be cancelled;

(e) the outstanding Company Warrants shall become exercisable for Capstone Shares in accordance with the terms of the Company Warrant Indenture; and

(f) the outstanding Company Debentures shall become exercisable for Capstone Shares in accordance with the terms of the Company Debenture Indenture,

provided that none of the foregoing will occur or will be deemed to occur unless all of the foregoing occur.

ARTICLE 3

DISSENT RIGHTS

3.1 Dissent Rights

Registered Company Shareholders may exercise dissent rights with respect to the Company Shares held by such holders ("**Dissent Rights**") in connection with the Arrangement pursuant to and in the manner set forth in Section 190 of the CBCA, as modified by the Interim Order, the Final Order and this Section 3.1; provided that, notwithstanding subsection 190(5) of the CBCA, the written objection to the Arrangement Resolution referred to in subsection 190(5) of the CBCA must be received by the Company not later than 5:00 p.m. on the day that is two Business Days immediately preceding the date of the Company Meeting (as it may be adjourned or postponed from time to time). Dissenting Holders who duly exercise their Dissent Rights shall be deemed to have transferred the Company Shares held by them and in respect of which Dissent Rights have been validly exercised to Capstone (free and clear of all Liens), as provided in Section 2.3(b) and if they:

(a) ultimately are entitled to be paid fair value for such Company Shares: (i) shall be deemed to have transferred such Company Shares to Capstone pursuant to Section 2.3(b); (ii) will be entitled to be paid the fair value of such Company Shares, which fair value, notwithstanding anything to the contrary contained in Part XV of the CBCA, shall be determined as of the close of business on the day before the Arrangement Resolution was adopted; and (iii) will not be entitled to any other payment or consideration, including any payment that would be payable under the Arrangement had such holders not exercised their Dissent Rights in respect of such Company Shares; or

(b) ultimately are not entitled, for any reason, to be paid fair value for such Company Shares shall be deemed to have participated in the Arrangement on the same basis as non-dissenting Company Shareholders.

3.2 Recognition of Dissenting Holders

(a) In no circumstances shall Capstone, the Company or any other Person be required to recognize a Person exercising Dissent Rights unless such Person is the registered holder of those Company Shares in respect of which such rights are sought to be exercised.

(b) For greater certainty, in no case shall Capstone, the Company or any other Person be required to recognize Dissenting Holders as holders of Company Shares after the completion of the transfer under Section 2.3(b), and the names of such Dissenting Holders shall be removed from the register of holders of Company Shares at the same time as the event described in Section 2.3(b) occurs. In addition to any other restrictions under Section 190 of the CBCA, holders of Company Shares who vote or have instructed a proxyholder to vote such Company Shares in favour of the Arrangement Resolution shall not be entitled to exercise Dissent Rights (but only in respect of such Company Shares so voted).

ARTICLE 4

CERTIFICATES AND PAYMENTS

4.1 Payment of Consideration

(a) Following receipt of the Final Order and prior to the filing of the Articles of Arrangement, Capstone shall deposit or arrange to be deposited with the Depositary, for the benefit of Company Shareholders, the Consideration pursuant to this Plan of Arrangement.

(b) Upon surrender to the Depositary for cancellation of a certificate that immediately prior to the Effective Time represented outstanding Company Shares that were transferred pursuant to Section 2.3(c), together with a duly completed and executed Letter of Transmittal and such additional documents and instruments as the Depositary may reasonably require, the holder of Company Shares represented by such surrendered certificate shall be entitled to receive in exchange therefor, and the Depositary shall deliver to such holder, the Consideration which such holder has the right to receive under the Arrangement for such Company Shares less any amounts withheld pursuant to Section 4.3, and any certificate so surrendered shall forthwith be cancelled.

(c) In no event shall any holder of Company Shares be entitled to a fractional Capstone Share. Where (a) the aggregate number of Capstone Shares to be issued to a Company Shareholder as consideration under this Arrangement would result in a fraction of a Capstone Share being issuable, the number of Capstone Shares to be received by such Company Shareholder shall be rounded down to the nearest whole Capstone Share and in lieu of a fractional Capstone Share, the Company Shareholder will receive a cash payment in Canadian dollars (rounded down to the nearest cent) determined on the basis of an amount equal to (i) the volume weighted average trading price on the TSX of the Capstone Shares over the five Business Days ending one Business Day before the Effective Date, multiplied by the (ii) fractional share amount. All cash payable in lieu of fractional Capstone Shares will be denominated in Canadian dollars.

(d) Any Consideration payable to a Company Shareholder in cash shall be rounded up to the next whole cent.

(e) Until surrendered as contemplated by this Section 4.1, each certificate that immediately prior to the Effective Time represented Company Shares shall be deemed after the Effective Time to represent only the right to receive upon such surrender payment of the Consideration as contemplated in this Section 4.1, less any amounts withheld pursuant to Section 4.3. Any such certificate formerly representing Company Shares not duly surrendered on or before the sixth anniversary of the Effective Date shall cease to represent a claim by or interest of any former Company Shareholder of any kind or nature against or in the Company or Capstone. On such date, all Consideration to which such former Company Shareholder was entitled shall be deemed to have been surrendered to Capstone or the Company, as applicable, and shall be transferred by the Depositary to Capstone, or as directed by Capstone, and certificates representing Capstone Shares so transferred shall be cancelled by Capstone.

(f) Subject to Section 3.1, no Company Shareholder shall be entitled to receive any consideration with respect to their Company Shares other than the Consideration to which such holder is entitled to receive in accordance with this Plan of Arrangement and, for greater certainty, no such holder will be entitled to receive any interest, dividends, premium or other payment in connection therewith.

(g) An Eligible Holder whose Company Shares are exchanged for the Consideration pursuant to the Arrangement shall be entitled to make an income tax election, pursuant to section 85 of the Tax Act (and any analogous provision of provincial income tax law) (a "Section 85 Election") with respect to the exchange by providing the necessary information in accordance with the procedures set out in the tax instruction letter on or before 90 days after the Effective Date. Neither the Company, Capstone nor any successor corporation shall be responsible for the proper completion of any election form nor, except for the obligation to sign and return duly completed election forms which are received within 90 days of the Effective Date, for any taxes, interest or penalties resulting from the failure of an Eligible Holder to properly complete or file such election forms in the form and manner and within the time prescribed by the Tax Act (or any applicable provincial legislation). In its sole discretion, Capstone or any successor corporation may choose to sign and return an election form received by it more than 90 days following the Effective Date, but will have no obligation to do so.

(h) Upon receipt of a Letter of Transmittal in which an Eligible Holder has indicated that such holder wishes to receive a tax instruction letter, Capstone will promptly deliver a tax instruction letter to such holder. The tax instruction letter will provide general instructions on how to make the Section 85 Election with Capstone in order to obtain a full or partial tax-deferred rollover for Canadian income tax purposes in respect of the sale of the Eligible Holder's Company Shares to Capstone.

4.2 Lost Certificates

In the event any certificate which immediately prior to the Effective Time represented one or more outstanding Company Shares that were transferred pursuant to Section 2.3 shall have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the Person claiming such certificate to be lost, stolen or destroyed, the Depositary will pay to such holder, in exchange for such lost, stolen or destroyed certificate, the Consideration which such holder has the right to receive under the Arrangement for such Company Shares, deliverable in accordance with such holder's Letter of Transmittal. When authorizing such payment in exchange for any lost, stolen or destroyed certificate, the Person to whom such Consideration is to be delivered shall, as a condition precedent to the delivery of such cash, give a bond satisfactory to the Company, Capstone and the Depositary, each acting reasonably, in such sum as Capstone may direct, or otherwise indemnify Capstone and the Company in a manner satisfactory to Capstone and the Company, each acting reasonably, against any claim that may be made against Capstone or the Company with respect to the certificate alleged to have been lost, stolen or destroyed and shall otherwise take such actions as may be required by the articles and by-laws of the Company.

4.3 Withholding Rights

Capstone, the Company and the Depositary, as applicable, shall be entitled to deduct and withhold from any consideration otherwise payable or otherwise deliverable to any Company Shareholders under the Plan of Arrangement such amounts as Capstone, the Company or the Depositary, as applicable, are required or reasonably believe after considering the advice of counsel to be required to deduct and withhold from such consideration under any provision of any Laws in respect of Taxes. Any such amounts will be deducted, withheld and remitted from the consideration payable pursuant to the Plan of Arrangement, provided that such deducted and withheld amounts are actually remitted to the appropriate Governmental Entity in accordance with applicable Law, they will be treated for all purposes under this Agreement as having been paid to the Company Shareholders in respect of which such deduction, withholding and remittance was made.

4.4 No Liens

Any exchange or transfer of securities pursuant to this Plan of Arrangement shall be free and clear of any Liens or other claims of third parties of any kind.

4.5 Paramountcy

From and after the Effective Time: (a) this Plan of Arrangement shall take precedence and priority over any and all Company Shares and Company Options issued or outstanding prior to the Effective Time, (b) the rights and obligations of each of the Company Shareholders, the Company, Capstone, the Depositary and any transfer agent or other depositary therefor in relation thereto, shall be solely as provided for in this Plan of Arrangement, and (c) all actions, causes of action, claims or proceedings (actual or contingent and whether or not previously asserted) based on or in any way relating to any Company Shares shall be deemed to have been settled, compromised, released and determined without liability except as set forth in this Plan of Arrangement.

ARTICLE 5

AMENDMENTS

5.1 Amendments to Plan of Arrangement

(a) The Company and Capstone may amend, modify and/or supplement this Plan of Arrangement in accordance with Arrangement Agreement at any time and from time to time prior to the Effective Time, provided that each such amendment, modification and/or supplement must (i) be set out in writing, (ii) be approved by the Company and Capstone, each acting reasonably (iii) filed with the Court and, if made following the Company Meeting, approved by the Court, and (iv) be communicated to the Company Shareholders if and as required by the Court.

(b) Any amendment, modification or supplement to this Plan of Arrangement made in accordance with the Arrangement Agreement may be proposed by the Company at any time prior to or at the Company Meeting (provided that Capstone shall have consented thereto in writing) with or without any other prior notice or communication, and if so proposed and accepted by the Persons voting at the Company Meeting (other than as may be required under the Interim Order), shall become part of this Plan of Arrangement for all purposes.

(c) Any amendment, modification or supplement to this Plan of Arrangement that is approved or directed by the Court following the Company Meeting shall be effective only if (i) it is consented to in writing by each of the Company and Capstone (in each case, acting reasonably) and (ii) if required by the Court, it is consented to by Company Shareholders voting in the manner directed by the Court.

(d) Any amendment, modification or supplement to this Plan of Arrangement may be made following the Effective Date unilaterally by Capstone, provided that it concerns a matter which, in the reasonable opinion of Capstone, is of an administrative nature required to better give effect to the implementation of this Plan of Arrangement.

(e) This Plan of Arrangement may be withdrawn prior to the Effective Time in accordance with the terms of the Arrangement Agreement.

ARTICLE 6

FURTHER ASSURANCES

6.1 Further Assurances

Notwithstanding that the transactions and events set out in this Plan of Arrangement shall occur and shall be deemed to occur in the order set out in this Plan of Arrangement without any further act or formality, each of the parties to the Arrangement Agreement shall make, do and execute, or cause to be made, done and executed, all such further acts, deeds, agreements, transfers, assurances, instruments or documents as may reasonably be required by either of them in order to further document or evidence any of the transactions or events set out in this Plan of Arrangement.

SCHEDULE B
ARRANGEMENT RESOLUTION

BE IT RESOLVED THAT:

1. The arrangement (the "**Arrangement**") under Section 192 of the *Canada Business Corporations Act* (the "**CBCA**") involving Renewable Energy Developers Inc. (the "Company"), pursuant to the arrangement agreement (the "**Arrangement Agreement**") between the Company, and Capstone Infrastructure Corporation, dated July 3, 2013, all as more particularly described and set forth in the management information circular of the Company dated ● , 2013 (the "**Circular**"), accompanying the notice of this meeting (as the Arrangement may be amended, restated, supplemented or novated from time to time in accordance with its terms) is hereby authorized, approved and adopted.

2. The plan of arrangement, as it has been or may be amended, restated, supplemented or novated in accordance with the Arrangement Agreement and its terms, involving the Company (the "**Plan of Arrangement**"), the full text of which is set out in Schedule ● to the Circular, is hereby authorized, approved and adopted.

3. The Arrangement Agreement, the actions of the directors of the Company in approving the Arrangement and the actions of the officers of the Company in executing and delivering the Arrangement Agreement and any modifications or amendments thereto are hereby ratified and approved.

4. Notwithstanding that this resolution has been passed (and the Arrangement adopted) by the Company Shareholders (as defined in the Arrangement Agreement) or that the Arrangement has been approved by the Superior Court of Ontario (the "**Court**"), the directors of the Company are hereby authorized and empowered, at their discretion, without further notice to or approval of the Company Shareholders: (i) to amend or modify the Arrangement Agreement or the Plan of Arrangement to the extent permitted by the Arrangement Agreement; and (ii) subject to the terms of the Arrangement Agreement, not to proceed with the Arrangement.

5. Any officer or director of the Company is hereby authorized and directed for and on behalf of the Company to make an application to the Court for an order approving the Arrangement and to execute, under the corporate seal of the Company or otherwise, and to deliver or cause to be delivered, for filing with the Director under the CBCA, articles of arrangement and such other documents as are necessary or desirable to give effect to the Arrangement and the Plan of Arrangement in accordance with the Arrangement Agreement, such determination to be conclusively evidenced by the execution and delivery of such articles of arrangement and any such other documents.

6. Any officer or director of the Company is hereby authorized and directed for and on behalf of the Company to execute or cause to be executed and to deliver or cause to be delivered, all such other documents and instruments and to perform or cause to be performed all such other acts and things as, in such person's opinion, may be necessary or desirable to give full force and effect to the foregoing resolutions and the matters authorized thereby, such determination to be conclusively evidenced by the execution and delivery of such other document or instrument or the doing of any other such act or thing.

SCHEDULE C
REPRESENTATIONS AND WARRANTIES OF THE COMPANY

(1) **Organization and Qualification**. The Company and each of its Subsidiaries is a corporation or other entity duly incorporated or organized, as applicable, validly existing and in good standing under the laws of the jurisdiction of its incorporation, organization or formation, as applicable, and has all requisite power and authority to own, lease and operate its assets and properties and conduct its business as now owned and conducted. The Company and each of its Subsidiaries is duly qualified, licensed or registered to carry on business and is in good standing in each jurisdiction in which the character of its assets and properties, owned, leased, licensed or otherwise held, or the nature of its activities make such qualification, licensing or registration necessary, except for those qualifications, licensing or registrations the absence of which do not have and would not be reasonably expected to have, individually or in the aggregate, a Material Adverse Effect, and has all Authorizations required to own, lease and operate its properties and assets and to conduct its business as now owned and conducted, except for those Authorizations the absence of which do not have and would not be reasonably expected to have, individually or in the aggregate, a Material Adverse Effect. True and complete copies of the Company Constating Documents and the constating documents of the Company's Subsidiaries have been delivered or made available to Capstone, and the Company has not taken any action to amend or supersede such documents.

(2) **Corporate Authorization.** The Company has the requisite corporate power and authority to enter into and perform its obligations under this Agreement. The execution, delivery and performance by the Company of its obligations under this Agreement and the consummation of the Arrangement and the other transactions contemplated hereby have been duly authorized by all necessary corporate action on the part of the Company and no other corporate proceedings on the part of the Company are necessary to authorize this Agreement or the consummation of the Arrangement and the other transactions contemplated hereby other than the Required Company Shareholder Approval in the manner required by the Interim Order and Law and approval by the Court.

(3) **Execution and Binding Obligation.** This Agreement has been duly executed and delivered by the Company, and constitutes a legal, valid and binding agreement of the Company enforceable against it in accordance with its terms subject only to any limitation under bankruptcy, insolvency or other Laws affecting the enforcement of creditors' rights generally, and general equitable principles, and the discretion that a court may exercise in the granting of equitable remedies such as specific performance and injunction.

(4) **Shareholder Rights Plan.** The Company has taken all action necessary to defer the "Separation Time" under the Shareholder Rights Plan with respect to the Arrangement and the entering into of this Agreement and will, prior to the Effective Time, take all other actions necessary to ensure that the completion of the Arrangement will not constitute a "Flip-in Event" under the Shareholder Rights Plan and the Shareholder Rights Plan will not otherwise affect the completion of the Arrangement and any other transactions and agreements contemplated by this Agreement.

(5) **Governmental Authorization**. The execution, delivery and performance by the Company of its obligations under this Agreement and the consummation of the Arrangement and the other transactions contemplated hereby do not require any Authorization or other action by or in respect of, or filing with, or notification to, any Governmental Entity by the Company or by any of its Subsidiaries other than: (i) the Interim Order and any approvals required by the Interim Order; (ii) the Final Order; (iii) filings with the Director under the CBCA; (iv) in relation to the Regulatory Approvals; (v) filings with the Securities Regulatory Authorities and the TSX; and (vi) such other Authorizations the failure of which to obtain do not have and would not be reasonably expected have, individually or in the aggregate, a Material Adverse Effect.

