

NOTE 26. RELATED PARTY TRANSACTIONS

In the second quarter of 2011, the management and administration agreements that established the related party relationship with Macquarie Power Management Ltd. ("MPML" or "the Manager"), a subsidiary of MGL, were terminated. As such, after April 15, 2011 all transactions with MGL and its subsidiaries were not considered to be related. All amounts included in 2011 are related to the period before April 15, 2011.

All related party transactions were carried out under normal arm's length commercial terms.

(A) Transactions with MGL

Included in the table below are the related party transactions with MPML:

	For the year ended	
	Dec 31, 2012	Dec 31, 2011
Management fees ⁽¹⁾	—	13,821
Administrative fees ⁽²⁾	—	1,053
Cost reimbursement	—	1,881
	<u>—</u>	<u>16,755</u>

(1) Includes \$13,101 paid to MGL to terminate the management and administration agreements and \$220 as reimbursement for staff vacation pay.

(2) Includes \$1,016 paid to MGL to terminate the administrative agreement.

In addition to the above amounts, in March 2011, due diligence and legal fees of \$1,313 (8,334 SEK) were reimbursed to a subsidiary of MGL with respect to the acquisition of Värmevärden in Sweden. This cost has been expensed in the consolidated statement of income as at December 31, 2011 as part of equity accounted income as it was incurred by Värmevärden.

In March 2011, \$646 became payable to MEIF II for the reimbursement of due diligence costs with respect to the acquisition of Värmevärden in Sweden. These costs have been accrued in accounts payable and other liabilities and capitalized to equity accounted investments as at December 31, 2011.

In March 2011, a financial advisory fee of \$500 was payable to a subsidiary of MGL with respect to the refinancing of Tranche C of the Erie Shores project debt. These costs have been paid and capitalized to the long-term debt as at December 31, 2011.

On April 15, 2011, upon the internalization of management, Capstone and its subsidiaries paid MGL \$14,117 as consideration for terminating all management and administration agreements and \$220 as reimbursement for vacation payments to staff who joined Capstone. MGL immediately used \$7,000 of the money it received to subscribe for Capstone common shares.

(B) Compensation of Key Management

Key management includes the Corporation's directors, Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"). Compensation awarded to key management consisted of salaries, directors fees and short-term employee benefits, which include fees paid to directors. Eligible directors and senior management of the Corporation also receive forms of stock-based compensation as described in note 22.

The following table summarizes key management compensation:

	For the year ended	
	Dec 31, 2012	Dec 31, 2011
Salaries, directors' fees and short-term employee benefits ⁽¹⁾	1,272	2,973
Share based compensation	573	102
	<u>1,845</u>	<u>3,075</u>

(1) The short-term incentive plan component of this balance is based on amounts paid during the period.

Prior to April 15, 2011, the CEO and CFO of Capstone and other employees were employed by the Manager. Accordingly, no employee compensation prior to April 15, 2011 was included directly in these consolidated financial statements.