MANAGEMENT INFORMATION CIRCULAR

ANNUAL AND SPECIAL MEETING

OF

ENERGY SAVINGS INCOME FUND

TO BE HELD ON JUNE 29, 2005

TORONTO, ONTARIO

ENERGY
SAVINGS INCOME FUND

May 20, 2005

Dear Unitholder:

Please accept my personal invitation to join us at the fourth Annual and Special Meeting of Energy Savings Income Fund which takes place at 4:00 p.m., on June 29, 2005 at the Toronto Stock Exchange Broadcast Centre — Gallery, in Toronto which is located on the main floor of The Exchange Tower, 2 First Canadian Place, 130 King Street West.

I am very proud of our Fund's record. It has been the fastest growing and best performing Income Fund in Canada since its inception on April 30, 2001. During the past year, we have expanded into Quebec, British Columbia and Alberta and we have seen our entrance into the State of Illinois realize returns. The Fund has increased its rate of distribution 19 times since it's IPO and the total return to investors on the Fund's Units was 749% from April 30, 2001 to March 31, 2005, an average of 72% annually since the inception of the Fund.

The items of business to be dealt with and the details of the meeting are listed in the attached Notice of Meeting. The business will include the presentation of the Audited Consolidated Financial Statements of the Fund and the Report of the Auditors for the fiscal year ended March 31, 2005; the election of Directors of Ontario Energy Savings Corp., the appointment of Auditors and the approval of the special item of business to approve a proposed reorganization of the Fund and its affiliates including certain related amendments to the Fund's Declaration of Trust. Each of these items is described in some detail in the attached Information Circular.

Information concerning the Fund and its operating subsidiaries is available at our website at www.energysavingsincomefund.ca. You will also find recently filed corporate disclosure documents on the website.

I hope you will be able to attend as the meeting is your opportunity to meet with the Board of Directors and the Senior Management Team to discuss items of interest to you and to receive a presentation outlining our continuing efforts to ensure that the Fund remains one of your most valued holdings.

If you are unable to attend in person, I urge you to vote indicating your preferences by signing and returning the enclosed Form of Proxy in the envelope provided.

Sincerely,

REBECCA MACDONALD
Executive Chair

ENERGY
SAVINGS INCOME FUND

NOTICE OF ANNUAL AND SPECIAL MEETING

TO: THE UNITHOLDERS OF ENERGY SAVINGS INCOME FUND

AND TO: THE HOLDERS OF CLASS A PREFERENCE SHARES OF ONTARIO ENERGY SAVINGS CORP.

TAKE NOTICE that an Annual and Special Meeting (the "Meeting") of the holders of: (i) trust units ("Units") of Energy Savings Income Fund (the "Fund") and/or (ii) Class A Preference Shares of Ontario Energy Savings Corp. ("OESC") (collectively, the "Holders") will be held at the Toronto Stock Exchange Broadcast Centre — Gallery, The Exchange Tower, 2 First Canadian Place, 130 King Street West, Toronto, Ontario, Canada M5X 1J2 on Wednesday, the 29th day of June, 2005 (the "Meeting Date"), at 4:00 p.m. (Toronto time) for the following purposes:

1. to receive and consider the audited consolidated financial statements of the Fund for the year ended March 31, 2005 and the auditors' report thereon;
2. to consider the nominees of the Fund standing for election as directors of OESC and direct Montreal Trust Company of Canada ("Trustee"), as trustee of the Fund, to vote the common shares of OESC held by the Fund in favour of the election of directors accordingly;
3. to appoint KPMG LLP as auditors of the Fund, with remuneration to be fixed by OESC, the administrator of the Fund;
4. to consider, and if thought advisable to pass, without variation, a Special Resolution of the Fund, in the form described in the accompanying information circular, to approve a proposed internal reorganization of the Fund and its affiliates (the "Reorganization") and certain related amendments to the Fund's Declaration of Trust as amended; and
5. to transact such other business as may properly be brought before the Meeting or any adjournment or postponement thereof.

The specific details of the matters proposed to be put before the Meeting are set forth in the Information Circular accompanying and forming part of this Notice.

Holders who are unable to attend the Meeting in person are requested to date and sign the enclosed form of proxy and to mail to or deposit it with the Fund, c/o Computershare Trust Company of Canada, 100 University Avenue, 9th Floor, Toronto, Ontario M5J 2Y1, or deposit it on the Meeting Date with the Chair of the Meeting prior to the commencement of the Meeting. In order to be valid and acted upon at the Meeting forms of proxy must be returned to the aforesaid address not less than 24 hours before the time set for the holding of the Meeting or any adjournment or postponement thereof or be deposited with the Chair of the Meeting on the Meeting Date prior to the commencement of the Meeting.

Ontario Energy Savings Corp., as administrator of the Fund, has fixed the record date for the Meeting as the close of business on May 19, 2005 (the "Record Date"). Holders of record at the close of business on the Record Date will be entitled to vote at the Meeting. No person who became a Holder after the Record Date shall be entitled to vote at the Meeting.

Dated at Toronto, Ontario
this 20th day of May, 2005.

ENERGY SAVINGS INCOME FUND,
BY ITS ADMINISTRATOR,
ONTARIO ENERGY SAVINGS CORP.

REBECCA MACDONALD
Executive Chair
Ontario Energy Savings Corp.

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INFORMATION CIRCULAR

SOLICITATION OF PROXIES

This Information Circular is furnished in connection with the solicitation of proxies on behalf of Montreal Trust Company of Canada (the "Trustee") by Ontario Energy Savings Corp. ("OESC" or the "Administrator"), the administrator of Energy Savings Income Fund (the "Fund"), for use at the Annual and Special Meeting (the "Meeting") of the holders (the "Unitholders") of units ("Units") of the Fund and the holders of Class A Preference Shares of OESC (the "Preference Shares") (the holders of Units and Preference Shares being collectively referred to as "Holders"), to be held at the Toronto Stock Exchange Broadcast Centre — Gallery, the Exchange Tower, 2 First Canadian Place, 130 King Street West, Toronto, Ontario, Canada M5X 1J2 on Wednesday, the 29th day of June, 2005 (the "Meeting Date"), at 4:00 p.m. (Toronto time) for the purposes set forth herein and in the Notice of Meeting accompanying this Information Circular. References herein to "Holder" shall mean the holder of either Units or Preference Shares, as applicable.

FOR PURPOSES OF THE MEETING AND PURSUANT TO AN AMENDED AND RESTATED DECLARATION OF TRUST BETWEEN THE TRUSTEE AND OESC DATED AS OF JUNE 27, 2004 (THE "DECLARATION OF TRUST"), THE HOLDERS OF PREFERENCE SHARES ARE ENTITLED TO BE TREATED AS IF THEY ARE THE HOLDERS OF THE NUMBER OF UNITS THAT THEY WOULD BE ENTITLED TO RECEIVE ON THE RELEVANT DATE, IF THEY EXERCISED ON SUCH DATE, THE SHAREHOLDER EXCHANGE RIGHTS WITH RESPECT TO ALL OF THE PREFERENCE SHARES HELD BY THEM. ACCORDINGLY, PURSUANT TO THE DECLARATION OF TRUST AND AN AGREEMENT AMONG THE FUND, OESC, OESC EXCHANGECO INC. ("EXCHANGECO"), THE HOLDERS OF PREFERENCE SHARES AND CERTAIN OTHER PARTIES DATED APRIL 30, 2001 AS AMENDED (THE "OESC SHAREHOLDERS' AGREEMENT") THE ENCLOSED PROXY MAY BE COMPLETED BY ANY PERSON WHO HOLDS UNITS AND/OR WHO HOLDS PREFERENCE SHARES.

The costs incurred in the preparation and mailing of the proxy, notice of annual and special meeting and this Information Circular will be borne by the Fund. In addition to solicitation by mail, proxies may be solicited by personal interviews, telephone or other means of communication and by directors, officers and employees of the Administrator, who will not be specifically remunerated therefore.

All references to numbers of Units, Preference Shares, Unit Appreciation Rights, deferred Units and Options in this Information Circular reflect the 2:1 subdivision of Units and Preference Shares which occurred on each of July 29, 2002 and on January 30, 2004.

APPOINTMENT OF PROXIES

Holders have received with this Information Circular a form of proxy for the Meeting. The persons named in such form of proxy are directors and officers of the Administrator. **A Holder submitting a proxy has the right to appoint a person (who need not be a Holder) to attend and act on his or her behalf at the Meeting, other than the persons designated in the enclosed form of proxy. Such appointment may be exercised by striking out the names of the persons designated in the enclosed form of proxy and by inserting in the blank space provided for that purpose the name of the desired person or by completing another proper form of proxy.** A form of proxy will not be valid unless it is completed and delivered to the Fund, c/o Computershare Trust Company of Canada, 100 University Avenue, 9th Floor, Toronto, Ontario M5J 2Y1, for receipt not less than 24 hours, excluding Saturdays, Sundays and holidays, preceding the Meeting Date or any adjournment or postponement thereof at which the proxy is to be used or be deposited with the Chair of the Meeting prior to the commencement of the Meeting. A proxy should be executed by the Holder or his attorney duly authorized in writing or, if the Holder is a corporation, by an officer thereof or an attorney thereof duly authorized.

OESC, as administrator of the Fund, has fixed the record date for the Meeting as the close of business on May 19, 2005 (the "Record Date"). Only Holders of record as at that date are entitled to receive notice of, and to vote at, the Meeting. No person who became a Holder after the Record Date shall be entitled to vote at the Meeting.