(6) **Non-Contravention.** The authorization, execution, delivery and performance by the Company of its obligations under this Agreement and the consummation of the Arrangement and the other transactions contemplated hereby do not and will not (or would not with the giving of notice, the lapse of time or the happening of any other event or condition):

(a) violate, conflict with, or result (with or without notice or the passage of time) in a violation or breach of any provision of, or require, other than the Third Party Consents, any consent, approval or notice under, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) or result in a right of termination or acceleration of indebtedness under, or result in the creation of any Lien upon any of the properties or assets of the Company or any of its Subsidiaries, or cause any indebtedness to come due before its stated maturity or cause any credit commitment to cease to be available or cause any payment or other obligation to be imposed on the Company or any of its Subsidiaries, under any of the terms, conditions or provisions of:

i. their respective articles, charters, by-laws or other comparable organizational documents; or

ii. any Authorization or Contract to which the Company or any of its Subsidiaries is a party or to which any of them, or any of their respective properties or assets, may be subject or by which the Company or any of its Subsidiaries is bound;

(b) result in the Company or its Subsidiaries being unable, in whole or in part, to carry on any material aspect of their businesses after the date hereof as their businesses are currently carried on by the Company or its Subsidiaries, other than as a consequence of performing its obligations under this Agreement or the completion of the transactions contemplated by this Agreement or the Arrangement;

(c) subject to obtaining the Regulatory Approvals and Third Party Consents, as applicable,

i. result (with or without notice or the passage of time) in a material violation or breach of or constitute a default under any provisions of any Laws applicable to the Company or any of its Subsidiaries or any of their respective properties or assets; or

ii. cause the suspension or revocation of any Authorization currently in effect in regard of the Company or any of its Subsidiaries; or

(d) give rise to any rights of first refusal or trigger any change in control provisions, rights of first offer or any similar provisions or any restrictions or limitation under any note, bond, mortgage, indenture, Contract, license, franchise or Authorization.

(7) **Capitalization.**

(a) The authorized capital of the Company consists of an unlimited number of Company Shares. As of the close of business on the date of this Agreement, there were 68,204,970 Company Shares issued and outstanding. In addition, as of the date hereof, the Company has issued and outstanding $34,500,000 aggregate principal amount of Company Debentures, Company Warrants to acquire 5,218,816 Company Shares upon the exercise thereof, and Company Options to acquire 2,812,500 Company Shares upon the exercise thereof. All outstanding Company Shares have been duly authorized and validly issued, are fully paid and non-assessable. All of the Company Shares issuable upon the exercise of the Company Options, the Company Warrants and the Company Debentures have been duly authorized and, upon issuance in accordance with their respective terms, will be validly issued as fully paid and non-assessable and are not and will not be subject to or issued in violation of, any pre-emptive rights. No Company Shares, Company Warrants or Company Debentures have been issued and no Company Options have been granted in violation of any Law or any pre-emptive or similar rights applicable to them.

(b) Section C (7)(b) of the Company Disclosure Letter sets forth, in respect of the Company Debentures outstanding as of the date of this Agreement: (i) the number of Company Shares issuable upon conversion (including the total of all Company Shares issuable upon conversion of all outstanding Company Debentures); (ii) the conversion price payable; (iii) the date of maturity; and (iv) the name of the registered holder. The Company Debenture Indenture and the issuance of Company Shares under the Company Debenture Indenture upon the conversion of Company Debentures have been duly authorized by the Company Board in compliance with Law and the terms of the Company Debenture Indenture, and have been recorded on Company Financial Statements in accordance with GAAP.

(c) Section C(7)(c) of the Company Disclosure Letter sets forth, in respect of each Company Option outstanding as of the date of this Agreement: (i) the number of Company Shares issuable upon exercise (including the total of all Company Shares issuable upon exercise of all outstanding Company Options); (ii) the purchase price payable; (iii) the date of grant; (iv) the date of expiry; (v) the name of the registered holder; and (vi) the extent to which such Company Options are vested and are exercisable. The Stock Option Plan and the issuance of Company Shares under such plan (including all outstanding Company Options) have been duly authorized by the Company Board in compliance with Law and the terms of the Stock Option Plan, and have been recorded on Company Financial Statements in accordance with GAAP.

(d) Section C(7)(d) of the Company Disclosure Letter sets forth, as of the date of this Agreement, the number of Company Shares issuable upon the exercise of the Company Warrants) and the exercise price. The Company Warrant Indenture and the issuance of Company Shares under such indenture (including all outstanding Company Warrants) have been duly authorized by the Company Board in compliance with Law and the terms of the Company Warrant Indenture, and have been recorded on Company Financial Statements in accordance with GAAP.

(e) Except as set out in Section C(7)(e) of the Company Disclosure Letter and except for the rights under the outstanding Company Options, Company Warrants, Company Debentures, the Transition Agreement, the Resolution Agreement and the Settlement Agreement, there are no issued, outstanding or authorized options, equity-based awards, warrants, calls, conversion, pre-emptive, redemption, repurchase, stock appreciation or other rights, or any other agreements, arrangements, instruments or commitments of any kind that obligate the Company or any of its Subsidiaries to, directly or indirectly, issue or sell any securities of the Company or of any of its Subsidiaries, or give any Person a right to subscribe for or acquire, any securities of the Company or of any of its Subsidiaries.

(f) There are no issued, outstanding or authorized:

(i) obligations to repurchase, redeem or otherwise acquire any securities of the Company or of any of its Subsidiaries, or qualify securities for public distribution in Canada, the United States or elsewhere, or with respect to the voting or disposition of any securities of the Company or of any of its Subsidiaries, except as disclosed in Section C(7)(f) of the Company Disclosure Letter; or

(ii) notes, bonds, debentures or other evidences of indebtedness or any other agreements, arrangements, instruments or commitments of any kind that give any Person, directly or indirectly, the right to vote with holders of Company Shares on any matter.

(8) **Subsidiaries.**

(a) The following information with respect to each Subsidiary of the Company is accurately set out in Section C(8)(a) of the Company Disclosure Letter: (i) its name; (ii) the number, type and principal amount, as applicable, of its outstanding securities or other equity interests and a list of registered holders of capital stock or other equity interests; and (iii) its jurisdiction of incorporation, organization or formation.

(b) Except as disclosed in Section C(8)(b) of the Company Disclosure Letter, the Company is, directly or indirectly, the registered and beneficial owner of all of the outstanding common shares or other equity interests of each of its Subsidiaries, free and clear of any Liens (except Permitted Liens), all such shares or other equity interests so owned by the Company have been validly issued and are fully paid and non-assessable, as the case may be, and, to the knowledge of the Company, no such shares or other equity interests have been issued in violation of any pre-emptive or similar rights. Except for (i) the shares or other equity interests owned by the Company in any Subsidiary and (ii) except as disclosed in Section C(8)(b) of the Company Disclosure Letter, the Company does not own, beneficially or of record, any equity interests of any kind in any other Person.

(9) **Minute Books**. The corporate minute books of each of the Company and its Subsidiaries have been maintained in accordance with applicable Law, are true and correct in all material respects, and contain the duly signed minutes of all meetings of the boards of directors, board committees and shareholders and all resolutions passed by the boards of directors, board committees and the shareholders thereof. All such meetings were duly called and held and all such resolutions were duly passed or enacted.

(10) **Securities Law Matters**. The Company is a "reporting issuer" under Canadian Securities Laws in each of the provinces of Canada and is not on any list of reporting issuers in default under applicable Securities Laws. The Company Shares and the Company Debentures are only listed and posted for trading on the TSX and the Company Warrants and Company Options are not listed on any exchange. The Company is not in material default of any requirements of any Securities Laws or the rules and regulations of the TSX. The Company has not taken any action to cease to be a reporting issuer in any province of Canada nor has the Company received notification from any Securities Regulatory Authority seeking to revoke the reporting issuer status of the Company. No delisting, suspension of trading or cease trade or other order or restriction with respect to any securities of the Company is to the knowledge of the Company, pending, in effect, has been threatened, or is expected to be implemented or undertaken, and to the knowledge of the Company, it is not subject to any formal or informal review, enquiry, investigation or other proceeding relating to any such order or restriction. The Company has timely filed with or furnished to each Securities Regulatory Authority with which it is required to do so, all forms, reports, schedules, certifications, statements and other documents required to be filed or furnished by the Company with such Securities Regulatory Authority since becoming a reporting issuer on February 7, 2011, except where a failure to timely file or furnish does not have and would not be reasonably expected to have, individually or in the aggregate, a Material Adverse Effect. The Company Filings, as of their respective dates, (i) did not contain any Misrepresentation and (ii) complied in all material respects with the requirements of applicable Securities Laws. Except as disclosed in Section C(10) of the Company Disclosure Letter, the Company has not filed any confidential material change report (which at the date of this Agreement remains confidential) or any other confidential filings (including redacted filings) filed with or furnished to, as applicable, any Securities Regulatory Authority. Except as disclosed in Section C(10) of the Company Disclosure Letter, there are no outstanding or unresolved comments in comment letters from any Securities Regulatory Authority with respect to any of the Company Filings.

(11) **Financial Statements.**

(a) The Company Financial Statements (including, in each case, any the notes or schedules to and, as applicable, the auditor's report thereon) included in the Company Filings: (i) have been prepared in accordance with IFRS and its interpretations issued by the International Accounting Standards Board applicable as at the reporting date, and encompass individual IFRS, International Accounting Standards, and interpretations made by the International Financial Reporting Interpretations Committee; and (ii) fairly present the assets, liabilities (whether accrued, absolute, contentment or otherwise), financial position, results of operations or financial performance and cash flows of the Company, on a consolidated basis, as of their respective dates and for the respective periods covered by such Company Financial Statements (except as may be expressly indicated in the notes thereto). Except as described in the notes to the Company Financial Statements, there has been no material change in the Company's accounting policies since December 31, 2012.

(b) The financial books, records and accounts of the Company and each of its Subsidiaries: (i) have been maintained in accordance with IFRS or Accounting Standards for Private Enterprises, as established by the Canadian Accounting Standards Board, which apply to private enterprises; (ii) accurately and fairly reflect all the material transactions, acquisitions and dispositions of the Company and its Subsidiaries; and (iii) accurately and fairly reflect the basis of Company Financial Statements.

(12) **Disclosure Controls and Internal Control over Financial Reporting.**

(a) The Company has established and maintains a system of disclosure controls and procedures (as such term is defined in NI 52-109) that are designed to provide reasonable assurance that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under Securities Laws is recorded, processed, summarized and reported within the time periods specified in Securities Laws.

(b) The Company has established and maintains a system of internal control over financial reporting (as such term is defined in NI 52-109) that is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

(c) There is no material weakness (as such term is defined in NI 52-109) relating to the design, implementation or maintenance of its internal control over financial reporting, or, to the knowledge of the Company, fraud, whether or not material, that involves management or other employees who have a significant role in the internal control over financial reporting of the Company.

(d) Except as disclosed in Section C(12) of the Company Disclosure Letter, since January 1, 2011, none of the Company, any of its Subsidiaries or, to the Company's knowledge, any director, officer, employee, auditor, accountant or representative of the Company or any of its Subsidiaries has received or otherwise obtained knowledge of any material complaint, allegation, assertion, or claim, whether written or oral, regarding accounting, internal accounting controls or auditing matters, including any material complaint, allegation, assertion, or claim that the Company or any of its Subsidiaries has engaged in questionable accounting or auditing practices, or any expression of concern from its employees regarding questionable accounting or auditing matters, which has not been resolved to the satisfaction of the audit committee of the Company Board.

(13) **Auditors**. The auditors of the Company are independent public accountants as required by applicable Laws and there is not now, and there has never been, any reportable event (as defined in NI 51-102) with the present or any former auditors of the Company.

(14) **No Undisclosed Liabilities**. Except as disclosed in Section C(14) of the Company Disclosure Letter, there are no liabilities or obligations of the Company or of any of its Subsidiaries of any kind whatsoever, whether accrued, contingent, absolute, determined, determinable or otherwise, other than liabilities or obligations: (i) disclosed in the Company Financial Statements or in the notes thereto; (ii) incurred in the Ordinary Course since December 31, 2012; or (iii) incurred in connection with this Agreement.

(15) **Absence of Certain Changes or Events**. Since December 31, 2012, other than the transactions contemplated in this Agreement or as publicly disclosed in Company Filings or disclosed in Section C(15) of the Company Disclosure Letter, the business of the Company and its Subsidiaries has been conducted in the Ordinary Course and there has not been any event, circumstance or occurrence which has had or would be reasonably expected to have, individually or in the aggregate, a Material Adverse Effect.

(16) **Title to and Sufficiency of Assets**. The Company and its Subsidiaries own or lease all of the material property and assets necessary for the conduct of their business as it is currently being conducted and, except to the extent qualified in Section C(16) of the Company Disclosure Letter, there is no agreement, option or other right or privilege outstanding in favour of any Person for the purchase from the Company or any of its Subsidiaries of any of such material property or assets. All of such material property and assets are free of material defects, are in good operating condition and repair, are constructed in compliance with all applicable Laws and are sufficient to permit the continued operation of the Company's business in substantially the same manner as conducted in the year ended December 31, 2012. All roads necessary for the full utilization of any wind power project operated by the Company and/or its Subsidiaries for its intended purposes have either been completed or the necessary rights of way have been acquired by the Company and/or its Subsidiaries, and the Company and/or its Subsidiaries has full and free legally enforceable access to and from all Company Owned Properties and Company Leased Properties, in each case appropriate for each such project at its then given state of construction, as such construction is currently being conducted by the Company, any Subsidiary or any Persons appointed to conduct such construction. All necessary easements, servitudes, rights-of-way, agreements and other rights for the construction, interconnection and utilization of the distribution and transmission lines have been acquired by the Company and/or its Subsidiaries, in each case appropriate for each such project at its current state of construction, as such construction is currently being conducted by the Company, any Subsidiary or any Persons appointed to conduct such construction.

(17) **Compliance with Laws**. To the knowledge of the Company and except in respect of matters relating to the Company Owned Properties and the Company Leased Properties pursuant to Section C(22) and environmental matters pursuant to Section C(23), and except as disclosed in Section C(17) of the Company Disclosure Letter the Company and each of its Subsidiaries is in compliance with Law in all material respects. To the knowledge of the Company, neither the Company nor any of its Subsidiaries is or has been under any investigation with respect to, is or has been charged or threatened to be charged with, or has received notice of, any violation or potential violation of any Law or disqualification by a Governmental Entity.

(18) **Authorizations.**

(a) Section C(18) of the Company Disclosure Letter contains a list of all material Authorizations held by the Company and its Subsidiaries and all such Authorizations are in full force and effect and no violations thereof have occurred that could lead to a Material Adverse Effect. The Company and each of its Subsidiaries own, possess or have obtained all material Authorizations that are required by Law in connection with the operation of the business of the Company and its Subsidiaries as presently or previously conducted, or in connection with the ownership, operation or use of Company Assets. The Company and its Subsidiaries are in all material respects in compliance with the Authorizations held.

(b) To the knowledge of the Company, no action, investigation or proceeding is pending in respect of or regarding any such Authorization and none of the Company or any of its Subsidiaries, or to the knowledge of the Company any of their respective officers or directors has received notice, whether written or oral, of revocation, non-renewal or material amendments of any such Authorization, or of the intention of any Person to revoke, refuse to renew or materially amend any such Authorization.

(19) **Opinion of Financial Advisors**. The Company Board and the Special Committee have received the Company Fairness Opinion.

(20) **Company Board and Special Committee Approval.**

(a) The Special Committee, after consultation with its financial and legal advisors, has unanimously recommended that the Company Board approve the Arrangement and that the Company Shareholders vote in favour of the Arrangement Resolution.

(b) The Company Board, acting on the unanimous recommendation in favour of the Arrangement by the Special Committee, has unanimously: (i) determined that the Consideration to be received by the Company Shareholders (excluding Capstone and its affiliates) pursuant to the Arrangement and this Agreement is fair to such Company Shareholders and that the Arrangement is in the best interests of the Company; (ii) resolved to unanimously recommend that the Company Shareholders vote in favour of the Arrangement Resolution; and (iii) authorized the entering into of this Agreement and the performance by the Company of its obligations under this Agreement, and no action has been taken to amend, or supersede such determinations, resolutions, or authorizations.

(21) **Material Contracts.**

(a) The Company Data Room contains copies of all Company Material Contracts to which the Company or any of its Subsidiaries is a party that are currently in force, true and complete copies of such Company Material Contracts have been disclosed in the Company Data Room and no such Company Material Contract has been modified, rescinded or terminated.

(b) Except as disclosed in Section C(21) of the Company Disclosure Letter, all of the Company Material Contracts are in full force and effect, and the Company or any of its Subsidiaries, as applicable, are entitled to all rights and benefits thereunder in accordance with the terms thereof. The Company and its Subsidiaries have complied in all material respects with all terms of such Company Material Contracts and have paid all amounts due thereunder, as and when due. Except as disclosed in Section C(21) of the Company Disclosure Letter, the Company and its Subsidiaries have not waived any material rights under a Company Material Contract and no material default or breach exists in respect thereof on the part of the Company or any of its Subsidiaries or, to the knowledge of the Company, on the part of any other party thereto, and no event has occurred which, after the giving of notice or the lapse of time or both, would constitute such a default or breach or trigger a right of termination of any of such Company Material Contracts.

(c) Except as disclosed in Section C(21) of the Company Disclosure Letter, no consent, approval, permit or acknowledgement is required under any Company Material Contract from any party thereto in connection with the completion of the transactions herein contemplated.

(d) All of the Company Material Contracts are valid and binding obligations of the Company or any of its Subsidiaries, as the case may be, enforceable in accordance with their respective terms, except as may be limited by bankruptcy, insolvency and other Laws affecting the enforcement of creditors' rights generally and subject to the qualification that equitable remedies may only be granted in the discretion of a court of competent jurisdiction.

(e) As at the date hereof, neither the Company nor any of its Subsidiaries have received written notice that any party to a Company Material Contract of the Company or any of its Subsidiaries intends to cancel, terminate or otherwise modify or not renew such Company Material Contract and, to the knowledge of the Company, no such action has been threatened.

(f) Neither the Company nor any of its Subsidiaries is a party to any Company Material Contract that contains any non-competition obligation or otherwise restricts in any material way the business of the Company or any of its Subsidiaries.

(22) **Real Property.**

(a) A true and complete list of all freehold real or immovable property owned by the Company or its Subsidiaries (the "Company Owned Properties") is provided in Section C(22)(a) of the Company Disclosure Letter. The Company and its Subsidiaries, as applicable, have valid, good and marketable title to all of the Company Owned Properties free and clear of any Liens, except for Permitted Liens.

(b) Section C(22)(b) of the Company Disclosure Letter lists each Company Leased Property for all projects of the Company and its Subsidiaries that have reached commercial operation or in respect of which the Company or a Subsidiary has entered into a power purchase agreement, and sets out (i) the date of the applicable agreement and any amendments thereto; (ii) the parties; (iii) the subject lands; and (iv) the term and any options to extend or renew the term. Except as set out in Section C(22)(b) of the Company Disclosure Letter, neither the Company nor any of its Subsidiaries are party to any other lease, sublease, license or occupancy agreement other than leases, subleases, licenses or occupancy agreements for projects that have not reached commercial operation or in respect of which a power purchase agreement has not been signed by the Company or any Subsidiary. Each lease, sublease, license or occupancy agreement relating to the Company Leased Properties is valid, legally binding and enforceable by the Company or its Subsidiary, as applicable, in accordance with its terms and is in full force and effect, unamended and the Company or its Subsidiary, as applicable, is entitled to the full benefit and advantage of the same and, to the Company's knowledge, none of the Company, any of its Subsidiaries or any other party thereto is in breach of, or default under, such lease, sublease, license or occupancy agreement and there has not occurred any other event which, with the lapse of time or the giving of notice or both, would constitute a default. No consent to any other party to such lease, sublease, license or occupancy agreement is required nor is any notice required to be given under the same in connection with the completion of the transactions contemplated by this Agreement in order to maintain all rights of the Company or its Subsidiaries, as applicable, under such lease, sublease, license or occupancy agreement. Subject to obtaining any applicable Third Party Consent, the completion of the transactions contemplated by this Agreement will not result in any default under any such lease sublease, license or occupancy agreement nor afford any Person the right to terminate the same nor will the completion of such transactions result in any additional or more onerous obligation on the Company or any of its Subsidiaries.

(c) To the knowledge of the Company and its Subsidiaries, no Person, other than the Company or any of its Subsidiaries, is using or has any claim or right to use or is in or has any claim or right of possession or occupancy of, any part of the Company Owned Properties.

(d) The Company Owned Properties and Company Leased Properties comply with all Law and are zoned (to the extent necessary) so as to permit their current use.

(e) To the knowledge of the Company and its Subsidiaries, there are no existing or proposed, contemplated or threatened expropriation proceedings that would result in the taking of all or any part of the Company Owned Properties or Company Leased Properties or that would adversely affect the current use of the Company Owned Properties or Company Leased Properties or any part of them.

(f) The buildings or other structures or the improvements on the Company Owned Properties or Company Leased Properties and used by the Company or its Subsidiaries, as applicable, do not contravene any of the height requirements of any of the regulations under the Aeronautics Act (Canada).

(23) **Environmental Matters.**

(a) Except as disclosed in Section C(23) of the Company Disclosure Letter, to the Company's knowledge, no written notice, order, complaint or penalty has been received by the Company or any of its Subsidiaries alleging that the Company or any of its Subsidiaries is in violation of, or has any liability or potential liability under, any Environmental Law, and, to the Company's knowledge, there are no judicial, administrative or other actions, suits or proceedings pending or threatened against the Company or any of its Subsidiaries which allege a violation of, or any liability or potential liability under, any Environmental Laws.

(b) The Company and each of its Subsidiaries has all Authorizations issued pursuant to Environmental Laws necessary for the operation of their respective businesses, as such business is currently being conducted, and to comply with all Environmental Laws.

(c) The Company and each of its Subsidiaries have been and are in all material respects in compliance with, and their respective businesses and operations have been operated and used and are being operated and used in all material respects in compliance with, all Environmental Laws and all terms and conditions of all Authorizations issued pursuant to Environmental Laws, and, to the Company's knowledge, there are no facts which would give rise to allegations of non-compliance with Environmental Laws or result in any Environmental Liabilities.

(d) To the Company's knowledge, there has been no Release of any Hazardous Substance from, at, on, or under any land on which the Company or any of its Subsidiaries conduct business which could give rise to any Environmental Liability.

(24) **Personal Property**. Each of the Company and its Subsidiaries is the owner of all of its material personal property and assets with good and marketable title thereto free of any Liens except for Permitted Liens.

(25) **Intellectual Property**. Except as provided in Section C(25) of the Company Disclosure Letter, neither the Company nor any of its Subsidiaries owns, licenses or otherwise uses any patents, patent rights, licenses, inventions, copyrights, know-how (including trade secrets and other unpatented and/or unpatentable proprietary or confidential information, systems or procedures), trademarks, service marks, trade names or other intellectual property (collectively, "**Intellectual Property**") in the business. The Company and its Subsidiaries own or possess adequate Intellectual Property necessary to carry on the business now operated by them and there is no action, suit, proceeding or claim pending or, to the knowledge of the Company, threatened by any Person challenging the Company's or its Subsidiaries' rights in or to such intellectual property which is used for the conduct of the business as currently carried on as set forth in Company Filings.

(26) **Employees.**

(a) A complete and accurate list of all Company Employees as at the date of this Agreement, together with the position, status, length of service, location of employment, compensation and benefits of each Company Employee has been disclosed by the Company in the Company Data Room. Except as noted on the list referred to above, no Company Employee is on long-term disability leave, receiving benefits pursuant to applicable workers' compensation legislation or otherwise an inactive employee.

(b) Copies of all written Contracts in relation to the employment of, or services provided by, Company Employees have been disclosed by the Company to Capstone.

(c) The Company and its Subsidiaries are in compliance with all terms and conditions of employment and all Law respecting employment, including employment standards, wages, hours of work, overtime, labour relations, human rights, occupational health and safety and workers' compensation, and there are no outstanding claims, complaints, investigations, proceedings or orders under any such Law or otherwise in relation to current or former Company Employees.

(d) Except as disclosed in the copies of the Contracts provided by the Company to Capstone (and other than any Contract which may be terminated by the Company or its Subsidiaries by providing reasonable notice or payment in lieu of notice which arises at Law upon the termination of an employee without an agreement as to notice or severance) and except as set out in Section C(26) of the Company Disclosure Letter, no Company Employee has any Contract in relation to the individual's termination, length of notice, pay in lieu of notice, severance, job security or similar provisions, nor are there any change of control payments, golden parachutes, severance payments, retention payments, Contracts or other agreements with current or former Company Employees providing for cash or other compensation or benefits upon the consummation of, or relating to, the Agreement or Arrangement, including a change of control of the Company or of any of its Subsidiaries.

(27) **Collective Agreements.**

(a) There are no collective bargaining or similar agreements in force with respect to Company Employees nor is there any Contract with any trade union, employee association or similar entity in respect of the Company, its Subsidiaries or Company Employees.

(b) No trade union, council of trade unions, employee bargaining agency, affiliated bargaining agent or similar entity holds bargaining rights with respect to the Company, its Subsidiaries or any Company Employees.

(c) To the Company's knowledge, there are no threatened or pending union or similar organizing activities involving the Company, its Subsidiaries or any Company Employees.

(28) **Employee Plans.**

(a) Section C(28) of the Company Disclosure Letter lists all material Employee Plans of the Company and its Subsidiaries. The Company has disclosed in the Company Data Room true, correct and complete copies of all such material Employee Plans as amended to the date hereof together with all material related documentation and all amendments thereto, including all funding agreements plan summaries, employee booklets and personnel manuals and copies of material correspondence, including correspondence with Governmental Entities and plan administrators, with respect to the applicable Employee Plan.

(b) Each Employee Plan of the Company and its Subsidiaries is and has been established, registered, qualified, funded, invested and administered in accordance with Law and its terms.

(c) All contributions, premiums or taxes required to be made or paid by the Company or any of its Subsidiaries, as the case may be, under or in connection with each Employee Plan have been made in a timely fashion in accordance with Law and the terms of the applicable Employee Plan.

(d) No Employee Plan of the Company or its Subsidiaries is a "registered pension plan" (as such term is defined in subsection 248(1) of the Tax Act) or is required to be registered under the *Pension Benefits Act* (Ontario) or any similar Law of any other jurisdiction.

(29) **Litigation**. Except as disclosed in Section C(29) of the Company Disclosure Letter, there are no claims, actions, suits, arbitrations, inquiries, investigations or proceedings pending, or, to the knowledge of the Company threatened, against or relating to the Company or any of its Subsidiaries, the business of the Company or of any of its Subsidiaries or affecting any of their respective properties or assets by or before any Governmental Entity that, if determined adversely to the interests of the Company and its Subsidiaries, would have or would be reasonably expected to have, individually or in the aggregate, a Material Adverse Effect or prevent or materially delay the consummation of the Arrangement, nor to the knowledge of the Company are there any events or circumstances which could reasonably be expected to give rise to any such claim, action, suit, arbitration, inquiry, investigation or proceeding. There is no judgment, citation, writ, decree, injunction, ruling, order or award of any Governmental Entity outstanding against the Company or any Subsidiary.

(30) **First Nations Claims**. As of the date hereof, neither the Company nor any of its Subsidiaries have received notice that any part of the Company Owned Property or any Company Leased Property is subject to, and there are no current or pending, First Nations Claims affecting any part of the Company Owned Property or Company Leased Property. The Company has disclosed all First Nations Information to Capstone, and more particularly, neither the Company nor any of its Subsidiaries have entered into any written or oral agreements with First Nations to provide benefits, pecuniary or otherwise, with respect to any part of the Company Owned Properties or Company Leased Properties at any time and, except as disclosed in Section C(30) of the Company Disclosure Letter, neither the Company nor any one of its Subsidiaries have offered First Nations any benefits with respect to any part of the Company Owned Property or Company Leased Property at any time.

(31) **Corrupt Practices Legislation**. Neither the Company, its Subsidiaries and affiliates, nor any of their respective officers, directors or employees acting on behalf of the Company or any of its Subsidiaries or affiliates has taken, committed to take or been alleged to have taken any action either in Canada or outside Canada which would cause the Company or any of its Subsidiaries or affiliates to be in violation of the United States' Foreign Corrupt Practices Act (and the regulations promulgated thereunder), the Corruption of Foreign Public Officials Act (Canada) (and the regulations promulgated thereunder) or any applicable Law of similar effect (including any applicable Laws relating to the corruption of public officials in Canada), and to the knowledge of the Company no such action has been taken by any of its agents, representatives or other Persons acting on behalf of the Company or any of its Subsidiaries or affiliates.

(32) **Related Party Transactions**. Except as disclosed in Section C(32) of the Company Disclosure Letter, there are no Contracts or other transactions currently in place between the Company or any of its Subsidiaries, on the one hand, and: (i) any officer or director of the Company or any of its Subsidiaries; (ii) any holder of record or, to the knowledge of the Company, beneficial owner of 10% or more of the Company Shares; and (iii) any affiliate or associate of any such, officer, director, holder of record or beneficial owner, on the other hand.

(33) **Insurance.**

(a) Section C(33) of the Company Disclosure Letter describes all insurance policies currently maintained by or for the Company and the Subsidiaries, including a brief description of the type of insurance, the deductibles, the name of the insurer and the expiration date. The Company and its Subsidiaries have in place reasonable and prudent insurance policies appropriate for their size, nature and stage of development.

(b) To the knowledge of the Company, each of such insurance policies is valid and subsisting and in good standing and there is no default thereunder.

(34) **Taxes.**

(a) The Company and each of its Subsidiaries:

i. has duly and timely filed all income Tax Returns and other material Tax Returns required to be filed by it at or prior to the date hereof and all such Tax Returns are true, correct and complete in all material respects;

ii. has timely paid all material Taxes, whether or not shown on any Tax Return, that are required to be paid by any of them at or prior to the date hereof except with respect to matters contested in good faith by appropriate proceedings and for which adequate reserves have been established in accordance with IFRS;

iii. has timely deducted, withheld and remitted (or accounted for) to the proper Governmental Entities all material Taxes required to have been deducted, withheld and remitted (or accounted for) by any of them in connection with amounts paid or owing to any person, including to any employee, creditor, person that is or is deemed to be a non-resident of Canada (for purposes of the Tax Act) or a non-resident with respect to any paying Subsidiary's jurisdiction of residence or other third party, in compliance with all applicable Laws related to Taxes, except with respect to matters contested in good faith by appropriate proceedings and for which adequate reserves have been established in accordance with IFRS; and

iv. has not waived any statute of limitations with respect to any material Taxes or agreed to any extension of time with respect to the assessment, reassessment or collection of a material Tax.

(b) There are not pending or, to the knowledge of the Company, threatened, against the Company or any of its Subsidiaries any audits, examinations, investigations or other proceedings in respect of Taxes or Tax matters.

(c) The Company and its Subsidiaries have charged, collected and remitted on a timely basis all material Taxes as required under applicable Law on any sale, supply or delivery whatsoever, made by any of them.

(d) No material deficiencies have been asserted by any Governmental Entity with respect to Taxes of the Company or any of its Subsidiaries.

(e) The terms and conditions made or imposed in respect of every transaction (or series of transactions) between the Company or any Subsidiary and any person that is not dealing at arm's length with the Company or such Subsidiary, as the case may be, do not materially differ from those that would have been made between persons dealing at arm's length, and each of the Company and each Subsidiary has complied in all material respects with the transfer pricing requirements of any applicable Law.

(f) Adequate provision has been made on the consolidated financial statements of the Company for all Taxes assessed and all Taxes owing by the Company or any Subsidiary that are not yet due and payable and relate to periods ending prior to the date hereof.

(g) All Taxes with respect to the Company Owned Properties or Company Leased Properties that are due have been paid in full, and there are no local improvement charges or special levies outstanding in respect of the Company Owned Properties and neither the Company nor any Subsidiary has received any notice of proposed local improvement charges or special levies.

(h) At least $4,000,000 of Canadian renewable and conservation expenses ("**CRCE**") have been incurred by the Company, directly or indirectly through partnerships, in 2013 prior to the date hereof.

(i) There are no agreements having effect after the date hereof with respect to Parc Ecollen Saint-Philemon S.E.C., SP Amherst Wind Power LP or Glen Dhu Wind Energy Limited Partnership providing for the allocation of the income, loss, capital cost allowance, Canadian exploration expenses or CRCE of such partnerships to limited partners other than in accordance with the respective partnership agreements.

(35) **Bankruptcy and Insolvency**. Neither the Company nor any of its Subsidiaries has made an assignment in favour of its creditors or a proposal in bankruptcy to its creditors or any class thereof nor has any petition for a receiving order been presented in respect of it. Neither the Company nor any of its Subsidiaries has initiated proceedings with respect to a compromise or arrangement with its creditors or for its winding up, liquidation or dissolution and, to the knowledge of the Company, no such proceedings have been threatened by any other Person. No receiver has been appointed in respect of the Company or any of its Subsidiaries or any of their respective property or assets and no execution or distress has been levied upon any of their respective property or assets and, to the knowledge of the Company, no such proceedings have been threatened by any other Person. Neither the Company nor any of its Subsidiaries are insolvent for the purposes of Section 192 of the CBCA.

(36) **United States Securities Laws.**

(a) The Company is a "foreign private issuer" as defined in Rule 3b-4 under the U.S. Exchange Act;

(b) No securities of the Company are registered or required to be registered under Section 12 of the U.S. Exchange Act, and the Company has not been, and is not, required to file reports under Sections 13(a) or 15(d) of the U.S. Exchange Act;

(c) None of the Company or any of its predecessors or affiliates has had the registration under the U.S. Exchange Act of a class of its securities revoked by the United States Securities and Exchange Commission pursuant to Section 12(j) of the U.S. Exchange Act; and

(d) The Company is not registered, and is not required to be registered, as an "investment company" under the United States Investment Company Act of 1940, as amended.