REVOCABILITY OF PROXIES

A Holder who has submitted a proxy may revoke it at any time insofar as it has not been exercised. A proxy may be revoked, as to any matter on which a vote shall not already have been cast pursuant to the authority conferred by such proxy, by instrument in writing executed by the Holder or by his or her attorney duly authorized in writing or, if the Holder is a corporation, by an officer or attorney thereof duly authorized in writing and deposited either at the head office of the Fund located at First Canadian Place, 100 King Street West, Suite 2630, P.O. Box 55, Toronto, Ontario, M5X 1E1, as the case may be, at any time up to and including the last business day preceding the Meeting Date or with the Chair of the Meeting on the Meeting Date and upon either of such deposits the proxy is revoked. A proxy may also be revoked if a Holder personally attends the Meeting and votes his or her Units or Preference Shares, as the case may be, or in any other manner permitted by law.

EXERCISE OF DISCRETION BY PROXYHOLDERS

The persons designated as nominees in the enclosed form of proxy will, on a poll, vote or withhold from voting, or vote as instructed, the securities in respect of which they are appointed in accordance with the instructions of the Holders appointing them. In the absence of such a voting instruction such securities will, on a poll or otherwise, be voted **FOR APPROVAL** or **FOR** those matters set out in the enclosed proxy and, at the discretion of the proxyholders, with respect to other matters that may properly come before the Meeting. **THE ENCLOSED FORM OF PROXY CONFERS DISCRETIONARY AUTHORITY UPON THE PERSONS NAMED THEREIN WITH RESPECT TO AMENDMENTS OR VARIATIONS TO MATTERS IDENTIFIED IN THE PROXY AND WITH RESPECT TO OTHER MATTERS WHICH MAY PROPERLY COME BEFORE THE MEETING.** At the time of printing this Information Circular, management of the Administrator is not aware of any such amendments, variations or other matters. If any matters which are not now known to the Administrator should properly come before the Meeting, the persons named in the accompanying form of proxy will vote on such matters in accordance with their best judgement.

INTEREST OF CERTAIN PERSONS AND COMPANIES IN MATTERS TO BE ACTED UPON

Montreal Trust Company of Canada is the Trustee of the Fund. The Trustee holds all the common shares of OESC on behalf of the Fund and must vote them pursuant to the direction of the Holders.

UNITS, PREFERENCE SHARES AND THE PRINCIPAL HOLDERS THEREOF

Units and Preference Shares

The Fund is an open-ended, limited purpose trust, established by the Declaration of Trust for the purpose of investing in and holding, directly or indirectly, certain securities of OESC and Exchangeco and 100% of the common share of several affiliated corporations and issuing Units to the public. The sole beneficiaries of the Fund are the holders of the Units and Preference Shares. Pursuant to the terms of the Declaration of Trust: (a) Unitholders of record are entitled to notice of and to attend at the Meeting in person or by proxy, and to one vote per Unit held on any ballot thereat and (b) the Holders of Preference Shares are entitled to notice of and to attend the Meeting in person or by proxy, and to vote in all votes of Unitholders as if they were the holders of the number of Units which they would receive if they exercised all of their shareholder exchange rights pursuant to the OESC Shareholders' Agreement as of the record date for such votes and are treated in all respects as Unitholders for the purpose of any such votes.

As at May 19, 2005, the Record Date, the Fund had 95,515,617 issued and outstanding Units and OESC has 10,168,695 issued and outstanding Preference Shares so that approximately 105,684,312 votes are entitled to be cast at the Meeting.

Principal Holders of Units and Preference Shares

To the best of the knowledge of the Trustee, the Administrator and the directors and senior officers of the Administrator, there is no person or corporation which beneficially owns, directly or indirectly, or exercises control or direction over, Units and Preference Shares, in the aggregate carrying more than 10% of the voting

rights attached to all Preference Shares of OESC and all Units of the Fund, in the aggregate, entitled to vote at the Meeting. To the best of the knowledge of the Trustee, the Administrator and the directors and senior officers of the Administrator, there is no person or corporation which beneficially owns, directly or indirectly, or exercises control or direction over Units and Preference Shares collectively carrying more than 10% of the voting rights attached to all Units of the Fund and Preference Shares of OESC entitled to vote at the Meeting.

As at May 19, 2005, the officers and directors of OESC held beneficially, directly or indirectly, in the aggregate, approximately 3,440,787 Units and 8,706,212 Preference Shares.

Voting of Units — Advice to Beneficial Holders of Units

The information as set forth in this section is of significant importance to all Unitholders of the Fund, as none of the Unitholders ("Beneficial Unitholders") of the Fund hold Units in their own name. If you are a Beneficial Unitholder and wish to vote in person at the Meeting, please contact your broker or agent well in advance of the Meeting to determine how you can do so.

Beneficial Unitholders should note that only proxies deposited by Unitholders whose names appear on the records of the Fund as the registered holders of Units can be recognized and acted upon at the Meeting. All of the Units are registered under the name of CDS & Co. (the registration name for The Canadian Depository for Securities Limited ("CDS")). CDS maintains books showing through which of its participants, such as investment dealers or brokers, the Units are owned. Investment dealers and brokers maintain their own records showing the Beneficial Unitholders of such Units by their clients. Units held by CDS can be voted only upon the instructions of the Beneficial Unitholder. Without specific instructions, CDS and its participants are prohibited from voting Units for their clients. The Administrator does not know for whose benefit the Units registered in the names of CDS are held. Therefore, Beneficial Unitholders cannot be recognized at the Meeting for purposes of voting their Units in person or by way of proxy unless they comply with the procedure designated below.

Applicable regulatory policy requires intermediaries/brokers to seek voting instructions from Beneficial Unitholders in advance of Unitholder's meetings. Every intermediary/broker has its own mailing procedures and provides its own return instructions, which should be carefully followed by Beneficial Unitholders in order to ensure that their Units are voted at the Meeting. Often, the form of proxy supplied to a Beneficial Unitholder by its broker is identical to that provided to CDS. However, its purpose is limited to instructing the registered Unitholder how to vote on behalf of the Beneficial Unitholder. The majority of brokers now delegate responsibility for obtaining instructions from clients to ADP Investor Communications ("ADP"). ADP typically prepares a voting instruction form (the "Voting Form") which it mails to the Beneficial Unitholders and asks Beneficial Unitholders to return the Voting Form directly to ADP. ADP then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of Units to be represented at the Meeting. A Beneficial Unitholder receiving a Voting Form cannot use that Voting Form to vote Units directly at the Meeting. The Voting Form must be returned to ADP well in advance of the Meeting in order to have the Units voted.

IF YOU WISH TO VOTE IN PERSON AT THE MEETING, PLEASE CONTACT YOUR BROKER OR AGENT WELL IN ADVANCE OF THE MEETING TO DETERMINE HOW YOU CAN DO SO.

Quorum for Meeting

At the Meeting, a quorum shall consist of two or more persons either present in person or represented by proxy and representing in the aggregate not less than 25% of the outstanding Units and Preference Shares. If a quorum is not present at the Meeting within one half hour after the time fixed for the holding of the Meeting, it shall stand adjourned to such day being not less than 14 days later and to such place and time as may be determined by the Chair of the Meeting. At such Meeting, the Unitholders present either personally or by proxy shall form a quorum.

COMPENSATION OF THE DIRECTORS AND OFFICERS OF OESC

Compensation of Directors

For the year ended March 31, 2005, each of the Directors of OESC (other than those who are members of management), received a $10,000 annual retainer, a $1,000 attendance fee for each board and committee meeting attended and is reimbursed for out-of-pocket expenses for attending Directors' and Committee meetings. Michael Kirby received an additional annual fee of $5,000 for serving as Chair of the Audit Committee. As lead director Mr. Segal received an additional annual fee of $30,000 pro rated from January 1, 2005. In addition, each non-management director received at the end of each quarter of the Fund an additional $3,750 which amount was credited to such director's deferred unit compensation account pursuant to the Directors' Deferred Unit Compensation Plan which Plan (including the number of deferred Units owned by each non-management director) is described in note (6) under the heading "Election of Directors of Ontario Energy Savings Corp." on page 19 of this Information Circular. At March 31, 2005 the non-management directors owned a total of 9,365 deferred Units.

For the year ended March 31, 2005 the total compensation in the form of all fees, retainers and expenses paid to the non-management directors, including the cash value of the deferred unit compensation, was $161,000. Mr. John A. Brussa, a director of OESC, is a partner of the law firm of Burnet, Duckworth & Palmer LLP, which firm receives fees for legal services rendered to the Fund and its operating subsidiaries. Mr. John Panneton, a director of OESC, is Vice-Chairman of Dundee Securities Corporation, which has received fees from OESC as a member of an underwriting syndicate.

Each of Messrs. Kirby, Segal and Brussa, as outside directors of OESC, were granted 40,000 options under the Fund's 2001 Unit Option Plan on April 30, 2001 at an exercise price of $2.50 per Unit. Mr. Smith, who became a director on August 21, 2001, was granted 40,000 options at an exercise price of $3.24 per Unit. On June 27, 2003 each of Messrs. Kirby, Segal, Brussa and Smith were granted an additional 10,000 options at an exercise price of $11.25 per Unit and Mr. Panneton was granted 50,000 options at an exercise price of $11.25 per Unit. Donald S. Macdonald was appointed a director of OESC on January 17, 2005 (to fill the vacancy created by Alek Krstajic's resignation on December 17, 2004) and was granted 50,000 options at an exercise price of $17.70 per Unit. All options granted to the outside directors are exercisable for an equivalent number of Units for a period of five years from the grant date and vest as to one third thereof on the first, second and third anniversary of the grant date.