(37) **Restrictions on Business Activities**. There is no arbitral award, judgment, injunction, constitutional ruling, order or decree binding upon the Company or any of its Subsidiaries that has or could reasonably be expected to have the effect of prohibiting, restricting, or impairing any business practice of any of them, any acquisition or disposition of property by any of them, or the conduct of the business by any of them as currently conducted.

(38) **Brokers**. Except as disclosed in Section C(38) of the Company Disclosure Letter, no broker, investment banker, financial advisor or other Person is entitled to any broker's, finder's, financial advisor's or other similar fee or commission in connection with the transactions contemplated hereby based upon arrangements made by or on behalf of the Company, and the aggregate amount of such fees that may become payable in respect of all such arrangements is set out in Section C(38) of the Company Disclosure Letter.

(39) **Guarantees and Other Agreements**. Except as set out in Section C(39) of the Company Disclosure Letter, neither the Company nor any of its Subsidiaries is a party to or bound by any agreement of guarantee, indemnification, assumption or endorsement or any other like commitment to any Person or of the obligations, liabilities, actual contingent or otherwise, or indebtedness of any Person.

(40) **Canada Transportation Act**. None of the Company or its Subsidiaries is a "transportation undertaking" within the meaning of, or for the purposes of, subsection 53.1(1) of the *Canada Transportation Act.*

SCHEDULE D
REPRESENTATIONS AND WARRANTIES OF CAPSTONE

(1) **Organization and Qualification**. Capstone and each of its Subsidiaries is a corporation or other entity duly incorporated or organized, as applicable, validly existing and in good standing under the laws of the jurisdiction of its incorporation, organization or formation, as applicable, and has all requisite power and authority to own, lease and operate its assets and properties and conduct its business as now owned and conducted. Capstone and each of its Subsidiaries is duly qualified, licensed or registered to carry on business and is in good standing in each jurisdiction in which the character of its assets and properties, owned, leased, licensed or otherwise held, or the nature of its activities make such qualification, licensing or registration necessary, except for those qualifications, licensing or registrations the absence of which do not have and would not be reasonably expected to have, individually or in the aggregate, a Material Adverse Effect, and has all Authorizations required to own, lease and operate its properties and assets and to conduct its business as now owned and conducted, except for those Authorizations the absence of which do not have and would not be reasonably expected to have, individually or in the aggregate, a Material Adverse Effect. True and complete copies of the Capstone Constating Documents and the constating documents of the Subsidiaries of Cubs specified in Section D(1) of the Capstone Disclosure Letter have been delivered or made available to the Company, and Capstone has not taken any action to amend or supersede such documents.

(2) **Corporate Authorization**. Capstone has the requisite corporate power and authority to enter into and perform its obligations under this Agreement. The execution, delivery and performance by Capstone of its obligations under this Agreement and the consummation of the Arrangement and the other transactions contemplated hereby have been duly authorized by all necessary corporate action on the part of Capstone and no other corporate proceedings on the part of Capstone are necessary to authorize this Agreement or the consummation of the Arrangement and the other transactions contemplated hereby other than the Required Capstone Shareholder Approval.

(3) **Execution and Binding Obligation**. This Agreement has been duly executed and delivered by Capstone, and constitutes a legal, valid and binding agreement of Capstone enforceable against it in accordance with its terms subject only to any limitation under bankruptcy, insolvency or other Laws affecting the enforcement of creditors' rights generally, and general equitable principles, and the discretion that a court may exercise in the granting of equitable remedies such as specific performance and injunction.

(4) **Governmental Authorization**. The execution, delivery and performance by Capstone of its obligations under this Agreement and the consummation of the Arrangement and the other transactions contemplated hereby do not require any Authorization or other action by or in respect of, or filing with, or notification to, any Governmental Entity by Capstone or by any of its Subsidiaries other than: (i) in relation to the Regulatory Approvals; (ii) filings with the Securities Regulatory Authorities and the TSX; and (iii) such other Authorizations the failure of which to obtain do not have and would not be reasonably expected to have, individually or in the aggregate, a Material Adverse Effect.

(5) **Non-Contravention**. The authorization, execution, delivery and performance by Capstone of its obligations under this Agreement and the consummation of the Arrangement and the other transactions contemplated hereby do not and will not (or would not with the giving of notice, the lapse of time or the happening of any other event or condition):

(a) violate, conflict with, or result (with or without notice or the passage of time) in a violation or breach of any provision of, or require, other than the Third Party Consents, any consent, approval or notice under, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) or result in a right of termination or acceleration of indebtedness under, or result in the creation of any Lien upon any of the properties or assets of Capstone or any of its Subsidiaries, or cause any indebtedness to come due before its stated maturity or cause any credit commitment to cease to be available or cause any payment or other obligation to be imposed on Capstone or any of its Subsidiaries, under any of the terms, conditions or provisions of:

i. their respective articles, charters, by-laws or other comparable organizational documents; or

ii. any Authorization or Contract to which Capstone or any of its Subsidiaries is a party or to which any of them, or any of their respective properties or assets, may be subject or by which Capstone or any of its Subsidiaries is bound;

(b) result in Capstone or its Subsidiaries being unable, in whole or in part, to carry on any material aspect of their businesses after the date hereof as their businesses are currently carried on by Capstone or its Subsidiaries, other than as a consequence of performing its obligations under this Agreement or the completion of the transactions contemplated by this Agreement or the Arrangement;

(c) subject to obtaining the Regulatory Approvals,

i. result (with or without notice or the passage of time) in a material violation or breach of or constitute a default under any provisions of any Laws applicable to Capstone or any of its Subsidiaries or any of their respective properties or assets; or

ii. cause the suspension or revocation of any Authorization currently in effect in regard of Capstone or any of its Subsidiaries; or

(d) give rise to any rights of first refusal or trigger any change in control provisions, rights of first offer or any similar provisions or any restrictions or limitation under any note, bond, mortgage, indenture, Contract, license, franchise or Authorization.

(6) **Capitalization.**

(a) The authorized capital of Capstone consists of an unlimited number of Capstone Shares and an unlimited number of preferred shares. As of the close of business on the date prior to this Agreement, there were 72,865,409 Capstone Shares issued and outstanding. As of the date hereof, Capstone has also issued and outstanding $42,749,000 aggregate principal amount of Debentures and 3,000,000 Capstone Preferred Shares. In addition, MPT LTC Holding LP, a Subsidiary of Capstone, has 3,249,390 Class B exchangeable limited partnership units (the "**Class B Units**") issued and outstanding that have economic rights equivalent in all material respects to those of the Capstone Shares and which, subject to certain conditions, are exchangeable for Capstone Shares on a one-for-one basis. All outstanding Capstone Shares have been duly authorized and validly issued, are fully paid and non-assessable. All of the Capstone Shares issuable upon the conversion of the Capstone Debentures and the exchange of the Class B Units have been duly authorized and, upon issuance in accordance with their respective terms, will be validly issued as fully paid and non-assessable and are not and will not be subject to or issued in violation of, any pre-emptive rights. No Capstone Shares, Capstone Preferred Shares, Capstone Debentures or Class B Units have been issued in violation of any Law or any pre-emptive or similar rights applicable to them.

(b) Section D(6)(b) of the Capstone Disclosure Letter sets forth, in respect of the Capstone Debentures outstanding as of the date of this Agreement: (i) the number of Capstone Shares issuable upon conversion; (ii) the conversion price payable; and the (iii) the date of maturity. The Capstone Debenture Indenture and the issuance of Capstone Shares under the Capstone Debenture Indenture upon the conversion of Capstone Debentures have been duly authorized by the Capstone Board in compliance with Law and the terms of the Capstone Debenture Indenture, and have been recorded on the Capstone Financial Statements in accordance with GAAP.

(c) Except for the rights under the outstanding Capstone Debentures and Class B Units, the dividend reinvestment plan of Capstone or the employee share purchase plan of Capstone, there are no issued, outstanding or authorized options, equity-based awards, warrants, calls, conversion, pre-emptive, redemption, repurchase, stock appreciation or other rights, or any other agreements, arrangements, instruments or commitments of any kind that obligate Capstone or any of its Subsidiaries (excluding the Bristol Water Entities) to, directly or indirectly, issue or sell any securities of Capstone or of any of its Subsidiaries (excluding the Bristol Water Entities), or give any Person a right to subscribe for or acquire, any securities of Capstone or of any of its Subsidiaries.

(d) There are no issued, outstanding or authorized:

(i) Other than as set out in Section D(6)(d)(i) of the Capstone Disclosure Letter, obligations to repurchase, redeem or otherwise acquire any securities of Capstone or of any of its Subsidiaries, or qualify securities for public distribution in Canada, the United States or elsewhere, or with respect to the voting or disposition of any securities of Capstone or of any of its Subsidiaries; or

(ii) notes, bonds, debentures or other evidences of indebtedness or any other agreements, arrangements, instruments or commitments of any kind that give any Person, directly or indirectly, the right to vote with holders of Capstone Shares on any matter.

(7) **Subsidiaries.**

(a) The following information with respect to each Subsidiary of the Company is accurately set out in Section D(7)(a) of the Capstone Disclosure Letter: (i) its name; (ii) the number, type and principal amount, as applicable, of its outstanding securities or other equity interests and a list of registered holders of capital stock or other equity interests; and (iii) its jurisdiction of incorporation, organization or formation.

(b) Except as disclosed in Section D(7)(a) of the Capstone Disclosure Letter, Capstone is, directly or indirectly, the registered and beneficial owner of all of the outstanding common shares or other equity interests of each of its Subsidiaries, free and clear of any Liens (except Permitted Liens), all such shares or other equity interests so owned by Capstone have been validly issued and are fully paid and non-assessable, as the case may be, and, to the knowledge of Capstone, no such shares or other equity interests have been issued in violation of any pre-emptive or similar rights. Except for (i) the shares or other equity interests owned by Capstone in any Subsidiary and (ii) as disclosed in Section D(7)(b) of the Capstone Disclosure Letter, Capstone does not own, beneficially or of record, any equity interests of any kind in any other Person.

(8) **Minute Books**. The corporate minute books of each of Capstone and its Subsidiaries have been maintained in accordance with applicable Law, are true and correct in all material respects.

(9) **Securities Law Matters**. Capstone is a "reporting issuer" under Canadian Securities Laws in each of the provinces and territories of Canada and is not on any list of reporting issuers in default under applicable Securities Laws. The Capstone Shares, the Capstone Preferred Shares and the Capstone Debentures are only listed and posted for trading on the TSX. Capstone is not in material default of any requirements of any Securities Laws or the rules and regulations of the TSX. Capstone has not taken any action to cease to be a reporting issuer in any province or territory of Canada nor has Capstone received notification from any Securities Regulatory Authority seeking to revoke the reporting issuer status of the Company. No delisting, suspension of trading or cease trade or other order or restriction with respect to any securities of Capstone is to the knowledge of Capstone, pending, in effect, has been threatened, or is expected to be implemented or undertaken, and to the knowledge of Capstone, it is not subject to any formal or informal review, enquiry, investigation or other proceeding relating to any such order or restriction. Capstone has timely filed with or furnished to each Securities Regulatory Authority with which it is required to do so, all forms, reports, schedules, certifications, statements and other documents required to be filed or furnished by Capstone with such Securities Regulatory Authority since January 1, 2011, except where a failure to timely file or furnish does not have and would not be reasonably expected to have, individually or in the aggregate, a Material Adverse Effect. The Capstone Filings, as of their respective dates, (i) did not contain any Misrepresentation and (ii) complied in all material respects with the requirements of applicable Securities Laws. Capstone has not filed any confidential material change report (which at the date of this Agreement remains confidential) or any other confidential filings (excluding redacted filings) filed with or furnished to, as applicable, any Securities Regulatory Authority. There are no outstanding or unresolved comments in comment letters from any Securities Regulatory Authority with respect to any of the Company Filings.

(10) **Financial Statements.**

(a) The Capstone Financial Statements (including, in each case, any the notes or schedules to and, as applicable, the auditor's report thereon) included in the Capstone Filings: (i) have been prepared in accordance with IFRS and its interpretations issued by the International Accounting Standards Board applicable as at the reporting date, and encompass individual IFRS, International Accounting Standards, and interpretations made by the International Financial Reporting Interpretations Committee; and (ii) fairly present the assets, liabilities (whether accrued, absolute, contentment or otherwise), financial position, results of operations or financial performance and cash flows of Capstone, on a consolidated basis, as of their respective dates and for the respective periods covered by such Capstone Financial Statements (except as may be expressly indicated in the notes thereto). Except as described in the notes to the Capstone Financial Statements, there has been no material change in Capstone's accounting policies since December 31, 2012.

(b) The financial books, records and accounts of Capstone and each of its Subsidiaries: (i) have been maintained in accordance with IFRS, the generally accepted accounting policies of the United Kingdom or Accounting Standards for Private Enterprises, as established by the Canadian Accounting Standards Board, which apply to private enterprises; (ii) accurately and fairly reflect all the material transactions, acquisitions and dispositions of Capstone and its Subsidiaries; and (iii) accurately and fairly reflect the basis of Capstone Financial Statements.

(11) **Disclosure Controls and Internal Control over Financial Reporting.**

(a) Capstone has established and maintains a system of disclosure controls and procedures (as such term is defined in NI 52-109) that are designed to provide reasonable assurance that information required to be disclosed by Capstone in its annual filings, interim filings or other reports filed or submitted by it under Securities Laws is recorded, processed, summarized and reported within the time periods specified in Securities Laws.

(b) Capstone has established and maintains a system of internal control over financial reporting (as such term is defined in NI 52-109) that is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

(c) There is no material weakness (as such term is defined in NI 52-109) relating to the design, implementation or maintenance of its internal control over financial reporting, or, to the knowledge of Capstone, fraud, whether or not material, that involves management or other employees who have a significant role in the internal control over financial reporting of Capstone.

(d) Since January 1, 2011, none of Capstone, any of its Subsidiaries or, to Capstone's knowledge, any director, officer, employee, auditor, accountant or representative of Capstone or any of its Subsidiaries has received or otherwise obtained knowledge of any material complaint, allegation, assertion, or claim, whether written or oral, regarding accounting, internal accounting controls or auditing matters, including any material complaint, allegation, assertion, or claim that Capstone or any of its Subsidiaries has engaged in questionable accounting or auditing practices, or any expression of concern from its employees regarding questionable accounting or auditing matters, which has not been resolved to the satisfaction of the audit committee of Capstone Board.

(12) **Auditors**. The auditors of Capstone are independent public accountants as required by applicable Laws and there is not now, and there has never been, any reportable event (as defined in NI 51-102) with the present or any former auditors of Capstone.

(13) **No Undisclosed Liabilities**. Other than as disclosed in Section D(13) of the Capstone Disclosure Letter, there are no material liabilities or obligations of Capstone or of any of its Subsidiaries of any kind whatsoever, whether accrued, contingent, absolute, determined, determinable or otherwise, other than liabilities or obligations: (i) disclosed in the Capstone Financial Statements or in the notes thereto; (ii) incurred in the Ordinary Course since December 31, 2012; or (iii) incurred in connection with this Agreement.

(14) **Absence of Certain Changes or Events**. Since December 31, 2012, other than the transactions contemplated in this Agreement or as publicly disclosed in Capstone Filings, the business of Capstone and its Subsidiaries has been conducted in the Ordinary Course and there has not been any event, circumstance or occurrence which has had or would be reasonably expected to have, individually or in the aggregate, a Material Adverse Effect.

(15) **Title to and Sufficiency of Assets**. Capstone and its Subsidiaries (excluding the Bristol Water Entities) own or lease all of the material property and assets necessary for the conduct of their business as it is currently being conducted and there is no agreement, option or other right or privilege outstanding in favour of any Person for the purchase from Capstone or any of its Subsidiaries of any of such material property or assets other than as disclosed in Section D(15) of the Capstone Disclosure Letter. All of such material property and assets are free of material defects, are in good operating condition and repair, are constructed in compliance with all applicable Laws and are sufficient to permit the continued operation of the Company's business in substantially the same manner as conducted in the year ended December 31, 2012.

(16) **Compliance with Laws**. To the knowledge of Capstone, Capstone and each of its Subsidiaries is in compliance with Law in all material respects. To the knowledge of Capstone, neither Capstone nor any of its Subsidiaries is or has been under any investigation with respect to, is or has been charged or threatened to be charged with, or has received notice of, any material violation or potential material violation of any Law or disqualification by a Governmental Entity.

(17) **Authorizations.**

(a) All material Authorizations held by Capstone and its Subsidiaries are in full force and effect and no violations thereof have occurred that could lead to a Material Adverse Effect. Capstone and each of its Subsidiaries own, possess or have obtained all material Authorizations that are required by Law in connection with the operation of the business of Capstone and its Subsidiaries as presently or previously conducted, or in connection with the ownership, operation or use of Capstone Assets. Capstone and its Subsidiaries are in all material respects in compliance with the Authorizations held.

(b) To the knowledge of Capstone, no action, investigation or proceeding is pending in respect of or regarding any such Authorization and none of Capstone or any of its Subsidiaries, or to the knowledge of Capstone any of their respective officers or directors has received notice, whether written or oral, of revocation, non-renewal or material amendments of any such Authorization, or of the intention of any Person to revoke, refuse to renew or materially amend any such Authorization.

(18) **Opinion of Financial Advisors**. The Capstone Board has received the Capstone Fairness Opinion.

(19) **Capstone Board Approval**. The Capstone Board has unanimously: (i) determined that the Arrangement (including the consideration payable thereunder) is fair to the Capstone Shareholders and the entry into this Agreement is in the best interests of Capstone; (ii) resolved to unanimously recommend that the Capstone Shareholders vote in favour of the resolution approving the issuance of Capstone Shares in connection with the Arrangement; and (iii) authorized the entering into of this Agreement and the performance by Capstone of its obligations under this Agreement, and no action has been taken to amend, or supersede such determinations, resolutions, or authorizations.

(20) **Material Contracts.**

(a) All of the Capstone Material Contracts are in full force and effect, and Capstone or any of its Subsidiaries, as applicable, are entitled to all rights and benefits thereunder in accordance with the terms thereof. Capstone and its Subsidiaries have complied in all material respects with all terms of such Capstone Material Contracts and have paid all amounts due thereunder, as and when due. Capstone and its Subsidiaries have not waived any material rights under a Capstone Material Contract and no material default or breach exists in respect thereof on the part of Capstone or any of its Subsidiaries or, to the knowledge of Capstone, on the part of any other party thereto, and no event has occurred which, after the giving of notice or the lapse of time or both, would constitute such a default or breach or trigger a right of termination of any of such Capstone Material Contracts.

(b) No consent, approval, permit or acknowledgement is required under any of the Capstone Material Contracts from any party thereto in connection with the completion of the transactions herein contemplated.

(c) All of the Capstone Material Contracts are valid and binding obligations of Capstone or any of its Subsidiaries, as the case may be, enforceable in accordance with their respective terms, except as may be limited by bankruptcy, insolvency and other Laws affecting the enforcement of creditors' rights generally and subject to the qualification that equitable remedies may only be granted in the discretion of a court of competent jurisdiction.

(d) Other than as disclosed in Section D(20)(d) of the Capstone Disclosure Letter, as at the date hereof, neither Capstone nor any of its Subsidiaries (excluding the Bristol Water Entities) have received written notice that any party to a Capstone Material Contract intends to cancel, terminate or otherwise modify or not renew such Capstone Material Contract and, to the knowledge of Capstone, no such action has been threatened.

(e) Other than as disclosed in Section D(20)(e) of the Capstone Disclosure Letter, neither Capstone nor any of its Subsidiaries is a party to any Capstone Material Contract that contains any non-competition obligation or otherwise restricts in any material way the business of Capstone or any of its Subsidiaries.

(21) **Real Property.**

(a) Capstone and its Subsidiaries (other than the Bristol Water Entities), as applicable, have valid, good and marketable title to all material freehold real or immovable property owned by Capstone or its Subsidiaries (the "Capstone Owned Properties") free and clear of any Liens, except for Permitted Liens.

(b) Each lease, sublease, license or occupancy agreement for material real or immovable property leased, subleased, licensed or occupied by Capstone or its Subsidiaries (other than the Bristol Water Entities) (the "Capstone Leased Properties") is valid, legally binding and enforceable by Capstone or its Subsidiary, as applicable, in accordance with its terms and is in full force and effect, unamended and Capstone or its Subsidiaries, as applicable, is entitled to the full benefit and advantage of the same and, to Capstone's knowledge, none of Capstone, any of its Subsidiaries or any other party thereto is in breach of, or default under, such lease, sublease, license or occupancy agreement and there has not occurred any other event which, with the lapse of time or the giving of notice or both, would constitute a default. No consent to any other party to such lease, sublease, license or occupancy agreement is required nor is any notice required to be given under the same in connection with the completion of the transactions contemplated by this Agreement in order to maintain all rights of Capstone or its Subsidiaries, as applicable, under such lease, sublease, license or occupancy agreement. The completion of the transactions contemplated by this Agreement will not result in any default under any such lease sublease, license or occupancy agreement nor afford any Person the right to terminate the same nor will the completion of such transactions result in any additional or more onerous obligation on Capstone or any of its Subsidiaries.

(c) To the knowledge of Capstone and its Subsidiaries, no Person, other than Capstone or any of its Subsidiaries, is using or has any claim or right to use or is in or has any claim or right of possession or occupancy of, any part of the Capstone Owned Properties.

(d) The Capstone Owned Properties and Capstone Leased Properties materially comply with all Law and are zoned (to the extent necessary) so as to permit their current use.

(e) To the knowledge of Capstone and its Subsidiaries, there are no existing or proposed, contemplated or threatened expropriation proceedings that would result in the taking of all or any part of the Capstone Owned Properties or Capstone Leased Properties or that would materially adversely affect the current use of the Capstone Owned Properties or Capstone Leased Properties or any part of them.

(22) **Environmental Matters.**

(a) To Capstone's knowledge, no written notice, order, complaint or penalty has been received by Capstone or any of its Subsidiaries alleging that Capstone or any of its Subsidiaries is in material violation of, or has any material liability or potential material liability under, any Environmental Law, and, to Capstone's knowledge, there are no judicial, administrative or other actions, suits or proceedings pending or threatened against Capstone or any of its Subsidiaries which allege a material violation of, or any material liability or potential material liability under, any Environmental Laws.

(b) Capstone and each of its Subsidiaries has all material Authorizations issued pursuant to Environmental Laws necessary for the operation of their respective businesses, as such business is currently being conducted, and to comply with all Environmental Laws.

(c) Capstone and each of its Subsidiaries have been and are in all material respects in compliance with, and their respective businesses and operations have been operated and used and are being operated and used in all material respects in compliance with, all Environmental Laws and all material terms and conditions of all Authorizations issued pursuant to Environmental Laws, and, to the Capstone's knowledge, there are no facts which would give rise to allegations of material non-compliance with Environmental Laws or result in any material Environmental Liabilities.

(d) To Capstone's knowledge, there has been no Release of any Hazardous Substance from, at, on, or under any land on which the Company or any of its Subsidiaries conduct business which could give rise to any Environmental Liability.

(23) **Personal Property**. Each of Capstone and its Subsidiaries (other than the Bristol Water Entities) is the owner of all of its material personal property and assets with good and marketable title thereto free of any Liens except for Permitted Liens.

(24) **Intellectual Property**. Capstone and its Subsidiaries own or possess adequate Intellectual Property necessary to carry on the business now operated by them and there is no action, suit, proceeding or claim pending or, to the knowledge of Capstone, threatened by any Person challenging Capstone's or its Subsidiaries' rights in or to such intellectual property which is used for the conduct of the business as currently carried on as set forth in Capstone Filings.

(25) **Employees.**

(a) Capstone and its Subsidiaries are in material compliance with all terms and conditions of employment and all Law respecting employment, including employment standards, wages, hours of work, overtime, labour relations, human rights, occupational health and safety and workers' compensation, and there are no outstanding claims, complaints, investigations, proceedings or orders under any such Law or otherwise in relation to current or former Capstone Employees.

(b) Other than any Contract which may be terminated by Capstone by providing reasonable notice or payment in lieu of notice which arises at Law upon the termination of an employee without an agreement as to notice or severance, no Capstone Employee has any Contract in relation to the individual's termination, length of notice, pay in lieu of notice, severance, job security or similar provisions, nor are there any change of control payments, golden parachutes, severance payments, retention payments, Contracts or other agreements with current or former Capstone Employees providing for cash or other compensation or benefits upon the consummation of, or relating to, the Agreement or Arrangement.

(26) **Collective Agreements.**

(a) Other than as disclosed in Section D(26)(a) of the Capstone Disclosure Letter or in relation to the Bristol Water Entities, there are no collective bargaining or similar agreements in force with respect to Capstone Employees nor is there any Contract with any trade union, employee association or similar entity in respect of Capstone, its Subsidiaries or Capstone Employees.

(b) Other than as disclosed in Section D(26)(b) of the Capstone Disclosure Letter or in relation to the Bristol Water Entities, no trade union, council of trade unions, employee bargaining agency, affiliated bargaining agent or similar entity holds bargaining rights with respect to Capstone, its Subsidiaries or any Capstone Employees.

(c) To Capstone's knowledge, there are no threatened or pending union or similar organizing activities involving Capstone, its Subsidiaries or any Capstone Employees.

(27) **Employee Plans.**

(a) Each Employee Plan of Capstone is and has been established, registered, qualified, funded, invested and administered in accordance with Law and its terms and all understandings between Capstone and its Subsidiaries and all Capstone Employees.

(b) All contributions, premiums or taxes required to be made or paid by Capstone or any of its Subsidiaries, as the case may be, under or in connection with each Employee Plan of Capstone have been made in a timely fashion in accordance with Law and the terms of the applicable Employee Plan.

(c) Except as disclosed in Section D(27)(c) of the Capstone Disclosure Letter, no Employee Plan of Capstone is a "registered pension plan" (as such term is defined in subsection 248(1) of the Tax Act) or is required to be registered under the Pension Benefits Act (Ontario) or any similar Law of any other jurisdiction.

(28) **Litigation**. There are no claims, actions, suits, arbitrations, inquiries, investigations or proceedings pending, or, to the knowledge of Capstone threatened, against or relating to Capstone or any of its Subsidiaries, the business of Capstone or of any of its Subsidiaries or affecting any of their respective properties or assets by or before any Governmental Entity that, if determined adversely to the interests of Capstone and its Subsidiaries, would have or would be reasonably expected to have, individually or in the aggregate, a Material Adverse Effect or prevent or materially delay the consummation of the Arrangement, nor to the knowledge of Capstone are there any events or circumstances which could reasonably be expected to give rise to any such claim, action, suit, arbitration, inquiry, investigation or proceeding. There is no judgment, citation, writ, decree, injunction, ruling, order or award of any Governmental Entity outstanding against Capstone or any Subsidiary.

(29) **First Nations Claims**. As of the date hereof, neither Capstone nor any of its Subsidiaries have received notice that any part of the Capstone Owned Property or any Capstone Leased Property is subject to, and there are no current or pending, First Nations Claims affecting any part of the Capstone Owned Property or Capstone Leased Property. Capstone has disclosed all First Nations Information to the Company or in the Capstone annual information form for the 2012 fiscal year, and more particularly, other than disclosed in Section D(29) of the Capstone Disclosure Letter, neither Capstone nor any of its Subsidiaries have entered into any written or oral agreements with First Nations to provide benefits, pecuniary or otherwise, with respect to any part of the Capstone Owned Properties or Capstone Leased Properties at any time, and neither Capstone nor any one of its Subsidiaries have offered First Nations any benefits with respect to any part of the Capstone Owned Property or Capstone Leased Property at any time.

(30) **Corrupt Practices Legislation**. To the knowledge of Capstone, neither Capstone, its Subsidiaries and affiliates, nor any of their respective officers, directors or employees acting on behalf of Capstone or any of its Subsidiaries or affiliates has taken, committed to take or been alleged to have taken any action either in Canada or outside Canada which would cause Capstone or any of its Subsidiaries or affiliates to be in violation of the United States' Foreign Corrupt Practices Act (and the regulations promulgated thereunder), the Corruption of Foreign Public Officials Act (Canada) (and the regulations promulgated thereunder) or any applicable Law of similar effect (including any applicable Laws relating to the corruption of public officials in Canada), and to the knowledge of Capstone no such action has been taken by any of its agents, representatives or other Persons acting on behalf of Capstone or any of its Subsidiaries or affiliates.

(31) **Related Party Transactions**. There are no Contracts or other transactions currently in place between Capstone or any of its Subsidiaries, on the one hand, and: (i) any officer or director of Capstone or any of its Subsidiaries; (ii) any holder of record or, to the knowledge of Capstone, beneficial owner of 10% or more of the Capstone Shares; or (iii) any affiliate or associate of any such, officer, director, holder of record or beneficial owner, on the other hand.

(32) **Insurance.**

(a) Capstone and its Subsidiaries have in place reasonable and prudent insurance policies appropriate for their size, nature and stage of development.

(b) To the knowledge of Capstone, each of such insurance policies is valid and subsisting and in good standing and there is no default thereunder.

(33) **Taxes.**

(a) Capstone and each of its Subsidiaries:

i. has duly and timely filed all income Tax Returns and other material Tax Returns required to be filed by it at or prior to the date hereof and all such Tax Returns are true, correct and complete in all material respects;

ii. has timely paid all Taxes, whether or not shown on any Tax Return, that are required to be paid by any of them at or prior to the date hereof except with respect to matters contested in good faith by appropriate proceedings and for which adequate reserves have been established in accordance with IFRS;

iii. has timely deducted, withheld and remitted (or accounted for) to the proper Governmental Entities all material Taxes required to have been deducted, withheld and remitted (or accounted for) by any of them in connection with amounts paid or owing to any person, including to any employee, creditor, person that is or is deemed to be a non-resident of Canada (for purposes of the Tax Act) or a non-resident with respect to any paying Subsidiary's jurisdiction of residence or other third party, in compliance with all applicable Laws related to Taxes, except with respect to matters contested in good faith by appropriate proceedings and for which adequate reserves have been established in accordance with IFRS; and

iv. has not waived any statute of limitations with respect to any Taxes or agreed to any extension of time with respect to the assessment, reassessment or collection of a material Tax.

(b) There are not pending or, to the knowledge of Capstone, threatened, against Capstone or any of its Subsidiaries any material audits, examinations, investigations or other proceedings in respect of Taxes or Tax matters.

(c) Capstone and its Subsidiaries have charged, collected and remitted on a timely basis all material Taxes as required under applicable Law on any sale, supply or delivery whatsoever, made by any of them.

(d) No material deficiencies have been asserted by any Governmental Entity with respect to Taxes of Capstone or any of its Subsidiaries.

(e) The terms and conditions made or imposed in respect of every transaction (or series of transactions) between Capstone or any Subsidiary and any person that is not dealing at arm's length with the Company or such Subsidiary, as the case may be, do not materially differ from those that would have been made between persons dealing at arm's length, and each of Capstone and each Subsidiary (other than the Bristol Water Entities) has complied in all material respects with the transfer pricing requirements of any applicable Law.

(f) Adequate provision has been made on the consolidated financial statements of Capstone for all Taxes assessed and all Taxes owing by Capstone or any Subsidiary that are not yet due and payable and relate to periods ending prior to the date hereof.

(g) All material Taxes with respect to the Capstone Owned Properties or Capstone Leased Properties that are due have been paid in full, and there are no local improvement charges or special levies outstanding in respect of the Capstone Owned Properties and neither Capstone nor any Subsidiary has received any notice of proposed material local improvement charges or special levies.

(34) **Bankruptcy and Insolvency**. Neither Capstone nor any of its Subsidiaries has made an assignment in favour of its creditors or a proposal in bankruptcy to its creditors or any class thereof nor has any petition for a receiving order been presented in respect of it. Neither Capstone nor any of its Subsidiaries has initiated proceedings with respect to a compromise or arrangement with its creditors or for its winding up, liquidation or dissolution and, to the knowledge of Capstone, no such proceedings have been threatened by any other Person. No receiver has been appointed in respect of Capstone or any of its Subsidiaries or any of their respective property or assets and no execution or distress has been levied upon any of their respective property or assets and, to the knowledge of Capstone, no such proceedings have been threatened by any other Person.

(35) **United States Securities Laws.**

(a) Capstone is a "foreign private issuer" as defined in Rule 3b-4 under the U.S. Exchange Act;

(b) No securities of Capstone are registered or required to be registered under Section 12 of the U.S. Exchange Act, and Capstone has not been, and is not, required to file reports under Sections 13(a) or 15(d) of the U.S. Exchange Act;

(c) None of Capstone or any of its predecessors or affiliates has had the registration under the U.S. Exchange Act of a class of its securities revoked by the United States Securities and Exchange Commission pursuant to Section 12(j) of the U.S. Exchange Act; and

(d) Capstone is not registered, and is not required to be registered, as an "investment company" under the United States Investment Company Act of 1940, as amended.

(36) **Restrictions on Business Activities**. There is no arbitral award, judgment, injunction, constitutional ruling, order or decree binding upon Capstone or any of its Subsidiaries that has or could reasonably be expected to have the effect of prohibiting, restricting, or impairing any business practice of any of them, any acquisition or disposition of property by any of them, or the conduct of the business by any of them as currently conducted.

(37) **Guarantees and Other Agreements**. Other than as disclosed in Section D(37) of the Capstone Disclosure Letter, neither Capstone nor any of its Subsidiaries (excluding the Bristol Water Entities) is a party to or bound by any agreement of guarantee, indemnification, assumption or endorsement or any other like commitment to any Person or of the obligations, liabilities, actual contingent or otherwise, or indebtedness of any Person.

(38) **Brokers**. Except as disclosed in Section D(38) of the Capstone Disclosure Letter, no broker, investment banker, financial advisor or other Person is entitled to any broker's, finder's, financial advisor's or other similar fee or commission in connection with the transactions contemplated hereby based upon arrangements made by or on behalf of Capstone.