OESC has issued indemnities to each of its directors as permitted under applicable legislation and has purchased a directors' and officers' liability insurance policy for the directors and officers of all direct and indirect subsidiaries of the Fund. The annual aggregate premium for such insurance is currently $97,200 and is paid in its entirety by OESC. The annual insurance coverage under the policy is limited to $10 million (per claim and in the aggregate each policy year) and is subject to a $25,000 self-insured retention for the corporate reimbursement section only.

Summary Compensation Table

The following table sets forth all compensation with respect to the individuals who were, at March 31, 2005 the Chief Executive Officer, the Chief Financial Officer and the three other most highly compensated executive officers of the operating subsidiaries of the Fund (the "Named Executive Officers").

Name and Principal Position	Annual Compensation[1]				Long-Term Compensation Awards			All Other Compensation[4]
					Awards		Payouts	
	Year Ended March 31	Salary ($)	Bonus[3] ($)	Other Annual Compensation[4][5] ($)	Units Under Options Granted[6][9] (#)	Fully Paid Unit Appreciation Rights[11] ($)	LTIP Payouts[7][8] ($)	
Rebecca MacDonald[2] Executive Chair — OESC	2005	$500,000	$500,000[10]	—	—	30,321@$16.49	—	—
	2004	$340,000	$400,000	—	—		—	—
	2003	$285,000	$200,000	—	800,000		—	—
Brennan R. Mulcahy[2] Chief Executive Officer — OESC	2005	$500,000	$500,000[10]	—	—	30,321@$16.49	—	—
	2004	$340,000	$400,000	—	—		—	—
	2003	$285,000	$200,000	—	800,000		—	—
Ken Hartwick C.A.[2] Chief Financial Officer — OESC	2005	$350,000	$175,000[10]	—	50,000	5,306@$16.49	$ 14,156[12]	—
	2004	—	—	—	—		—	—
	2003	—	—	—	—		—	—
Paul DeVries[2] President — OESC	2005	$325,000	—	—	—	26,827@$16.58	$1,119,806[8]	—
	2004	$325,000	—	—	—		$ 900,000[8]	—
	2003	$325,000	—	—	1,120,000		$1,605,142[7][11]	—
Debbie Wernet[2] President — U.S. Energy Savings Corp.	2005	$498,654	$762,270	—	600,000	25,280@$15.80 22,006@$16.49	—	—
	2004	$511,000	—	—	—		—	—
	2003	—	—	—	—		—	—

Notes:

(1) The salary for each Named Executive Officer reflects his or her salary on an annualized basis for the years ended March 31, 2003, 2004 and 2005.

(2) Ms. MacDonald and Mr. Mulcahy became officers of OESC on April 30, 2001. Prior thereto, each of them held the same or similar positions with OESC or the predecessor of OESC. Mr. DeVries joined OESC on March 1, 2002. Ms. Wernet joined U.S. Energy Savings Corp., an indirect wholly owned subsidiary of OESC, on September 1, 2003. Mr. Hartwick became Chief Financial Officer of OESC on April 5, 2004. Effective April 1, 2005 Ms. MacDonald became Executive Chair of OESC, Mr. Mulcahy became Chief Executive Officer of OESC and Mr. De Vries became President, Canadian Operations of OESC. Ms. Wernet continues as President, U.S. Operations of OESC.

(3) Subject to the confirmation and approval of the Compensation and Human Resources Committee, each of the Named Executive Officers (except for Mr. DeVries), is entitled to receive a discretionary bonus pursuant to each of their employment agreements based on several performance factors including, but not limited to: (i) U.S. and Canadian customer growth, (ii) margins, (iii) distribution levels, (iv) customer renewals, (v) customer attrition and other factors as determined by the Compensation and Human Resources Committee. A more detailed summary of the employment agreements for the Named Executive Officers is described under the heading "Employment Agreements — Named Executive Officers" on page 9 of this Information Circular.

(4) The aggregate value of perquisites and other personal benefits did not exceed the lessor of $50,000 and 10% of the total of the annual salary and bonus for each of the Named Executive Officers for the year ended March 31, 2005.

(5) Pursuant to the OESC Shareholders' Agreement, each member of management of OESC who is a holder of Preference Shares in the capital of OESC i.e., including Ms. MacDonald and Mr. Mulcahy (each Preference Share is exchangeable at the option of the holder into one Unit of the Fund), is entitled to receive on a quarterly basis, a "special management incentive bonus" equal to the amount which he or she would have received had he or she been a holder of record on the record date for all distributions made on Units in respect of such quarter, on a number of Units equivalent to the number of Preference Shares held by him or her. In view of the nature of the above payments made to two of the above Named Executive Officers, which in substance reflect the ownership of Units (based on

the number of Preference Shares owned by each them in OESC), the above table does not reflect the amounts paid to each of them pursuant to the special management incentive bonus.

(6) Reflects the number of unexercised and unvested options held at March 31 in each of the indicated years. No options were granted to any of the Named Executive Officers during the year ended March 31, 2005. Options vest over three or five years from the grant date and expire five or ten years from the grant date. The number of options in the above Table reflect the 2:1 subdivision of Units on July 29, 2002 and the subsequent 2:1 subdivision of Units on January 30, 2004.

(7) Pursuant to an agreement among OESC, the Fund, Mr. DeVries and certain other persons dated January 22, 2002 (the "Electricity Agreement"), each of Mr. DeVries and the other parties thereto became entitled to a specified annual commission based on $40 for each flowing residential customer equivalent of electricity secured by OESC. No amounts were paid for the year ended March 31, 2002. For the year ended March 31, 2003, Mr. DeVries received $1,605,142. The details of the agreement, the names of persons entitled to participate in the commissions, their relationship to OESC and the amounts paid to each of them for the years ended March 31, 2003 and March 31, 2004 are described under the heading "Report on Executive Compensation — Commissions and Fees — the Electricity and Marketing Fee Agreements" on page 15 of this Information Circular. On February 19, 2002 Mr. DeVries received a loan of $300,000 from OESC to finance the purchase of Units of the Fund which loan was repaid during the month of September, 2003. Mr. DeVries ceased to be entitled to receive commissions under the Electricity Agreement on March 31, 2003 after which date he became entitled to receive fees or commissions pursuant to the Marketing Fee Agreement described in Note (8) below.

(8) On April 1, 2003 the Fund and OESC entered into an agreement with Mr. DeVries (the "Marketing Fee Agreement") and certain other individuals to provide an incentive to maximize gross margins and to better align his interests with the holders of Units and Preference Shares thereby increasing Unitholder value. The Marketing Fee Agreement, along with four similar agreements, was approved by OESC's board of directors. Under the terms of the Marketing Fee Agreement Mr. DeVries: (i) repaid in full with interest the loan of $300,000 from OESC (see note (7) above) and all Units held as security therefore were released, (ii) for so long as he is an employee of OESC (and in the event he is terminated without cause), is entitled to fees or commissions based upon a fixed percentage of year over year incremental gross margins of OESC and its subsidiaries from April 1, 2003 to March 31, 2007 and thereafter unless terminated by OESC (See "Report on Executive Compensation — Marketing Fee or Commission Payments" on page 14 of the this Information Circular) and (iii) in the event of a change of control of the Fund or OESC, is entitled to a change of control fee or commission after which he is no longer entitled to receive any further fees or commissions based on incremental gross revenues. The Marketing Fee Agreements entered into by the Fund, OESC and Mr. DeVries and four other persons and the commissions or fees (including unit appreciation rights ("UARs")), paid or to which such persons are entitled are discussed in greater detail under the heading "Report on Executive Compensation" on page 12 of this Information Circular.

(9) A general description of the Fund's Unit Option Plan is described below under the heading "Fund Unit Option Plan". Of the 2,800,000 options granted to four officers of Ontario Electric Savings Corp. (now OESC) (including Paul DeVries as to 1,120,000 options) on January 29, 2002 at an exercise price of $5.01 per Unit, 28.6% thereof or 800,000 options (including Paul DeVries as to 320,000 thereof) were granted subject to the terms and conditions described below under the heading Fund Unit Option Plan. The remaining 71.4% thereof or 2,000,000 options (including Paul DeVries as to 800,000 thereof) became exercisable only on the achievement of specific performance targets of which (a) 800,000 options (including Paul DeVries as to 320,000 thereof) vest as to 33⅓% thereof on each of the first, second and third anniversary of September 30, 2002 the day when OESC achieved an aggregated contracted flowing customer base of 100 megawatts of electricity (the "First Target Date") and (b) 1,200,000 options (including Paul DeVries as to 480,000 thereof) vest as to 33⅓% thereof on each of the first, second and third anniversary of January 20, 2003 the day when OESC achieved an aggregated contracted flowing customer base of 200 megawatts of electricity (the "Second Target Date"). All options granted on the basis described in (a) and (b) above are, subject to vesting, exercisable on a cumulative basis, and expire, to the extent unexercised, on the fifth anniversary of the First Target Date and the Second Target Date, respectively, and are otherwise subject to the terms and conditions thereof, the Fund Unit Option Plan described below and Mr. DeVries employment agreement described under the heading "Employment Agreements — Named Executive Officers" on page 9 of this Information Circular.