(39) **Funds Available**. At the Effective Time, Capstone will have sufficient funds available to satisfy the aggregate cash Consideration payable by Capstone pursuant to the Arrangement in accordance with the terms of this Agreement and the Plan of Arrangement, and to satisfy all other obligations payable in cash by Capstone pursuant to this Agreement and the Arrangement.

(40) **Issuance of Capstone Shares**. The Capstone Shares to be issued as part of the Consideration will, when issued pursuant to the Arrangement, be validly issued as fully paid and non-assessable common shares in the capital of Capstone.

SCHEDULE E
REGULATORY APPROVALS

Regulatory Approvals related to Capstone:

(1) TSX listing approval for (i) the Capstone Shares to be issued in connection with the Arrangement (including pursuant to the exercise or conversion of Replacement Options, Company Warrants and Company Debentures); and (ii) the Company Debentures; and

(2) Competition Act Clearance.

Regulatory Approvals related to the Company:

(1) Non-objection of the Director under the CBCA.

(2) Competition Act Clearance.

SCHEDULE F

THIRD PARTY CONSENTS

Consents will be required under the following agreements:

[REDACTED: List of contracts]

SCHEDULE C
UNAUDITED PRO FORMA FINANCIAL STATEMENTS

CAPSTONE INFRASTRUCTURE CORPORATION
Pro Forma Consolidated Statement of Income
For the year ended December 31, 2012
[in thousands of Canadian dollars]
[Unaudited]

For the year ended,	Capstone 31-Dec-12	ReD 31-Dec-12	Pro Forma Adjustments	Notes	Pro Forma Consolidated Capstone 31-Dec-12
		Note 5			
Revenue	357,610	16,688			374,298
Operating expenses	(195,178)	(3,767)	—		(198,945)
Administrative expenses	(11,070)	(5,163)	—		(16,233)
Project development costs	(365)	(824)	—		(1,189)
Equity accounted income (loss)	2,294	437	(224)	4n	2,507
Interest income	4,886	536	—		5,422
Net pension interest income	—	—	—		—
Other gains and (losses), net	1,294	(4,834)	—		(3,540)
Foreign exchange gain (loss)	1,620	(11)	—		1,609
Earnings before interest expense, taxes, depreciation, and amortization	161,091	3,063	(224)		163,929
Interest expense	(49,707)	(5,745)	194	4o	(55,258)
Depreciation of capital assets	(47,432)	(5,869)	(195)	4j	(53,496)
Amortization of intangible assets	(10,120)	388	(10)	41	(9,742)
Earnings (loss) before income taxes	53,832	(8,163)	(235)		45,434
Income tax recovery (expense)					
Current	239	—	—		239
Deferred	(10,347)	94	59	4q	(10,194)
Total income tax recovery	(10,108)	94	59		(9,955)
Net income (loss)	43,724	(8,069)	(176)		35,479
Net income (loss) attributable to:					
Equity holders	26,978	(8,093)	(176)		18,709
Non-controlling interests	16,746	24	—		16,770
Net income (loss)	43,724	(8,069)	(176)		35,479
Earnings (loss) per share					
Basic	0.298	(0.125)			0.149
Diluted	0.298	(0.125)			0.149
Weighted average number of common shares					
Basic	75,116	64,553	19,684	4g + h	94,800
Diluted	75,116	64,553	19,748	4i	94,864

CAPSTONE INFRASTRUCTURE CORPORATION
Pro Forma Consolidated Statement of Income
For the 3 months ended March 31, 2013
[in thousands of Canadian dollars]
[Unaudited]

For the 3 months ended,	Capstone 31-Mar-13	ReD 31-Mar-13	Pro Forma Adjustments	Notes	Pro Forma Consolidated Capstone 31-Mar-13
		Note 5			
Revenue	94,255	6,029			100,284
Operating expenses	(50,344)	(1,109)	—		(51,453)
Administrative expenses	(2,163)	(12,082)	—		(14,245)
Project development costs	(113)	(133)	—		(246)
Equity accounted income (loss)	585	902	(56)	4n	1,431
Interest income	1,104	110	—		1,214
Net pension interest income	389	—	—		389
Other gains and (losses), net	2,536	(70)	—		2,466
Foreign exchange gain (loss)	749	1	—		750
Earnings before interest expense, taxes, depreciation, and amortization	46,998	(6,352)	(56)		40,590
Interest expense	(11,014)	(2,180)	49	4p	(13,145)
Depreciation of capital assets	(11,908)	(1,675)	(49)	4k	(13,632)
Amortization of intangible assets	(2,751)	97	(3)	4m	(2,657)
Earnings (loss) before income taxes	21,325	(10,110)	(59)		11,156
Income tax recovery (expense)					
Current	918	—	—		918
Deferred	(6,345)	(485)	15	4r	(6,815)
Total income tax recovery	(5,427)	(485)	15		(5,897)
Net income (loss)	15,898	(10,595)	(44)		5,259
Net income (loss) attributable to:					
Equity holders	12,019	(10,826)	(44)		1,149
Non-controlling interests	3,879	231	—		4,110
Net income (loss)	15,898	(10,595)	(44)		5,259
Earnings (loss) per share					
Basic	0.145	(0.159)			0.001
Diluted	0.141	(0.159)			0.001
Weighted average number of common shares					
Basic	75,860	68,205	19,684	4g + h	95,544
Diluted	81,967	68,205	13,662	4i	95,629

CAPSTONE INFRASTRUCTURE CORPORATION
Pro Forma Consolidated Statement of Financial Position
As at March 31, 2013
[in thousands of Canadian dollars]
[Unaudited]

As at,	Capstone 31-Mar-13	ReD 31-Mar-13	Pro Forma Adjustments	Notes	Pro Forma Consolidated Capstone 31-Mar-13
Current assets					
Cash and cash equivalents	43,278	13,801	—		57,079
Restricted cash	18,521	8,658	—		27,179
Accounts receivable	75,843	4,563	—		80,406
Other assets	5,152	2,573	—		7,725
Current portion of loans receivable	1,126	923	—		2,049
Current portion of derivative contract assets	340	—	—		340
	144,260	30,518	—		174,778
Non-current assets					
Loans and other long-term receivables	38,390	1,768	—		40,158
Long-term restricted cash	—	4,064	—		4,064
Derivative contract assets	3,005	—	—		3,005
Equity accounted investments	17,918	31,953	4,000	4a	53,871
Capital assets	1,077,936	133,700	4,500	4a	1,216,136
Projects under development	—	5,549	25,000	4a	30,549
Intangible assets	275,993	24,828	(4,671)	4a	296,150
Retirement benefit surplus	52,476	—	—		52,476
Deferred income tax assets	30,287	—	—		30,287
Total assets	1,640,265	232,380	28,829		1,901,474
Current liabilities					
Accounts payable and other liabilities	101,886	22,767	(5,379)	4b + f	119,274
Current portion of derivative contract liabilities	3,110	—	—		3,110
Current portion of finance lease obligations	3,378	—	—		3,378
Current portion of long-term debt	15,829	3,497	—		19,326
	124,203	26,264	(5,379)		145,088
Long-term liabilities					
Derivative contract liabilities	25,398	—	—		25,398
Electricity supply and gas purchase contracts	2,858	8,882	750	4a	12,490
Deferred income tax liabilities	187,366	9,826	7,812	4a	205,004
Deferred revenue	8,302	—	—		8,302
Finance lease obligations	3,579	—	—		3,579
Long-term debt	767,248	125,675	3,000	4a	895,923
Liability for asset retirement obligation	2,145	831	—		2,976
Total liabilities	1,121,099	171,478	6,182		1,298,759
Equity					
Equity attributable to owners of the parent	424,019	50,830	23,046	4a + b	497,894
Non-controlling interests	95,147	10,072	(399)	4a	104,820
Total equity	519,166	60,902	22,647		602,715
Total liabilities and equity	1,640,265	232,380	28,829		1,901,474

CAPSTONE INFRASTRUCTURE CORPORATION
NOTES TO CONSOLIDATED PRO FORMA FINANCIAL STATEMENTS
(in thousands of Canadian dollars except per share information)
(Unaudited)

1. DESCRIPTION OF TRANSACTION

On July 3, 2013, Capstone Infrastructure Corporation ("Capstone") entered into a definitive agreement to acquire 100% of the issued and outstanding shares of Renewable Energy Developers Inc. ("ReD"), formerly Sprott Power Corp., by issuing common shares of Capstone, pursuant to the arrangement agreement as more particularly described in this management information circular (the "Transaction"). This acquisition is subject to shareholder and other approvals.

ReD is an owner, operator and developer of renewable energy projects in Canada. The addition of ReD will result in a larger infrastructure company with power generation facilities across Canada totaling approximately net 465 megawatts ("MW") of installed capacity, an attractive pipeline of contracted development opportunities in Canada representing net 79 MW of capacity, and international investments in regulated water and district heating businesses.

Under the terms of the Transaction, shareholders of ReD will receive 0.26 of a Capstone common share and $0.001 in cash for each ReD common share held at the effective time of the Transaction and all equity holdings will reflect the exchange ratio as summarized in the following table:

	ReD			Capstone	
Equity instruments	**Quantity**	**At an average exercise price of**		**Quantity**	**At an average exercise price of**
Common shares	75,709,242*	n/a	Converted to	19,684,403	n/a
Share options	2,107,293**	$1.03*	Converted to	548,444	$3.96
Warrants	5,218,816***	$1.35*	Converted to	1,356,892	$5.19

* Based on information included in ReD's Unaudited Interim Condensed Consolidated Financial Statements for the three-months ended March 31, 2013 and includes shares as described in note 4h.

** Reflects share options that expire subsequent to the ReD's Unaudited Interim Condensed Consolidated Financial Statements for the three-months ended March 31, 2013 up to August 1, 2013.

*** Holders of ReD warrants will also receive $0.001 in cash upon the exercise of each warrant after closing of the Transaction.

In addition, ReD's $34,500 of convertible debentures will become convertible into Capstone shares as follows:

	ReD				Capstone		
Debt instruments	**Quantity**	**Conversion price**	**Interest rate**		**Quantity**	**Conversion price**	**Interest rate**
Convertible unsecured subordinated debentures	34,500	$1.30	6.75%	Transferable to	34,500	$5.00	6.75%

* Holders of ReD convertible debentures will also receive $0.001 in cash per 0.26 of a Capstone share upon conversion of the debentures after closing of the Transaction

Following the Transaction, all of the assets and liabilities of ReD will be included in the consolidated financial statements of Capstone.

2. BASIS OF PRESENTATION

The unaudited pro forma consolidated financial statements have been prepared for this management information circular relating to Capstone's acquisition of a 100% interest in ReD. In the opinion of management, the unaudited pro forma consolidated financial statements include all adjustments to the financial statements to present, in all material respects, the transaction described in note 1.

(in thousands of Canadian dollars except per share information)

2. BASIS OF PRESENTATION (Continued)

The accompanying unaudited pro forma consolidated financial statements of Capstone have been prepared to give effect to the acquisition of ReD, including the issuance of Capstone common shares as summarized in the following table:

Consolidated Financial Statement	For the period or date ended	As if the Transaction occurred
Statement of income	Year ended December 31, 2012	January 1, 2012
Statement of income	Three-months ended March 31, 2013	January 1, 2012
Statement of financial position	As at March 31, 2013	March 31, 2013

The unaudited pro forma consolidated financial statements should be read in conjunction with the description contained in this management information circular and all historical financial statements and the notes thereto, which are incorporated by reference or included in this information circular.

The unaudited pro forma consolidated financial statements have been prepared using the historical financial statements of Capstone and ReD, which were prepared in accordance with IFRS and have been incorporated by reference in this management information circular:

Capstone's:

a) Audited consolidated financial statements, as at and for the fiscal year ended December 31, 2012;

b) Unaudited interim consolidated financial statements, as at and for the three-month period ended March 31, 2013.

ReD's:

a) Audited consolidated financial statements as at and for the fiscal year ended December 31, 2012;

b) Unaudited interim consolidated financial statements as at and for the three-month period ended March 31, 2013.

Accounting Policies

The accounting policies applied in the unaudited pro forma consolidated financial statements have been prepared on a basis consistent with Capstone's IFRS accounting policies as reported in Capstone's consolidated financial statements as at and for the year ended December 31, 2012 and interim consolidated financial statements as at and for the three-month period ended March 31, 2013, as applicable.

ReD's financial statement captions for these periods have been reclassified as summarized in notes 5 and 6 of these unaudited pro forma consolidated financial statements to match those used in Capstone's consolidated financial statements.

For the preparation of these unaudited pro forma consolidated financial statements, the principles of IFRS 3R, Business Combinations have been applied.

Purchase Equation

The preliminary fair value of the ReD acquisition and allocation of the purchase price included in the unaudited pro forma consolidated financial statements have been prepared using the acquisition method of accounting as if the ReD acquisition had been completed as described in the basis of presentation.

Under the acquisition method of accounting, the estimated fair value of the underlying tangible and intangible assets acquired and liabilities assumed is determined as of the date of the acquisition. Any excess purchase consideration is allocated to goodwill, and the non-controlling interest is calculated on the fair value of the non-wholly owned subsidiaries.

The application of the acquisition method is preliminary and has been made solely for the purpose of developing the unaudited pro forma consolidated financial statements. The process has commenced to estimate the fair values of the tangible and intangible assets acquired and liabilities assumed and the related allocation of the purchase price at the closing of the ReD acquisition. When the process is complete, the necessary steps to finalize the required purchase price allocation, which will be based on the fair values as of the actual closing date of the ReD acquisition will be undertaken and the final allocation of the purchase price will be determined. The final purchase price allocation may be different than that reflected in the pro forma purchase price allocation and those differences may be material.

(in thousands of Canadian dollars except per share information)

2. BASIS OF PRESENTATION (Continued)

Exclusions

For purposes of these unaudited pro forma consolidated financial statements potential financial benefits from items such as cost savings arising from the Transaction have been excluded as required. The unaudited pro forma consolidated financial statements are for information purposes only and are not necessarily indicative of the results of operations or the financial position that would have resulted had the Transaction been effected on the dates indicated, or the results that may be obtained in the future.

3. ACCOUNTING FOR THE ACQUISITION

The purchase consideration for the acquisition of ReD is estimated to be approximately $76,375. In addition, acquisition costs of $2,500 will be expensed and are included in the statement of financial position as part of retained earnings as at March 31, 2013. For purposes of these pro forma consolidated financial statements, the purchase consideration was determined using Capstone's share price on July 2, 2013, of $3.88 per share.

Assuming the transaction had occurred on March 31, 2013, the preliminary allocation of the purchase price to the assets and liabilities acquired is as follows:

Purchase Consideration:	76,375
Allocation:	
Current assets	30,518
Capital assets and projects under development	168,749
Intangible assets (including goodwill of $1,692)	20,157
Other non-current assets	41,785
Current liabilities	(18,384)
Non-current liabilities	(156,777)
Non-controlling interests	(9,673)
Net assets acquired	76,375

Capstone expects to finalize the allocation of the purchase price during 2013, the preliminary allocation may change and these changes may be material. The fair value increments on capital assets along with separately identifiable intangible assets and provisions amortize to income over the useful lives.

4. PRO FORMA ASSUMPTIONS AND ADJUSTMENTS

The unaudited pro forma consolidated statement of income for the fiscal year ended December 31, 2012 and the three-months ended March 31, 2013 and the unaudited pro forma statement of financial position at March 31, 2013 include the following adjustments.

Adjustments to the Unaudited Pro forma Consolidated Statement of Financial Position:

a) Adjustments to recognize estimated fair values of identifiable net assets acquired have been made to match the purchase equation as detailed previously in note 3. Management's preliminary estimate primarily adjusts to fair value the projects under development, the capital and intangible assets of the operating businesses, equity accounted investments, long-term debt, other liabilities and related tax and non-controlling interest adjustments with the residual amount to goodwill.

b) Accounts payable and retained earnings have been adjusted to recognize the transaction costs of $2,500 as detailed previously in note 3.

c) The equity of ReD eliminates on consolidation.

d) For purposes of the preliminary purchase equation, management has assumed that elements of the purchase consideration related to cash, fully vested share options and warrants are immaterial and accordingly have not assigned any value.

e) For purposes of the preliminary purchase equation, management has assumed no material fair value increments related to possible embedded derivatives, conversion options of debentures and the purchase options of Glen Dhu Wind Energy Inc. and SP Amherst Wind Power LP.

f) Accounts payable has been decreased for $7,879 of the management services agreement ("MSA") termination cost payable that was settled in ReD shares on July 31, 2013. These shares are included as part of the purchase consideration (See note 4h).