(10) Ms. MacDonald, Ms. Wernet, Mr. Mulcahy and Mr. Hartwick are required to take a certain percentage of their bonus entitlements in UARs and Mr. DeVries is required to take a certain percentage of his commission or marketing fee entitlement under his Marketing Fee Agreement in UARs as described in more detail under "Employment Agreements — Named Executive Officers" on page 9 of this Information Circular and under the headings "Report on Executive Compensation — UARs and Marketing Fee or Commission Payments" commencing on page 13 of this Information Circular. Each of Ms. MacDonald, Mr. Mulcahy and Ms. Wernet elected to take 100% of each of their bonus entitlements in UARs.

(11) In accordance with terms of their employment agreements and, in the case of Paul De Vries, the Marketing Fee Agreement and pursuant to elections made pursuant thereto, fully paid UARs representing March 31, 2005 bonus and mandatory fee commissions (Paul DeVries) were issued to each of the above Named Executive Officers in the numbers and at the prices per UAR as disclosed. See "Unit Appreciation Rights Plan" on page 8 of this Information Circular for a further description of UARs. The UARs do not reflect additional compensation but rather bonus rewards received in the form of UARs.

(12) As at March 31, 2005 Mr. Hartwick's interest in the Fund's Deferred Profit Sharing Plan and the Employee's Profit Sharing Plan (both of which are described in more detail under the heading "Report on Executive Compensation" on page 12 of this Information Circular) consists of $1,615 and $12,541 (735 Units) of which $6,268 was contributed by Mr. Hartwick and $7,880 by OESC. None of the other Named Executive Officers are entitled to participate in the plans.

Fund Unit Option Plan

The directors, officers, full-time employees and service providers of and to the Fund and OESC are eligible to participate in the Fund's 2001 Unit Option Plan (the "Option Plan"). The purpose of the Option Plan is to provide such eligible participants with compensation opportunities that will encourage ownership of Units, enhance OESC's and the Fund's ability to attract, retain and motivate key personnel and reward directors, officers, employees and service providers for significant performance and cash flow growth of the Fund. The Option Plan is administered by the Compensation and Human Resources Committee of OESC in its capacity as administrator of the Fund. The Compensation and Human Resources Committee has the power to, among other things: (i) determine those directors, officers, employees and service providers eligible to be granted options; (ii) determine the number of Units covered by each option; (iii) determine the exercise price for each option; and (iv) determine the time or times when options will be granted and when they are exercisable and expire. The exercise price for any option granted may not be less than the closing market price of the Units on the Toronto Stock Exchange on the business day immediately preceding the day upon which the option is granted. Except as described in Note (7) to the Summary Compensation Table on page 6 of this Information Circular or otherwise provided in individual option agreements approved by the Compensation and Human Resources Committee. Holders of options may exercise them at the applicable exercise price, subject to cancellation or acceleration in the event of termination of employment or death of the optionholder. Except as otherwise provided in individual option agreements approved by the Compensation and Human Resources Committee, options granted under the Option Plan are non-transferable, non-assignable and, except as described in Note (9) to the Summary Compensation Table on page 6 of this Information Circular, expire five or ten years from their grant date.

Under the Option Plan, all options will automatically vest immediately prior to the occurrence of a "Change of Control" of the Fund as defined under the heading "Employment Agreements — Named Executive Officers" on page 9 of this Information Circular.

Options Granted for Year Ended March 31, 2005

A total of 165,000 options have been granted to directors, officers, employees and service providers of OESC for the one year period ending March 31, 2005 to acquire in the aggregate 165,000 Units on the dates, in the numbers, and at the exercise prices per Unit as set forth below:

Date of Option Grant	Exercise Price Per Unit	# of Options Granted
April 5, 2004	$17.48	50,000
April 22, 2004	$16.58	35,000
September 7, 2004	$15.50	5,000
November 25, 2004	$17.45	25,000
January 17, 2005	$17.70	50,000

Option Exercises and Financial Year End Value of Options

The following table sets forth the number of Units acquired pursuant to the exercise by the Named Executive Officers, if any, of unit options during the fiscal year ended March 31, 2005, the aggregate value realized upon any such exercise, and the number of Units covered by unexercised options under the Option Plan

as at March 31, 2005. The value of the unexercised in-the-money options is the difference between the exercise price of the options and the fair market value of the Units on March 31, 2005 which was $16.45 per Unit:

Name	Units of the Fund Acquired on Exercise	Aggregate Value Realized[1]	Unexercised Options at March 31, 2005		Value of Unexercised in-the-Money Options at March 31, 2005[1][2]	
			Vested	Not Vested	Vested	Not Vested
Rebecca MacDonald	266,668	$3,730,657	Nil	Nil	Nil	Nil
Brennan R. Mulcahy	266,668	$3,730,657	Nil	Nil	Nil	Nil
Ken Hartwick C.A.	Nil	Nil	Nil	50,000	Nil	$ (51,500)
Paul DeVries	373,334	$4,534,941	Nil	266,668	Nil	$ 3,050,682
Debbie Wernet	Nil	Nil	200,000	400,000	$856,000	$ 1,712,000

Notes:

(1) The aggregate value realized is equal to the number of units acquired on exercise times the difference between the amount realized on the sale thereof less the exercise price.

(2) The in-the-money value of the unexercised Unit options has been calculated using the closing price of $16.45 for the Units of the Fund on the Toronto Stock Exchange on March 31, 2005, less the applicable exercise price of underlying Unit options.

Unit Appreciation Rights Plan

As described under the headings "Employment Agreements — Named Executive Officers" and "Report on Executive Compensation" on pages 9 and 12 of this Information Circular, in lieu of granting options under the Fund's 2001 Unit Option Plan, a specified minimum percentage of the performance and guaranteed bonuses and marketing fees or commissions to which the Named Executive Officers and certain other employees of, and consultants to, OESC are entitled (individually an "UAR Grantee"), are payable in fully paid UARs which vest at various dates (the "Vesting Dates"), ranging from immediately on the grant date to five years from the grant date (the "Grant Date"), providing that on the applicable Vesting Date the UAR Grantee continues to be an employee with or consultant to OESC or a subsidiary thereof. The Unit Appreciation Rights Plan (the "UAR Plan") provides an umbrella agreement to govern: (a) UARs previously granted to a UAR Grantee under employment agreements and marketing fee agreements referred to under the heading "Employment Agreements — Named Executive Officers" on page 9 of this Information Circular and under the heading "Report on Executive Compensation — Marketing Fee or Commission Payments on page 14 of this Information Circular and (b) the grant of fully paid UARs to employees of and consultants to OESC and its subsidiaries which UARs will vest, subject to the discretion of the board of directors, on a cumulative basis over a period of five years from the Grant Date as to 20% at the end of each year. Fully paid UAR's are, subject to vesting, exchangeable into fully paid Units of the Fund on a cumulative basis for terms ranging up to 10 years, on the basis of one Unit for each fully paid UAR. The number of fully paid UARs to which an UAR Grantee is entitled is determined on the relevant Grant Date by dividing the amount of the performance or guaranteed bonus or the marketing fee or commission to which such Grantee is entitled and/or elects to receive, and which is payable in fully paid UARs, by the simple or weighted-average of the closing market price of Units on the TSX for periods ranging between 10 and 30 days for UARs granted prior to June 30, 2004, and, unless otherwise provided by the Compensation and Human Resources Committee and/or the Board of Directors, 30 days for all other UARs, in each case, prior to the Grant Date. Pending the exchange of fully paid UARs for Units, the Grantee of UARs is entitled to receive cash payments from OESC equal to the monthly distributions such holder would otherwise be entitled to receive if the UARs were Units, less any applicable withholdings or other tax. All outstanding UARs, whether or not vested, automatically vest on a change of control.

The UAR Plan is administered by the Compensation and Human Resources Committee which has broad powers respecting the granting, vesting, term and allocation of UARs and to interpret the UAR Plan. The aggregate number of UARs which may be granted under the UAR Plan is limited to one million which, when issued and vested, are exchangeable, on a one for one basis, into an equal number of fully paid and non assessable Units.

The UAR Plan was introduced to replace the granting of options to senior executives of OESC and its subsidiaries and to provide a mechanism to ensure that all or a significant portion of the bonuses and commissions or marketing fees payable to senior officers, are payable in fully paid UARs, in lieu of cash, thereby encouraging them to continue in the long-term employment of the Fund, while aligning their interests to those of Unitholders.

Equity Compensation Plan Information

The following table provides additional information about the Fund's equity compensation plans at March 31, 2005:

Plan Category[1]	(a) # of Units Issuable upon the Exercise or Exchange of Outstanding:	(b) Weighted — Average Exercise Price of Outstanding:	(c) # of Units Available for Future Issuance under Plan (Excluding Units in Column (a))
2001 Unit Option Plan	Options 1,825,835	Options $8.99	Units 1,134,166
Unit Appreciation Rights Plan	Unit Appreciation Rights 240,426	Unit Appreciation Rights $16.37	Units 759,574
Directors' Deferred Compensation Plan	Deferred Unit Grants 9,365	Deferred Unit Grants $16.08	Units 90,635

Note:

(1) Each of the 2001 Unit Option Plan, the Unit Appreciation Rights Plan and the Directors' Deferred Compensation Plan were approved by Unitholders and each Plan is described in detail elsewhere in this Circular.

Employment Agreements — Named Executive Officers

OESC entered into employment agreements with each of Ms. Rebecca MacDonald (February 1, 2001), as Chair, President and Chief Executive Officer of OESC (now Executive Chair of OESC) and Mr. Brennan Mulcahy (February 1, 2001), as Senior Executive Vice-President of OESC (now Chief Executive Officer of OESC). On March 1, 2002, Mr. Paul DeVries entered into an employment agreement with Ontario Electric Savings Corp. (now OESC), as President and Chief Executive Officer (now President, Canadian Operations of OESC). On September 1, 2003, U.S. Energy Savings Corp., an indirect 100% subsidiary of OESC, entered into an employment agreement with Ms. Debbie Wernet as its President. On April 4, 2004 OESC, entered into an employment agreement with Mr. Ken Hartwick as Chief Financial Officer of OESC. Each of Ms. MacDonald's and Mr. Mulcahy's employment agreements were amended on February 12, 2004 and on February 25, 2005.

Under the terms of the employment agreements referred to above and described below in greater detail, each executive is retained for a definite period ranging between four and five years subject to various termination rights described below. In consideration for their services each executive is entitled to a base salary, various fringe benefits, options to acquire Units of the Fund (most of which have been exercised) and, except for Mr. DeVries, various bonus and UAR entitlements described below and under the heading "Summary Compensation Table" on page 5 of this Information Circular. Mr. DeVries: (i) was, until March 31, 2003, entitled to commissions pursuant to the Electricity Agreement described in Note (7) to the Summary Compensation Table on page 6 of this Information Circular and under the heading "Report on Executive Compensation — Electricity Commissions" on page 14 of this Information Circular and (ii) is now entitled to fees or commissions pursuant to the Marketing Fee Agreement described in Note (8) to the Summary Compensation Table on page 6 of this Information Circular and under the heading "Report on Executive Compensation — Marketing Fee or Commission Payments" on page 14 of this Information Circular.

Each of the above employment agreements contains (i) confidentiality and non-disclosure provisions which apply for periods ranging between three and four years after termination, (ii) non-competition and non-solicitation covenants which apply for periods ranging from one to three years after termination, provided the period is abridged or eliminated in the case of (a) termination without cause or constructive dismissal, (b) failure to renew upon completion of the term thereof and (c) a change of control and (iii) termination provisions which, generally speaking, provide benefits as described below. In the event of termination without

cause, constructive dismissal or the failure to renew upon expiry of the term, an employee is entitled, inter alia, to one years base salary and regular benefits and an automatic vesting of up to 100% of all of an employees unvested options to acquire Units of the Fund and in the case of Mr. DeVries to the automatic vesting of 100% of all unvested UARs. In the event of an indirect or direct "Change of Control" of OESC, each of the above officers has the right, within 60 to 120 days thereof, to terminate his or her employment agreement and to receive on such termination, inter alia, the same benefits to which he or she would have been entitled in the event of wrongful dismissal or constructive dismissal and an automatic vesting of all unvested options and in the case of Mr. DeVries, all unvested UARs.

A "Change of Control" is deemed to have occurred under the Option Plan and each of the above employment agreements if: (a) any individual, partnership, firm, corporation, association, trust, unincorporated organization or other entity, or any syndicate or group acting or presumed to be acting jointly or in concert, offers to acquire or acquires, directly or indirectly, Units representing 50% or more of the outstanding Units; (b) assets of the Fund representing 50% or more of the net book value of the Fund, determined as of the date of the audited financial statements of the Fund then most recently published, are sold, liquidated or distributed; or (c) Unitholders approve, or the Fund consummates, any reorganization, amalgamation, arrangement, merger, business combination, consolidation, issuance of securities, sale of assets, liquidation, dissolution or winding-up, or any combination thereof (a "transaction"), and, as a result thereof, persons who are Unitholders immediately prior to such transaction would not, immediately thereafter, directly or indirectly, own securities representing de facto control of the reorganized, amalgamated, continuing, merged, surviving or consolidated entity.

On February 12, 2004 and on February 25, 2005 the Compensation and Human Resources Committee of OESC approved amendments to the term and compensation provisions for the employment agreements for each of Ms. MacDonald and Mr. Mulcahy each of which were subsequently approved by the Board of Directors. The combined effect of the amendments is that Ms. MacDonald's term as Chief Executive Officer was extended to March 31, 2005 at which time she became Executive Chair of the Board of Directors. Effective April 1, 2004, she became entitled to an annual base salary of $500,000 and a discretionary short term bonus of up to $500,000 payable as to a minimum of 50% in fully paid UARs (described under the heading "Unit Appreciation Rights Plan" on page 8 of this Information Circular) and as to 50% in cash or fully paid UARs, or some combination thereof at her election. Ms. MacDonald elected to receive 100% of her March 31, 2005 $500,000 cash bonus in fully paid UARs. All 30,321 fully paid UARs to which Ms. MacDonald became entitled on March 31, 2005 vested as to 33⅓% thereof (10,107 UARs) on March 31, 2005 and will vest as to the remaining 2/3^{rds} as to 50% thereof (10,107 UARs) on each of March 31, 2006 and 2007 so long as she remains Executive Chair of OESC on the relevant vesting date.

Effective April 1, 2005 Ms. MacDonald became Executive Chair for a minimum two year period at an annual salary of $400,000 and a discretionary short term bonus opportunity of up to $500,000 a year payable as to a minimum of 50% in fully paid UARs and 50% in cash or fully paid UARs, or some combination thereof at her election. In addition, so long as Ms. MacDonald remains as Executive Chair of OESC on March 31, 2006, she will be entitled to a Unit performance bonus, if any, on March 31, 2006 in one of the amounts set forth below based on the simple average of the closing market price of Units for the 30 trading days on the TSX preceding that date. All UARs to which Ms. MacDonald may become entitled will vest as to 50% on the first and second

anniversaries of the grant date providing she continues to be Chair of OESC and/or a director of OESC on the relevant vesting date.

Simple Average Closing Market Price of Units for the 30 TSX trading days preceding March 31, 2006	Unit Performance Bonus
$18.00	$ 400,000
$20.00	$ 600,000
$22.00	$ 800,000
$24.00	$1,000,000
$26.00	$1,500,000
$28.00	$2,000,000
$30.00 or more	$2,500,000

The amount, if any, of Ms. MacDonald's entitlement to the above Unit performance bonus, is payable as to a minimum of 50% in fully paid UARs (described under the heading "Unit Appreciation Rights Plan" on page 8 of this Information Circular) and as to 50% in cash or fully paid UARs, or some combination thereof at Ms. MacDonald's election. Any fully paid UARs to which Ms. MacDonald becomes entitled as part of the Unit performance bonus will vest as to 50% thereof on March 31, 2006 and 50% on March 31, 2007, so long as Ms. MacDonald remains Executive Chair of the Board of OESC on the relevant vesting date.

Mr. Mulcahy became Chief Executive Officer of OESC on April 1, 2005. His current employment agreement, subject to renegotiation, terminates on March 31, 2006. Effective April 1, 2004, he became entitled to an annual base salary of $500,000 and a discretionary short term bonus of up to $500,000 payable as to a minimum of 50% in fully paid UARs (described under the heading "Unit Appreciation Rights Plan" on page 8 of this Information Circular) and as to 50% in cash or fully paid UARs, or some combination thereof at his election. Mr. Mulcahy elected to receive 100% of his March 31, 2005 $500,000 cash bonus in fully paid UARs. All 30,321 UARs to which Mr. Mulcahy became entitled on March 31, 2005 vested as to 50% (15,161 UARs) on March 31, 2005 and will vest as to 50% (15,160 UARs) on March 31, 2006 and the UARs to which he may become entitled for the year ended March 31, 2006 will vest as to 50% on each of March 31, 2006 and 2007 so long as he remains, in all cases, an employee of OESC on the relevant vesting date. In addition, so long as Mr. Mulcahy remains in the employ of OESC at March 31, 2006 as Chief Executive Officer, he will be entitled to a Unit performance bonus, if any, on March 31, 2006 in one of the amounts set forth in the above Table based on the simple average of the closing market prices of Units for the 30 trading days on the TSX preceding that date.

The amount, if any, of Mr. Mulcahy's entitlement to the above Unit performance bonus, will be payable as to a minimum of 50% in fully paid UARs (described under the heading "Unit Appreciation Rights Plan" on page 8 of this Information Circular) and as to 50% in cash or fully paid UARs, or some combination thereof at Mr. Mulcahy's election. All UARs to which Mr. Mulcahy becomes entitled as part of his Unit performance bonus will vest as to 50% on March 31, 2006 and as to 50% on March 31, 2007 so long as Mr. Mulcahy remains in the employment of OESC as Chief Executive Officer, on the relevant vesting date.