4. PRO FORMA ASSUMPTIONS AND ADJUSTMENTS (Continued)

Adjustments to the Unaudited Pro forma Consolidated Statement of Income:

g) Weighted average number of Capstone common shares have been increased by 17,733 thousand shares for the year ended December 31, 2012 and for the three-months ended March 31, 2013 to reflect the shares expected to be issued as purchase consideration by Capstone, excluding shares issued for the MSA termination.

h) Weighted average number of Capstone common shares have been increased by 1,951 thousand shares for the year ended December 31, 2012 and for the three-months ended March 31, 2013 to reflect the shares expected to be issued to settle the MSA termination, assumed to have been settled at the agreed conversion ratio equaling a Capstone share price of $4.04 per share.

i) Weighted average number of Capstone common shares are adjusted for dilutive instruments of Capstone and ReD for the year ended December 31, 2012 and the three-months ended March 31, 2013.

Adjustments related to the amortization of fair value increments:

j) Amortization of capital assets has been increased by $195 for the fiscal year ended December 31, 2012. Amortization expense related to the capital assets is computed on a straight-line basis over the estimated useful life of 23 years.

k) Amortization of capital assets has been increased by $49 for the three-months ended March 31, 2013. Amortization expense related to the capital assets is computed on a straight-line basis over the estimated useful life of 23 years.

l) Net amortization of intangible assets and provisions, excluding goodwill has been increased by $10 for the fiscal year ended December 31, 2012. Net amortization expense related to the intangible assets and provisions is computed on a straight-line basis over the estimated useful lives of 16 years and 9 years for intangible assets and provisions, respectively.

m) Net amortization of intangible assets and provisions, excluding goodwill has been increased by $3 for the three-months ended March 31, 2013. Net amortization expense related to the intangible assets and provisions is computed on a straight-line basis over the estimated useful lives of 16 years and 9 years for intangible assets and provisions, respectively.

n) Equity accounted income has been decreased by $224 for the year ended December 31, 2012 and $56 for the three-months ended March 31, 2013 to reflect amortization of fair value increments in equity accounted investments.

o) The interest expense related to the long-term debt within ReD was decreased by $194 for the period ending December 31, 2012 for the fair value increment. The estimated impact on interest expense was determined based on the expected repayments of ReD's long-term debt, using a revised interest rate.

p) The interest expense related to the long-term debt within ReD was decreased by $49 for the period ending March 31, 2013 for the fair value increment. The estimated impact on interest expense was determined based on the expected repayments of ReD's long-term debt, using a revised interest rate.

q) Income tax adjustments for the year ended December 31, 2012 are on the fair value increments and statement of income adjustments for interest expense and income. All adjustments to income tax for 2012 relate to companies resident in Canada, as such, Capstone tax affected these adjustments at an estimated general corporate tax rate of 25%.

r) Income tax adjustments for the three-months ended March 31, 2013 are on the fair value increments and statement of income adjustments for interest expense and income. All adjustments to income tax for 2013 relate to companies resident in Canada, as such, Capstone tax affected these adjustments at an estimated general corporate tax rate of 25%.

(in thousands of Canadian dollars except per share information)

5. ReD — STATEMENT OF INCOME

The tables below display ReD's statements of income for the year ended December 31, 2012 and the three-months ended March 31, 2013 as originally disclosed, as well as, how they have been reclassified to be consistent with Capstone's statement of income.

	As originally disclosed	
ReD Captions	**Year ended Dec 31, 2012**	**Three months ended Mar 31, 2013**
Revenue	16,688	6,029
Other income	1,015	254
	17,703	6,283
Facility operating costs		
Depreciation and amortization	(6,477)	(1,827)
Direct operating costs	(3,767)	(1,109)
	(10,244)	(2,936)
Corporate and administrative expenses	(5,134)	(1,343)
Impairment loss	(4,971)	—
Profit (loss) from operating activities	(2,645)	2,004
Interest income	490	110
Amortization of deferred financing costs and debt premium, net	(251)	(203)
Interest on contingent consideration	46	—
Interest expense	(5,494)	(1,977)
Net finance expense	(5,209)	(2,070)
Other income and (expenses), net	(747)	(10,946)
Income from equity accounted investments	437	902
	(8,164)	(10,110)
Deferred income tax recovery	94	(485)
Net loss	(8,069)	(10,595)

	As reclassified	
Capstone Captions	**Year ended Dec 31, 2012**	**Three months ended Mar 31, 2013**
Revenue	16,688	6,029
Operating expenses	(3,767)	(1,109)
Administrative expenses	(5,163)	(12,082)
Project development costs	(824)	(133)
Equity accounted income (loss)	437	902
Interest income	536	110
Net pension interest income	—	—
Other gains and (losses), net	(4,834)	(70)
Foreign exchange gain (loss)	(11)	1
Earnings before interest expense, taxes, depreciation, and amortization	3,063	(6,352)
Interest expense	(5,745)	(2,180)
Depreciation of capital assets	(5,869)	(1,675)
Amortization of intangible assets	388	97
Earnings before income taxes	(8,163)	(10,110)
Income tax recovery (expense)		
Current		
Deferred	94	(485)
Total income tax recovery	94	(485)
Net income (loss)	(8,069)	(10,595)

(in thousands of Canadian dollars except per share information)

6. ReD — STATEMENT OF FINANCIAL POSITION

The table below displays ReD's statement of financial position as originally disclosed as at March 31, 2013, as well as, how they have been reclassified to be consistent with Capstone's statement of financial position.

ReD Captions	As originally disclosed	Capstone Captions	As reclassified
Cash	13,801	Cash and cash equivalents	13,801
Restricted cash for project under construction	8,658	Restricted cash	8,658
Short-term investments and note receivable	1,323	Short-term deposits	—
Trade and other receivables	4,562	Accounts receivable	4,563
Prepaid expenses and deposits	2,173	Other assets	2,573
Receivable from the disposal of assets held for sale	—	Current portion of loans receivable	923
	30,518		30,518
Restricted cash	4,064	Loans and other long-term receivables	1,768
Receivable from the disposal of assets held for sale	1,687	Long-term restricted cash	4,064
Projects under development	5,549	Derivative contract assets	
Property, plant and equipment	132,883	Equity accounted investments	31,953
Land	817	Capital assets	133,700
Contract premium	9,759	Projects under development	5,549
Note receivable	80	Intangible assets	24,828
Equity investments	31,953	Retirement benefit surplus	—
Other long-term assets	7,207	Deferred income tax assets	—
Goodwill	7,862		
Total assets	232,380	Total assets	232,380
Accounts payable and accrued liabilities	11,924	Accounts payable and other liabilities	22,767
Management Service Agreement termination costs payable	9,450	Current portion of derivative contract liabilities	—
Due to related party	161	Current portion of finance lease obligations	—
Current portion of long-term debt	3,497	Current portion of long-term debt	3,497
Other current liability	1,231		
	26,263		26,264
Long-term debt	125,675	Derivative contract liabilities	—
Construction loan	—	Electricity supply and gas purchase contracts	8,882
Contract discount	8,882	Deferred income tax liabilities	9,826
Long-term provisions	831	Deferred revenue	—
Deferred income tax liability	9,826	Finance lease obligations	—
		Long-term debt	125,675
		Liability for asset retirement obligation	831
Total liabilities	171,478	Total liabilities	171,478
Shareholders' Equity	50,830	Equity attributable to owners of the parent	50,830
Non-controlling interest	10,072	Non-controlling interests	10,072
Total equity	60,902		60,902
Total liabilities and shareholders' equity	232,380	Total liabilities and equity	232,380

SCHEDULE D
FAIRNESS OPINION OF RBC DOMINION SECURITIES INC.

RBC Capital Markets®

July 2, 2013

The Board of Directors
Capstone Infrastructure Corporation
155 Wellington Street West, Suite 2930
Toronto, Ontario
M5V 3H1
Canada

To the Board:

RBC Dominion Securities Inc. ("RBC"), a member company of RBC Capital Markets, understands that Capstone Infrastructure Corporation (the "Company") and Renewable Energy Developers Inc. ("ReD") propose to enter into an agreement to be dated July 3, 2013 (the "Arrangement Agreement") in respect of a plan of arrangement (the "Arrangement"). Under the terms of the Arrangement, the Company will acquire all of the outstanding common shares of ReD ("ReD Shares") for consideration of 0.26 of a common share of the Company ("Company Shares") and $0.001 in cash for each ReD Share. The terms of the Arrangement will be more fully described in an information circular, which will be mailed to shareholders of the Company in connection with the Arrangement (the "Company Circular").

RBC understands that certain members of management, directors and key shareholders of ReD, including Sprott Power Consulting Limited Partnership ("SPCLP"), who hold ReD Shares (representing an aggregate of up to approximately 21.7% of the outstanding ReD Shares, after accounting for ReD Shares to be granted under the terms of the management services termination agreement between SPCLP and ReD (the "Settlement Agreement")) will each enter into a support agreement to be dated July 3, 2013 with the Company (collectively, the "ReD Support Agreements") pursuant to which each such shareholder will agree to vote his or her ReD Shares in favour of the Arrangement. RBC also understands that officers and directors of the Company who hold Company Shares (representing an aggregate of approximately 0.1% of the outstanding Company Shares) will each enter into a support agreement to be dated July 3, 2013 with ReD (collectively, the "Company Support Agreements") pursuant to which each such shareholder will agree to vote his or her Company Shares in favour of the issuance of Company Shares in connection with the Arrangement.

The board of directors (the "Board") of the Company has retained RBC to prepare and deliver to the Board RBC's opinion as to the fairness of the consideration to be paid under the Arrangement from a financial point of view to the Company (the "Fairness Opinion"). RBC has not prepared a valuation of ReD or the Company or any of their respective securities or assets and the Fairness Opinion should not be construed as such.

Engagement

The Company initially contacted RBC regarding a potential advisory assignment in mid-April, 2013, and RBC was formally engaged by the Board through an agreement between the Company and RBC dated May 27, 2013 (the "Engagement Agreement"). The terms of the Engagement Agreement provide that RBC is to be paid a fee for the Fairness Opinion (regardless of its conclusion). In addition, RBC is to be reimbursed for its reasonable out-of-pocket expenses and to be indemnified by the Company in certain circumstances. RBC consents to the inclusion of the Fairness Opinion in its entirety and a summary thereof in the Company Circular and to the filing thereof, as necessary, by the Company with the securities commissions or similar regulatory authorities in each province of Canada.

Relationship With Interested Parties

Neither RBC, nor any of its affiliates is an insider, associate or affiliate (as those terms are defined in the *Securities Act* (Ontario)) of the Company, ReD or any of their respective associates or affiliates. RBC has not been engaged to provide any financial advisory services nor has it participated in any financing involving the Company, ReD or any of their respective associates or affiliates, within the past two years, other than the services provided under the Engagement Agreement and as described below. RBC acted as co-lead underwriter for the Company in a $75 million common share offering in November 2011. RBC may, in the future, in the ordinary course of its business, perform financial advisory or investment banking services for the Company, ReD or any of their respective associates or affiliates. The compensation of RBC under the Engagement Agreement does not depend in whole or in part on the conclusions reached in the Fairness Opinion or the successful outcome of the Arrangement. Royal Bank of Canada, controlling shareholder of RBC, has been in discussions with the Company with regards to providing banking services to the Company in the normal course of business.

RBC acts as a trader and dealer, both as principal and agent, in major financial markets and, as such, may have had and may in the future have positions in the securities of the Company, ReD or any of their respective associates or affiliates and, from time to time, may have executed or may execute transactions on behalf of such companies or clients for which it received or may receive compensation. As an investment dealer, RBC conducts research on securities and may, in the ordinary course of its business, provide research reports and investment advice to its clients on investment matters, including with respect to the Company, ReD or the Arrangement.

Credentials of RBC Capital Markets

RBC is one of Canada's largest investment banking firms, with operations in all facets of corporate and government finance, corporate banking, mergers and acquisitions, equity and fixed income sales and trading and investment research. RBC Capital Markets also has significant operations in the United States and internationally. The Fairness Opinion expressed herein represents the opinion of RBC and the form and content herein have been approved for release by a committee of its directors, each of whom is experienced in merger, acquisition, divestiture and fairness opinion matters.

Scope of Review

In connection with our Fairness Opinion, we have reviewed and relied upon or carried out, among other things, the following:

1. the most recent draft, dated July 2, 2013, of the Arrangement Agreement;
2. the most recent drafts, dated July 2, 2013, of the ReD Support Agreements;
3. the most recent drafts, dated July 2, 2013, of the Company Support Agreements;
4. the most recent draft, dated July 2, 2013, of the Settlement Agreement;
5. audited financial statements of the Company and ReD for each of the three years ended December 31, 2012;
6. the unaudited interim reports of the Company and ReD for the quarter ended March 31, 2013;
7. annual reports of the Company and ReD for each of the two years ended December 31, 2012;
8. the Notice of Annual and Special Meeting of Shareholders and Management Information Circulars of ReD for each of the two years ended December 31, 2012;
9. the Notice of Annual General Meeting of Shareholders and Management Information Circulars of the Company for each of the two years ended December 31, 2012;
10. annual information forms of the Company and ReD for each of the two years ended December 31, 2012;
11. the internal management budget of ReD on a consolidated basis and segmented by project for the year ending December 31, 2013;

12. the indenture for ReD's 6.75% extendible convertible unsecured subordinated debentures due December 2017 dated as of August 28, 2012;
13. the Transition Agreement and the Resolution Agreement related to the termination of the management services agreement dated as of February 10, 2013;
14. unaudited projected financial statements for the Company on a consolidated and segmented by business unit basis prepared by management of the Company for the years ending 2013 through 2017;
15. unaudited projected financial statements for ReD on a consolidated and segmented by project basis prepared by management of ReD for the years ending 2013 through 2038 and the Company's assessment of such projections;
16. discussions with senior management of the Company and ReD;
17. discussions with the Company's and ReD's respective internal legal counsels;
18. public information relating to the business, operations, financial performance and stock trading history of the Company and ReD and other selected public companies considered by us to be relevant;
19. public information with respect to other transactions of a comparable nature considered by us to be relevant;
20. public information regarding the Canadian renewable energy industry;
21. reports on environmental permits and compliance requirements, environmental issues, operating costs, and energy assessment of ReD's assets by technical advisors to the Company;
22. representations contained in certificates addressed to us, dated as of the date hereof, from senior officers of the Company as to the completeness and accuracy of the information upon which the Fairness Opinion is based; and
23. such other corporate, industry and financial market information, investigations and analyses as RBC considered necessary or appropriate in the circumstances.

RBC has not, to the best of its knowledge, been denied access by the Company or ReD to any information requested by RBC. RBC requested a certificate of representation from ReD and ReD declined to provide such a certificate, and so the Fairness Opinion is qualified as such. As the auditors of each of the Company and ReD declined to permit RBC to rely upon information provided by them as part of a due diligence review, RBC did not meet with the auditors and has assumed the accuracy and fair presentation of and relied upon the consolidated financial statements of the Company and ReD and the reports of the auditors thereon.

Prior Valuations

The Company has represented to RBC that there have not been any prior valuations (as defined in Multilateral Instrument 61-101) of the Company or its material assets or its securities in the past twenty-four month period.

Assumptions and Limitations

With the Board's approval and as provided for in the Engagement Agreement, RBC has relied upon the completeness, accuracy and fair presentation of all of the financial and other information, data, advice, opinions or representations obtained by it from public sources, senior management of each of the Company and ReD, and their respective consultants and advisors (collectively, the "Information" as relates to the Company, and the "ReD Information" as relates to ReD). The Fairness Opinion is conditional upon such completeness, accuracy and fair presentation of such Information and ReD Information. Subject to the exercise of professional judgment and except as expressly described herein, we have not attempted to verify independently the completeness, accuracy or fair presentation of any of the Information or ReD Information.

Senior officers of the Company have represented to RBC in a certificate delivered as of the date hereof, among other things, that (i) the Information (as defined above) provided orally by, or in the presence of, an

officer or employee of the Company or in writing by the Company or any of its subsidiaries or their respective agents to RBC for the purpose of preparing the Fairness Opinion was, at the date the Information was provided to RBC, and is complete, true and correct in all material respects, and did not and does not contain any untrue statement of a material fact in respect of the Company, its subsidiaries or the Arrangement and did not and does not omit to state a material fact in respect of the Company, its subsidiaries or the Arrangement necessary to make the Information or any statement contained therein not misleading in light of the circumstances under which the Information was provided or any statement was made; and that (ii) since the dates on which the Information was provided to RBC, except as disclosed in writing to RBC, there has been no material change, financial or otherwise, in the financial condition, assets, liabilities (contingent or otherwise), business, operations or prospects of the Company or any of its subsidiaries and no material change has occurred in the Information or any part thereof which would have or which would reasonably be expected to have a material effect on the Fairness Opinion.

In preparing the Fairness Opinion, RBC has made several assumptions, including that all of the conditions required to implement the Arrangement will be met.

The Fairness Opinion is rendered on the basis of securities markets, economic, financial and general business conditions prevailing as at the date hereof and the condition and prospects, financial and otherwise, of the Company, ReD and their respective subsidiaries and affiliates, as they were reflected in the Information and ReD Information and as they have been represented to RBC in discussions with management of the Company and ReD. In its analyses and in preparing the Fairness Opinion, RBC made numerous assumptions with respect to industry performance, general business and economic conditions and other matters, many of which are beyond the control of RBC or any party involved in the Arrangement.