Ms. Debbie Wernet commenced employment as President of U.S. Energy Savings Corp., a 100% indirect subsidiary of OESC ("US Energy Corp.") for a period of five years and seven months ending March 31, 2009 pursuant to an employment agreement dated September 1, 2003. Ms. Wernet's compensation consists of: (i) a base salary of US$390,000 (Cdn. $498,654 for 2005), (ii) a guaranteed annual bonus (the "Guaranteed Bonus") of US$300,000 (Cdn. $399,390 as at August 31, 2004) for each of the first two completed years of her employment, i.e., on each of August 31, 2004 and 2005 (iii) a base performance bonus (the "Base Performance Bonus") of up to US$300,000 (Cdn. $362,880 as at March 31, 2005) for each year of her employment commencing with the year ending March 31, 2005 during the term if the operations of US Energy Savings Corp. attain certain specified performance targets, (iv) an additional performance bonus (the "Additional Performance Bonus") if the performance targets in (iii) above are exceeded based on certain specified guidelines and (v) 600,000 options granted effective August 13, 2003 (the "Grant Date") exercisable into an equivalent number

of Units on a 10 year cumulative basis as to 33⅓% thereof on the first, second and third anniversary of the Grant Date at a price of $12.17 per Unit. Each of the Guaranteed Bonus, the Base Performance Bonus and the Additional Performance Bonus, is payable as to a minimum of 50% in fully paid UARs (described under the heading "Unit Appreciation Rights Plan" on page 8 of this Information Circular) and as to 50% in cash or fully paid UAR's, or some combination thereof at Ms. Wernet's election. Ms. Wernet elected to receive 100% of her US$300,000, August 31, 2004 (25,280 UARs) and US$300,000 August 31, 2005 Guaranteed Bonus and her March 31, 2005 US$300,000 Base Performance Bonus in fully paid (22,006) UARs. All UARs vest as to one third of each grant on the first, second and third anniversaries of the grant date.

Mr. Hartwick commenced employment as Chief Financial Officer of OESC for a five year period ending April 4, 2009 pursuant to an employment agreement dated April 5, 2004. Mr. Hartwick's compensation consists of: (i) a base salary of $350,000 per annum, (ii) a five year annual performance bonus for the years ending March 31, 2005 through 2009, of up to 50% of base salary payable as to a minimum of 50% in fully paid UARs and as to 50% in cash or fully paid UARs (described under the heading "Units Appreciation Rights Plan" on page 8 of this Information Circular), or some combination thereof at Mr. Hartwick's election and (iii) 50,000 options granted effective April 5, 2004 (the "Grant Date") exercisable into an equivalent number of Units on a five year cumulative basis as to 20% thereof on each of the first five anniversaries of the Grant Date at a price of $17.48 per Unit. The UARs, if any, to which Mr. Hartwick is entitled at March 31 (the "Entitlement Date") in each of the years ending March 31, 2005 through March 31, 2009 shall vest, for as long as Mr. Hartwick remains as Chief Financial Officer of OESC as to 50% thereof on each of the first and second anniversary of each Entitlement Date. Mr. Hartwick elected to receive 50% of his $175,000 March 31, 2005 annual performance bonus in 5,306 fully paid UARs on March 31, 2005 which vest as to 50% (2,653 UARs) on each of March 31, 2006 and March 31, 2007 providing he remains as Chief Financial Officer of OESC on the relevant vesting date. Effective April 1, 2005 Mr. Hartwick's base salary was increased to $375,000 per year and on May 19, 2005 he was awarded an additional 100,000 options under the Fund's 2001 Unit Option Plan at an exercise price of $15.63 per Unit vesting as to 20% each year commencing April 28, 2006.

The general guidelines to be used by the Compensation and Human Resources Committee in determining the amount of all discretionary bonuses are set forth in Note (3) of the Summary Compensation Table on page 5 and below under the heading "Report on Executive Compensation".

Report on Executive Compensation

The compensation of the Named Executive Officers is set by the Compensation and Human Resources Committee of the Board of OESC (the "Committee"). The Committee's executive compensation philosophy is guided by its objective to obtain and retain executives critical to the success of OESC and the enhancement of Unitholder value. To this end, executive compensation includes a base salary and, in the case of Ms. MacDonald and Ms. Wernet and Messrs. Hartwick and Mulcahy, a discretionary performance bonus based on achieving operating performance targets including U.S. and Canadian growth, distributions, margins, renewals, attrition and other performance factors and, as regards to Mr. DeVries: (i) for the year ending March 31, 2003 an entitlement to commissions based on the number of new flowing residential customer equivalents of electricity as described in more detail under the heading "Electricity Commissions" below and (ii) for the year ending March 31, 2004 a fee or commission payment described in more detail under the heading "Marketing Fee or Commission Payments" below. Unit options provide a longer-term incentive for executives to enhance Unitholder value. Each officer's performance and related salary level, bonus, commissions, fee or commission payments and amount of Unit options is reviewed annually by the Committee in conjunction with the Chair and the Chief Executive Officer of OESC whose latter compensation packages are subject to the approval of the Committee and the full Board of Directors. Each of Ms. MacDonald and Mr. Mulcahy may become entitled to a Unit performance bonus for the period ending March 31, 2006 based upon the simple average of the closing market price of the Fund's Units for the 30 trading days on the TSX preceding March 31, 2006 as described under the heading "Employment Agreements — Named Executive Officers" on page 9 of this Information Circular. Ms. Wernet is entitled to a guaranteed bonus as described under the heading "Employment Agreements — Named Executive Officers" on page 9 of this Information Circular. The requirement that the Named Executive Officers receive fully paid UARs as a component of their respective bonus and other

entitlements aligns the interests of senior management with those of Unitholders and the Holders of Preference Shares.

A description of the executive compensation components is as follows:

Base Salary: The base salary of each executive recognizes the executive's experience, responsibility, contribution and intended performance and is targeted to the median of the market based on an analysis of the salaries for executives at comparable organizations. Base salaries also take into account the other components of an executive's total compensation package.

Discretionary Bonus: An annual discretionary bonus may be granted by the Committee based on performance factors including the growth of the customer base, operating margins, distributions, renewals, expansion into new markets and customer attrition in the preceding year. In most cases, a portion of an employees bonus entitlement is payable in fully paid UARs. See below.

Guaranteed Bonus: A guaranteed bonus was awarded by the Committee to one of the Named Executive Officers i.e., Ms. Wernet, to encourage her to accept her current position as President of U.S. Energy Savings Corp.

Unit Performance Bonus: In lieu of granting additional options, the Committee has structured a Unit performance bonus for two of its Named Executive Officers (the Executive Chair and the Chief Executive Officer of OESC) the amount of which is based on an increase in the market price of Units of the Fund and which is payable in cash and fully paid UARs.

Fund Option Grants: The Committee is responsible for awarding options to directors and employees pursuant to the Fund's 2001 Unit Option Plan. The option grants provide longer-term incentive to pursue significant performance for OESC and cash flow growth for the Fund. As at March 30, 2005 the Fund has 1,139,166 remaining options available for grant under the Plan. The Committee has no plans to increase the number of options under the Plan.

Employee Loans: The Committee has established a policy to prohibit loans to employees or directors.

UARs: The Committee has awarded fully paid UARs to the Named Executive Officers pursuant to their employment agreements (and in the case of Mr. DeVries, pursuant to his Marketing Fee Agreement), and the Unit Appreciation Rights Plan (described under the heading "Unit Appreciation Rights Plan" on page 8 in this Information Circular). The Committee has used and will continue to use fully paid UARs to provide the Fund with a mechanism of capitalizing cash payments which senior executives of the Fund would otherwise receive in the form of cash as part of their bonus, marketing fees or commissions and other compensation entitlements into Units thereby encouraging such persons to continue in the long-term service of the Fund and aligning the interests of all Named Executive Officers with holders of Units of the Fund.

Employee Benefit Plans: On October 1, 2004 and effective April 1, 2004, the Fund established a long-term incentive plan (the "Plan") for all permanent full time and part time Canadian employees (working more than 20 hours per week) of its affiliates and subsidiaries. The Plan consists of two components, a Deferred Profit Sharing Plan ("DPSP") and an Employee Profit Sharing Plan ("EPSP"). For participants of the DPSP, the Fund contributes an amount equal to a maximum of 2% per annum of an employee's base earnings. For the EPSP, the Fund contributes an amount up to a maximum of 2% per annum of an employee's base earnings towards the purchase of Units, on a matching one for one basis.

Participation in either plan is voluntary. The plan has a two year vesting period beginning from the later of the plan's effective date and the employee's starting date. The cost of the Fund's contribution to the plan is expensed as services rendered by each employee. Mr. Ken Hartwick is the only Named Executive Officer entitled to benefit under the Plan. See note (12) to Summary Compensation Table on page 6 of this Information Circular.

Electricity Commissions: On January 22, 2002 OESC retained the services of four persons (Messrs. DeVries, Gaffney, Borg and Ellis (collectively the "Electricity Executives")) who had established relationships with marketers involved in the aggregation of electricity contracts in Ontario, who understood the proposed deregulation framework for electricity, who had an ability to manage electricity supply and who potentially could have competed with OESC in the electricity market. In addition to: (i) five year employment agreements, (ii) the receipt of options to purchase Units and (iii) the receipt of loans to purchase Units, all of which are described elsewhere in this Information Circular, the Electricity Executives and certain other persons described below (all of whom were or continue to be parties to the Electricity Agreement), were entitled to commissions from a revenue pool established by OESC equal to $40 for each flowing residential customer equivalent ("RCE") of electricity secured by OESC less a reduction of $2.50 per RCE for each 1% that the gross margin per RCE was less than 18% providing that the total reductions could not exceed $5.00 per RCE. The Electricity Executives were not entitled to any commission in respect of the renewal or conversion of any electricity customers.

Based on approximately 154,000 flowing RCE's of electricity as at March 31, 2003 OESC earned aggregate gross margins of approximately $9,248,000, for the year then ended which represented approximately nine months of operations of the 60 month contracts. The total revenue pool with respect to the 154,000 RCE's and related contracts involved a one time payment of commissions to the Electricity Executives and several other persons of $6,369,612 for the year ended March 31, 2003 ($650,805 for the year ended March 31, 2004) and was divided, as required by the Electricity Agreement, as set forth in the Schedule on page 16 of this Information Circular.