The Fairness Opinion has been provided for the use of the Board and may not be used by any other person or relied upon by any other person other than the Board without the express prior written consent of RBC. The Fairness Opinion is given as of the date hereof and RBC disclaims any undertaking or obligation to advise any person of any change in any fact or matter affecting the Fairness Opinion which may come or be brought to RBC's attention after the date hereof. Without limiting the foregoing, in the event that there is any material change in any fact or matter affecting the Fairness Opinion after the date hereof, RBC reserves the right to change, modify or withdraw the Fairness Opinion.

RBC believes that its analyses must be considered as a whole and that selecting portions of the analyses or the factors considered by it, without considering all factors and analyses together, could create a misleading view of the process underlying the Fairness Opinion. The preparation of a fairness opinion is a complex process and is not necessarily susceptible to partial analysis or summary description. Any attempt to do so could lead to undue emphasis on any particular factor or analysis. The Fairness Opinion is not to be construed as a recommendation to any holder of Company Shares as to whether to vote in favour of the issuance of Company Shares in connection with the Arrangement.

Fairness Analysis

Approach to Fairness

In considering the fairness of the consideration under the Arrangement from a financial point of view to the Company, RBC principally considered and relied upon the following approaches: (i) a discounted cash flow analysis of the projects and corporate revenues and expenses of ReD; (ii) a comparison of the multiples implied under the Arrangement to an analysis of precedent transactions; (iii) a comparison of the implied value of the consideration to be paid under the Arrangement to recent market trading values of the ReD Shares; and (iv) an analysis of the pro forma impact of the Arrangement on the Company.

Fairness Conclusion

Based upon and subject to the foregoing, RBC is of the opinion that, as of the date hereof, the consideration to be paid under the Arrangement is fair from a financial point of view to the Company.

Yours very truly,

"*RBC Dominion Securities Inc.*"

RBC DOMINION SECURITIES INC.

SCHEDULE E
FAIRNESS OPINION OF ORIGIN MERCHANT PARTNERS

July 2, 2013

The Board of Directors of
Capstone Infrastructure Corporation
155 Wellington Street West, Suite 2930
Toronto, ON
M5V 3H1

To the Board of Directors:

Origin Merchant Partners ("**Origin Merchant**" or "**we**") understands that Capstone Infrastructure Corporation ("**Capstone**" or the "**Company**") intends to enter into an agreement (the "**Arrangement Agreement**") dated July 2, 2013 with Renewable Energy Developers Inc. ("**ReD**" or the "**Target**"), providing among other things for the acquisition by the Company of all of the issued and outstanding common shares in the capital of ReD (the "**Target Shares**") at an exchange ratio of 0.26 Capstone common shares and $0.001 per Target Share in accordance with the terms and conditions of an arrangement (the "**Arrangement**") to be carried out under the provisions of section 192 of the *Canada Business Corporations Act*. Pursuant to the Arrangement, we expect this will result in Capstone paying consideration equivalent to approximately $1.01 per Target Share, based on a closing price on July 2, 2013 on the Toronto Stock Exchange of $3.88 per Capstone common share, for total consideration equivalent to approximately $70 million for all outstanding Target Shares.

The Company has retained Origin Merchant to provide advice and assistance to the Company and its board of directors (the "**Board of Directors**") in evaluating the Arrangement, including the preparation and delivery to the Board of Directors of Origin Merchant's opinion (the "**Opinion**") as to the fairness, from a financial point of view, of the consideration to be paid under the Arrangement by Capstone for the Target Shares.

Engagement

Origin Merchant was formally engaged by the Company pursuant to an agreement between the Company and Origin Merchant dated April 23, 2013 (the "**Engagement Agreement**"). The Engagement Agreement provide the terms upon which Origin Merchant has agreed to act as financial advisor to the Company and the Board of Directors in connection with reviewing and assessing a possible acquisition transaction involving ReD, and to perform such financial advisory services for the Company as are customary in transactions of this nature. Pursuant to the Engagement Agreement, the Company and the Board of Directors have requested that we prepare and deliver this Opinion.

The terms of the Engagement Agreement provide that Origin Merchant is to be paid certain fees for its services as financial advisor, including a fee if neither the Arrangement nor any alternative transaction is completed, a fee upon delivery of this Opinion (no part of which is contingent upon this Opinion being favourable or upon success of the Arrangement), and a fee payable upon completion of the Arrangement or any alternative transaction. In addition, the Company has agreed to reimburse Origin Merchant for its reasonable out-of-pocket expenses and to indemnify Origin Merchant in respect of certain liabilities that might arise in connection with its engagement.

On July 2, 2013, at the request of the Board of Directors, Origin Merchant orally delivered this Opinion based on the scope of review and subject to the assumptions and limitations set out herein.

Relationship with Interested Parties

Neither Origin Merchant nor any of its affiliates is an insider, associate, or affiliate (as those terms are defined in the *Securities Act* (Ontario)) of the Company, Target, or any of their respective associates, affiliates or subsidiaries and is not an advisor to any person or company other than to the Company with respect to the Arrangement. Origin Merchant and our affiliates have in the past provided and are currently providing investment banking and other financial advisory services to the Company and its associates, affiliates or subsidiaries, for which we and our affiliates have received, and would expect to receive, compensation. Other than pursuant to the Engagement Agreement, Origin Merchant has not entered into any other agreements or arrangements with the Company, Target or any of their respective associates, affiliates or subsidiaries with respect to any future dealings. In addition, Origin Merchant and its affiliates may, in the ordinary course of their business, provide investment banking and other financial services to the Company, Target or any of their respective associates, affiliates or subsidiaries.

Credentials of Origin Merchant Partners

Origin Merchant is an independent investment bank providing a range of corporate finance, merger and acquisition, financial restructuring and merchant banking services. This Opinion represents the opinion of Origin Merchant and the form and content herein have been approved for release by a committee of its principals, each of whom is experienced in merger, acquisition, divestiture and fairness opinion matters.

Scope of Review

In arriving at its Opinion, Origin Merchant has reviewed, analysed, considered and relied upon (without attempting to independently verify the completeness or accuracy thereof) or carried out, among other things, the following:

1. the draft of the Arrangement Agreement dated July 2, 2013;
2. the July 2, 2013 draft of the Disclosure Letter to be delivered by the Target to the Company pursuant to the Arrangement Agreement;
3. the term sheet agreement dated May 23, 2013 between ReD and Capstone setting forth the Company's proposal in respect of the Arrangement;
4. drafts of the Voting Support Agreements for Sprott Consulting Limited Partnership ("**SCLP**"), certain affiliates of SCLP, the directors and officers of ReD, and certain directors and officers of SCLP and certain affiliates of SCLP, totalling approximately 22% of the outstanding Target Shares;
5. annual reports of ReD and the Company for each of the fiscal years ended December 31, 2010, 2011, and 2012;
6. the unaudited interim consolidated financial statements and associated management discussion & analysis of ReD and the Company as at and for the three months ended March 31, 2013;
7. annual information forms of ReD and the Company for each of the fiscal years ended December 31, 2010, 2011, and 2012;
8. the notice of meeting and management information circulars of ReD and the Company with respect to the annual meetings of shareholders for each of the fiscal years ended December 31, 2010, 2011, and 2012;
9. recent press releases and other public documents filed by ReD and the Company on the System for Electronic Document Analysis and Retrieval ("**SEDAR**") at www.sedar.com;
10. discussions with ReD's senior management concerning ReD's financial condition, its future development projects and business prospects, the background of the Arrangement Agreement and potential alternatives to the Arrangement;
11. discussions with the Company's senior management concerning the Company's financial condition, its business prospects, the background of the Arrangement Agreement and potential alternatives to the Arrangement;

12. financial projections provided by management of ReD for the fiscal years ending December 31, 2013 through December 31, 2038;
13. financial projections provided by management of the Company for the fiscal years ending December 31, 2013 through December 31, 2017;
14. certain other internal financial, operational and corporate information prepared or provided by the management of ReD;
15. certain other internal financial, operational and corporate information prepared or provided by the management of the Company;
16. the management presentations dated March 2013 prepared by ReD's management;
17. discussions with the Board of Directors;
18. discussions with the Company's legal counsel;
19. discussions with the Target and its financial advisors;
20. public information relating to the business, operations, financial performance and stock trading history of selected public companies considered by Origin Merchant to be relevant;
21. public information with respect to comparable transactions considered by Origin Merchant to be relevant;
22. selected reports published by equity research analysts and industry sources regarding the Company and other comparable public entities considered by Origin Merchant to be relevant;
23. representations contained in certificates, dated the date hereof, from senior officers of the Company as to the completeness and accuracy of the information upon which this Opinion is based and certain other matters; and
24. such other corporate, industry and financial market information, investigations and analyses as considered necessary or appropriate in the circumstances.

Origin Merchant has not, to the best of its knowledge, been denied access by ReD or the Company to any information requested by Origin Merchant. Origin Merchant did not meet with the auditor of ReD or the Company and has assumed the accuracy and fair presentation of, and has relied upon, the audited consolidated financial statements of ReD and the Company and the reports of the auditor thereon.

Prior Valuations

ReD has represented to Origin Merchant that there have not been any prior valuations (as defined in Canadian Securities Administrators' Multilateral Instrument 61-101 — *Protection of Minority Security Holders in Special Transactions*) of ReD or its material assets or its securities in the past two years which have not been provided to Origin Merchant for review. Origin Merchant did not receive any such valuations for review.

Assumptions and Limitations

This Opinion is subject to the assumptions, explanations and limitations set forth below.

Origin Merchant has not prepared a formal valuation or appraisal of ReD or any of its securities or assets and this Opinion should not be construed as such. We have, however, conducted such analyses as is considered necessary in the circumstances. In addition, this Opinion is not, and should not be construed as, advice as to the price at which any securities of ReD or the Company may trade at any future date. This Opinion addresses only the fairness, from a financial point of view, of the consideration payable under the Arrangement by the Company and does not address any other aspect or implication of the Arrangement. We have assumed that all draft documents referred to under "Scope of Review" above are accurate reflections, in all material respects, of the final form of such documents, that all of the conditions required to implement the Arrangement will be met, that the procedures being followed to implement the Arrangement will be valid and effective, a management information circular of the Company will be distributed to Company shareholders, the disclosure therein will be complete and accurate in all material respects and such distribution and disclosure will comply, in all material

respects, with the requirements of all applicable laws and court orders. We have also assumed that in the course of obtaining any regulatory or third party consents, approvals or agreements in connection with the Arrangement no delay, limitation, restriction or condition will be imposed that would have an adverse effect on ReD and that the Arrangement will be consummated in accordance with the terms of the Arrangement Agreement and related documents without waiver, modification or amendment of any material term, condition or agreement thereof. We are not legal, tax or accounting experts, have not been engaged to review any legal, tax or accounting aspects of the Arrangement and express no opinion concerning any legal, tax or accounting matters concerning the Arrangement. Without limiting the generality of the foregoing, Origin Merchant has not reviewed and is not opining upon the tax treatment under the Arrangement to the holders of Shares.

With the Board of Directors' approval and as provided for in the Engagement Agreement, Origin Merchant has relied upon the completeness, accuracy and fair presentation of all of the financial and other information, data, documents, advice, opinions, representations and other materials, whether in written, electronic or oral form, obtained by it from public sources or provided to it by ReD and the Company or any of its senior management, associates, affiliates, consultants, agents and advisors or otherwise (collectively, the "**Information**"), and we have assumed that this Information did not omit to state any material fact or any fact necessary to be stated to make such Information not misleading. This Opinion is conditional upon the completeness, accuracy and fair presentation of such Information. Subject to the exercise of professional judgment, we have not attempted to verify independently and have assumed the completeness, accuracy and fair presentation of any of the Information. With respect to ReD's financial forecasts, projections or estimates provided to Origin Merchant by management of ReD and used in the analysis of supporting this Opinion, we have assumed that they have been reasonably prepared on bases reflecting the best currently available estimates and judgments of management of ReD as to the matters covered thereby and which, in the opinion of ReD, are (or were at the time of preparation and continue to be) reasonable in the circumstances. By rendering this Opinion we express no view as to the reasonableness of such forecasts, projections or estimates or the assumptions on which they are based.

Senior management of the Company have represented to Origin Merchant in a certificate delivered as of the date hereof, among other things, that (i) the Company has no knowledge of any facts or circumstances, public or otherwise, not contained in or referred to in the Information that would reasonably be expected to affect this Opinion; (ii) with the exception of forecasts, projections or estimates referred to in (iv), below, the Information obtained by Origin Merchant from the Company's SEDAR filings, provided orally by, or in the presence of, an officer or employee of the Company or provided in written or electronic form by the Company or any of its associates, affiliates and subsidiaries or any of their respective agents or representatives to Origin Merchant in connection with the preparation of this Opinion was, at the date the Information was provided to Origin Merchant, and is at the date hereof complete, true and correct in all material respects, did not and does not contain any untrue statement of a material fact in respect of the Company or any of its associates, affiliates or subsidiaries and did not and does not omit to state a material fact in respect of the Company or any of its associates, affiliates or subsidiaries necessary to make the Information or any statement contained therein not misleading in light of circumstances under which the Information was provided or any statement made; (iii) to the extent that any of the Information identified in (ii), above, is historical, there have been no changes in material facts or new material facts since the respective dates thereof which have not been disclosed to Origin Merchant or updated by more current Information that has been disclosed; and (iv) any portions of the Information provided to Origin Merchant which constitute forecasts, projections or estimates were reasonably prepared on bases reflecting the best currently available estimates and judgment of the Company, were prepared using the assumptions identified therein, which, in the reasonable opinion of the management of the Company, are (or were at the time of preparation) reasonable in the circumstances and are not, in the reasonable belief of the management of the Company, misleading in any material respect in light of the assumptions used or in light of any developments since the time of their preparation. In providing this Opinion we have relied without independent investigation upon the truth, accuracy and completeness of the statements in such certificate.

This Opinion has been prepared in accordance with the Disclosure Standards for Formal Valuations and Fairness Opinions of the Investment Industry Regulatory Organization of Canada ("**IIROC**") but IIROC has not been involved in the preparation or review of this Opinion.

This Opinion is rendered on the basis of securities markets, economic, financial and general business conditions prevailing as of the date hereof and the conditions and prospects, financial and otherwise, of ReD and the Company and its subsidiaries and affiliates, as they were reflected in the Information and as they have been represented to Origin Merchant in discussions with management of ReD and the Company. In its analyses and in preparing this Opinion, Origin Merchant made numerous assumptions with respect to industry performance, general business and economic conditions and other matters, many of which are beyond the control of Origin Merchant or any party involved in the Arrangement.

This Opinion has been provided for the sole use and benefit of the Board of Directors in connection with, and for the purpose of, its consideration of the Arrangement and may not be used or relied upon by any other person or for any other purpose or quoted from or published without the prior written consent of Origin Merchant, provided that Origin Merchant consents to the inclusion of this Opinion in its entirety and a summary thereof (provided such summary is in a form acceptable to Origin Merchant) in the notice of meeting and management information circular of the Company to be mailed to shareholders of the Company in connection with seeking their approval of the Arrangement and to the filing thereof, as necessary, by the Company on SEDAR and with the securities commissions or similar securities regulatory authorities in Canada.

This Opinion does not constitute a recommendation to the Board of Directors or any shareholder as to whether or not any holder of shares should approve the Arrangement and vote their shares in favour of the Arrangement. This Opinion does not address the relative merits of the Arrangement as compared to other transactions or business strategies that might be available to the Company. In considering fairness from a financial point of view, Origin Merchant considered the Arrangement from the perspective of the Company generally and did not consider the specific circumstances of any particular shareholder, including with regard to income tax consideration. This Opinion is given as of the date hereof, and Origin Merchant disclaims any undertaking or obligation to advise any person of any change in any fact or matter affecting this Opinion which may come, or be brought, to the attention of Origin Merchant after the date hereof. Without limiting the foregoing, in the event that there is any material change in any fact or matter affecting this Opinion after the date hereof, including, without limitation, the terms and conditions of the Arrangement, or if Origin Merchant learns that the Information relied upon in rendering this Opinion was inaccurate, incomplete or misleading in any material respect, Origin Merchant reserves the right to change, modify or withdraw this Opinion.

Origin Merchant believes that its analyses must be considered as a whole and that selecting portions of the analyses or the factors considered by it, without considering all factors and analyses together, could create a misleading view of the process underlying this Opinion. The preparation of an Opinion is a complex process and is not necessarily susceptible to partial analysis or summary description. Any attempt to do so could lead to undue emphasis on any particular factor or analysis.

Conclusion

Based upon and subject to the foregoing, and such other matters as Origin Merchant considered relevant, Origin Merchant is of the opinion that, as of the date hereof, the consideration to be paid under the Arrangement by the Company is fair, from a financial point of view, to the Company.

Yours very truly,

ORIGIN MERCHANT PARTNERS

Origin Merchant Partners

Any questions and requests for assistance may be directed to Capstone Infrastructure Corporation Proxy Solicitation Agent:

North American Toll Free Phone:

1-800-229-5716

Banks, Brokers and collect calls: 201-806-2222
Toll Free Facsimile: 1-888-509-5907
Email: inquiries@phoenixadvisorscst.com