On February 20, 2003 the Committee (and subsequently the board of Directors of OESC), approved Marketing Fee Agreements for each of the Electricity Executives and a consultant to OESC, which, commencing April 1, 2003, replaced their commission entitlements under the Electricity Agreement. Three other persons who were also parties to the Electricity Agreement continued to receive commissions thereunder after March 31, 2003 as set forth in the Schedule on page 16 of this Information Circular. No further commissions will be paid under the Electricity Agreement with respect to periods after May 31, 2004.

Marketing Fee or Commission Payments.

General: On April 1, 2003 each of the Electricity Executives and a consultant to OESC, entered into individual Marketing Fee Payment Agreements with the Fund and OESC pursuant to which each of them, commencing April 1, 2003, became entitled to receive annual marketing fees or commissions equal to the greater of an individual specified percentage of OESC's incremental gross margin and an individual specified minimum amount payable as to 50% in the form of UARs (the "UAR Distribution Amount") and as to 50% in cash or UARs or some combination thereof at the election of each participant, provided each participant, depending upon his specified percentage entitlement in OESC's incremental gross margin, is entitled to a minimum cash payment and a guaranteed marketing fee or commission as follows:

Name of Participant	% Entitlement of OESC'S Incremental Gross Margin	Minimum Cash Amount	Marketing Fee or Commission Amount
Paul DeVries	3.36%	$675,000	$900,000
Chris Gaffney	2.24%	$450,000	$600,000
Jeff Borg[(1)]	2.24%	$450,000	$600,000
David Ellis	1.5%	$300,000	$400,000
Owen Mitchell	3.07%	$616,071	$821,429

Note:

(1) Resigned effective September 30, 2003 and received $156,152 (net $91,868) in marketing fees or commissions for the seven month period ending September 30, 2003, including $19,370 pursuant to a Settlement and Termination Agreement none of which was payable in UARs. As part of the settlement all of Borg's remaining 521,334 options were cancelled.

Term and Termination: Each of the above persons is entitled to receive his specified percentage interest of OESC's incremental gross margin for each of the years ended March 31, 2004 to March 31, 2007 (the "Termination Date") and for each year thereafter unless notice of termination is given by OESC not less than 180 days prior to March 31, 2007 or prior to March 31 of each subsequent year thereafter. Each of the Marketing Fee Agreements terminates: (i) if a participant's employment or consulting agreement is terminated for cause, death, disability or voluntary resignation or (ii) on a change of control in which latter event each of Messrs. De Vries, Gaffney and Ellis are entitled to the following marketing fees or commissions which replaces the change of control commissions or fees each of them would otherwise have been entitled to receive under the Electricity Agreement:

	Change of Control Marketing Fee or Commission Cash Payment[1]			
Occurrence of Change of Control Event During the Quarter Ending	**DeVries**	**Gaffney**	**Ellis**	**Totals**
June 30, 2005	$1,212,750	$808,500	$539,000	$2,560,250
September 30, 2005	$1,039,500	$693,000	$462,000	$2,194,500
December 31, 2005	$ 866,250	$577,500	$385,000	$1,828,750
March 31, 2006	$ 693,000	$462,000	$308,000	$1,463,000
September 30, 2006	$ 519,750	$346,500	$231,000	$1,097,250
December 31, 2006	$ 346,500	$231,000	$154,000	$ 731,500
March 31, 2007 and thereafter	$ 173,250	$115,500	$ 77,000	$ 365,750

Note:

(1) Owen Mitchell is not entitled to any payment on a change of control event. The total number of UARs to which a participant is entitled to receive for a particular year is equal to the UAR distribution amount for each participant for each such year during the term divided by the weighted-average of the closing market price for Units for the 20 TSX trading days preceding March 31, of each year.

If a participant: is (i) terminated without cause, (ii) is constructively dismissed or (iii) terminates his employment agreement or consulting agreement or Marketing Fee Agreement based on a material breach thereof by OESC, each participant's entitlement under such participant's Marketing Fee Agreement shall not be affected and shall continue, subject to a change of control event, until March 30, 2007.

Commissions and Fees — The Electricity Agreements and Marketing Fee Agreements

The following table lists each of the persons (including one Named Executive Officer), who received fees or commissions pursuant to the Electricity Agreement and the Marketing Fee Agreements for the years ending

March 31, 2003, 2004 and 2005 including the amounts received by each of them and each of their percentage entitlements in such commissions and fees:

		Electricity Commissions				Marketing Fee Commissions				
		Year Ended March 31, 2003		Year Ended March 31, 2004		Year Ended March 31, 2004			Year Ended March 31, 2005	
Name of Participant	Position with or Relationship to OESC	% Entitlement	Cash	% Entitlement	Cash	% Entitlement	Cash	UARs	Cash	UARs
Paul De Vries	President, Canadian Operations	25.20%	$1,605,142	Nil	Nil	3.36%	$675,000	13,089 ($225,000)	$675,000	26,827 ($444,806@$16.58)
Christopher Gaffney	Vice President and General Counsel	14.50%	$ 923,594	Nil	Nil	2.24%	$450,000	8,726 ($150,000)	$450,000	17,885 ($296,538@$16.58)
Jeff Borg[1]	Vice President, Marketing	14.50%	$ 923,594	Nil	Nil	2.24%	$225,000	Nil	Nil	Nil
David Ellis	Vice President, Operations	8.80%	$ 560,256	Nil	Nil	1.50%	$300,000	5,818 ($100,000)	$300,000	12,508 ($199,914@$16.58)
Owen Mitchell[2]	Consultant	23.00%	$1,465,011	Nil	Nil	3.07%	$616,071	11,947 ($205,358)	$616,071	24,553 ($407,089@$16.58)
David McFadden[2]	Consultant	5.00%	$ 318,481	5%	$239,628	Nil	Nil	Nil	Nil	Nil
James Hamilton[2]	Vice President, Regulatory Affairs	2.00%	$ 127,392	2%	$ 91,373	Nil	Nil	Nil	Nil	Nil
Raymond A. Samuels[3]	Service Provider	7.00%	$ 445,873	7%	$319,805	Nil	Nil	Nil	Nil	Nil

Notes:

(1) Resigned and ceased receiving marketing fee payments after September 30, 2003.

(2) Each of Messrs. McFadden, Mitchell and Hamilton became entitled to participate in commissions pursuant to the Electricity Agreement as consideration for the transfer of their shares in Ontario Electric Savings Corporation to OESC for a nil consideration. Mitchell has a consulting agreement with OESC. Mr. Hamilton's employment agreement terminated on May 31, 2004 after which date (except for $12,566 of commissions received for the year ending March 31, 2005), he ceased receiving commissions under the Electricity Agreement. Mr. McFadden's consulting agreement terminated effective February 29, 2004 after which date he ceased receiving commissions under the Electricity Agreement except for a $25,000 settlement and termination payment. Mr. Mitchell ceased receiving commissions pursuant to the Electricity Agreement effective March 31, 2003 and since that date he has received marketing fee payments under a Marketing Fee Agreement in the amounts set forth above.

(3) Mr. Samuels became entitled to participate in commissions pursuant to the Electricity Agreement in his capacity as the manager of a group of independent commission agents who marketed retail electricity contracts for OESC. He terminated his relationship with OESC as of March 31, 2004 and (except for $64,808 of commissions received for the year ending March 31, 2005), ceased receiving commissions pursuant to the Electricity Agreement.

(4) Each person entitled to receive commissions under the Electricity Agreement and marketing fee payments under a Marketing Fee Agreement has agreed not to compete against OESC.

Compensation matters relating to each of the Executive Chair and the Chief Executive Officer are approved by the Board of Directors on the recommendation of the Committee. Each of Ms. MacDonald and Mr. Mulcahy entered into employment agreements with OESC on February 1, 2001 which were each amended on February 12, 2004 and February 25, 2005. See "Employment Agreements — Named Executive Officers" on page 9 of this Information Circular. In consideration for their services, each of Ms. MacDonald and Mr. Mulcahy receives a base salary, various fringe benefits, an annual bonus based on the factors set forth elsewhere in this Information Circular, a bonus related to the market price of Units of the Fund for the period ending on March 31, 2006 and such other remuneration including options to purchase Units of the Fund as may be determined by the Board.

For the year ended March 31, 2005, Ms. MacDonald's base salary was $500,000 and was based on the Board's assessment of the salaries payable to the CEO of comparable entities. Ms. MacDonald's discretionary bonus for the year ended March 31, 2005 was $500,000, was paid entirely in fully paid UARs and was directly attributable to OESC's organic growth in customers (24%), margins (20%) and distributable cash flow (6%) for the year ended March 31, 2005. Ms. MacDonald was granted 800,000 (8.2%) of the Unit options granted during the year ended March 31, 2002 to all employees of OESC in order to provide a longer-term incentive for

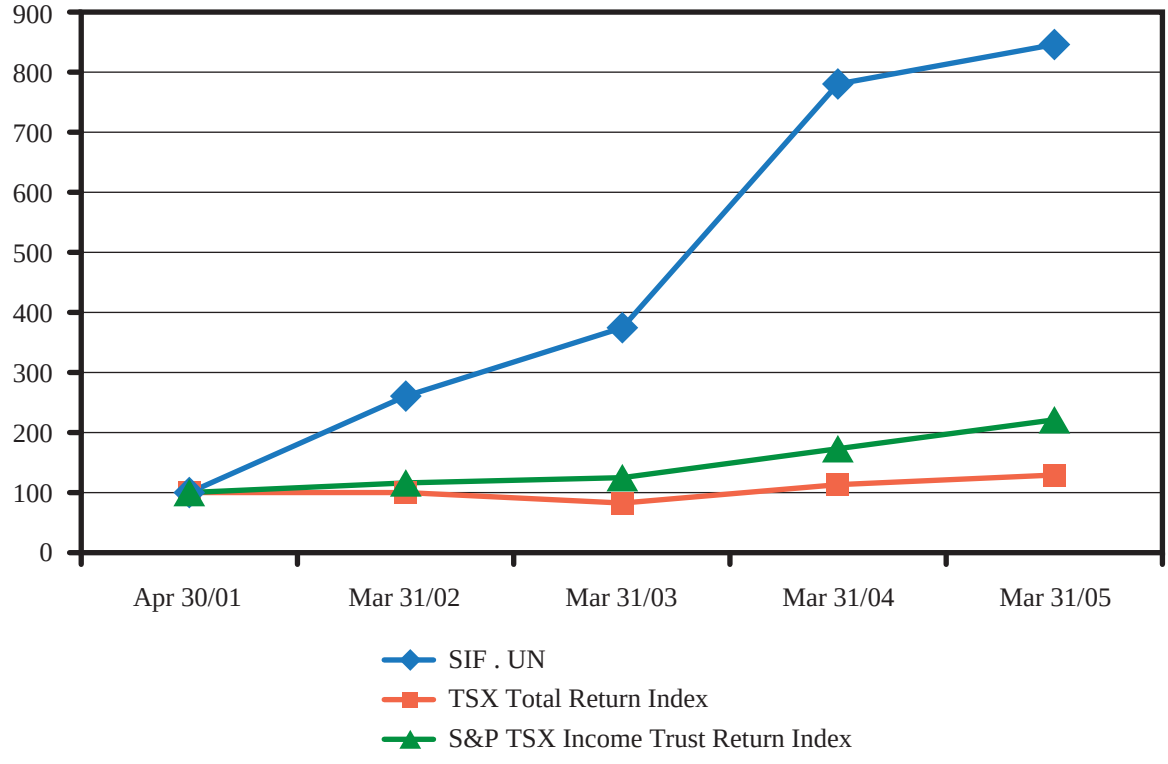
performance and growth in Unit value. No Unit options were granted to Ms. MacDonald during the years ended March 31, 2003, 2004 or 2005. All of Ms. MacDonald's options have been exercised. As Executive Chair, Ms. MacDonald's base salary for the years ended March 31, 2006 and 2007 will be $400,000. In addition she will be entitled to a discretionary short term performance bonus of up to $500,000 for the years ended March 31, 2006 and 2007 and on March 31, 2006 to a Unit performance bonus described on page 11 hereof.

The above report is submitted on behalf of the Compensation and Corporate Governance Committee by the following directors who are the members of such Committee:

Mr. John Panneton (Chair), Mr. John Brussa, Donald Macdonald

FUND PERFORMANCE GRAPH

The following graph illustrates the Fund's cumulative Unitholder return, as measured by the closing price of the Units at the end of the financial year following the Fund's initial public offering on April 30, 2001 and at March 31, 2005, assuming an initial investment of $100 and reinvestment of distributions, compared to the TSX Total Return Index and the S&P TSX Income Trust Return Index:



Fiscal Year	April 30, 2001	March 31, 2002	March 31, 2003	March 31, 2004	March 31, 2005
SIF.UN	100	261	375	782	849
TSX Total Return Index	100	100	83	114	129
S&P TSX Income Trust Return Index	100	116	125	174	222

TABLE OF INDEBTEDNESS OF THE TRUSTEE AND THE DIRECTORS, EXECUTIVE OFFICERS AND SENIOR OFFICERS OF THE SUBSIDIARIES OF THE FUND

During the year ended March 31, 2005 and to May 20, 2005 neither the Trustee, nor any director or senior officer of subsidiaries of the Fund, is, or has at any time during the period been indebted to the Fund, the Administrator or their associates or affiliates, or whose indebtedness to another entity is the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Fund, the Administrator or their associates or affiliates.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS AND OTHERS

There was no indebtedness owing to the Fund and its subsidiaries or any other affiliated entity by executive officers, directors, employees and former executive officers, directors and employees of the Fund and its subsidiaries as at May 28, 2005.

MATTERS TO BE ACTED UPON AT THE MEETING

Election of Directors of Ontario Energy Savings Corp.

OESC has a Board of Directors (the "Board"), which presently consists of eight members, one of whom is not standing for re-election and seven of whom are being elected by the Trustee as directed, as the holder of all the common shares of OESC and by the Holders of Preference Shares.

The following persons are the nominees proposed by the Administrator on behalf of the Fund for election as directors of OESC to serve until the next annual meeting of Unitholders or until their successors are duly elected or appointed. The OESC Shareholders' Agreement provides that at all times a majority of the directors of OESC shall be persons who are not officers or employees of OESC or any affiliate or subsidiary thereof or persons who beneficially own, directly or indirectly, or who exercise control or direction over Units representing more than 10% of the outstanding Units on a fully diluted basis (including Preference Shares) or directors or officers of any such person or any affiliate or subsidiary thereof. For these purposes any person who beneficially owns or exercises control or direction over Preference Shares shall be considered to beneficially own or exercise control or direction over the number of Units which would be received on the exercise of shareholder exchange rights in respect of the Preference Shares beneficially owned by him or over which he exercises control or direction. If any vacancies occur in the slate of such nominees because any nominee is unable to serve or will not serve, discretionary authority conferred by the proxies appointing the Fund nominees will be exercised to grant approval to the Trustee to cause the Administrator to vote for the election of any other person or persons nominated by the Trustee. The names of the nominees for election as directors, principal occupations, year in which each became a director of OESC and the number of Units of the Fund and Preference Shares beneficially owned or over which control or direction is exercised by such persons, are as follows:

Name and Year first became a Director	Position with OESC	Principal Occupation	Units Beneficially Owned or Over which Control or Direction is Exercised[4]	Deferred Units Beneficially Owned[6]
John A. Brussa[2][3] Calgary, Alberta 2001	Director	Partner, Burnet, Duckworth & Palmer LLP	20,000	1,176
The Hon. Michael Kirby[1] Ottawa, Ontario 2001	Director	Member of the Senate of Canada and Corporate Director	8,800	1,244
The Hon. S. Donald Macdonald P.C., CC[2][3] Uxbridge, Ontario 2005	Director	Senior Advisor, Public Policy — Lang Michener	2,000	306
Rebecca MacDonald Toronto, Ontario 2001	Executive Chair and Director	Executive Chair of the Corporation	6,249,460	Nil
Brennan R. Mulcahy Caledon, Ontario 2001	Chief Executive Officer and Director	Chief Executive Officer of the Corporation	4,664,484	Nil

Name and Year first became a Director	Position with OESC	Principal Occupation	Units Beneficially Owned or Over which Control or Direction is Exercised[4]	Deferred Units Beneficially Owned[6]
Hugh D. Segal[1][5][2] Kingston, Ontario 2001	Lead Director	President, Institute for Research on Public Policy	14,332	1,282
Brian R.D. Smith[1][3] Vancouver, British Columbia 2001	Director	Federal Chief Treaty Negotiator and Energy Consultant	10,878	2,518

Notes:

(1) Member of the Audit Committee. Mr. Kirby is the Chair.

(2) Member of the Compensation and Human Resources Committee. Mr. Segal is the Chair.

(3) Member of the Nominating and Corporate Governance Committee. Mr. Macdonald is the Chair.

(4) Includes Units issuable on the exercise of shareholder exchange rights attaching to Preference Shares pursuant to the OESC Shareholders' Agreement.

(5) Appointed lead director by the Board of Directors on January 17, 2005.

(6) As indicated under the heading "Compensation of the Directors and the Officers of OESC" on page 4 of this Information Circular, the non-management directors of OESC are entitled, *inter alia*, to $3,750 (the "Deferred Unit Amount"), payable at the end of each quarter of the Fund, pursuant to the Directors' Deferred Unit Compensation Plan (the "Director's Plan). The purpose of the Director's Plan is to provide effective incentives for the independent directors to promote the business and success of the Fund by encouraging the ownership of Units. The Director's Plan requires that 100% of the Deferred Unit Amount and a minimum of 20% (the "Minimum Amount") of the total of the Base Retainer, Attendance Fee and Chair Fee (including the $30,000 of the fee paid to the lead director) to which each director is entitled annually, be paid in the form of fully paid deferred Units. The remaining fees to which the non-management directors are entitled are payable in cash, subject to an election at such director's option, to increase the Minimum Amount up to 100% of the balance of fees to which such director is entitled. The deferred Units, which are credited to each directors deferred Unit account at the end of each quarter during each fiscal year of the Fund (the "Grant Date"), based upon the weighted-average trading price of Units for 10 trading days on the TSX preceding the end of each quarter of the Fund's fiscal year, may not be issued to such director until the earlier of: (i) the termination of three years from the Grant Date, (ii) the day such director ceases to be a director of OESC and (iii) a change of control, providing that no Units will be issued after the expiry of 10 years from the Grant Date.

The price used to determine the number of notional Units granted to each director pursuant to the Plan for the year ending March 31, 2005 was: $15.03 for the quarter ended June 30, 2004; $15.28 for the quarter ended September 30, 2004; $18.77 for the quarter ended December 31, 2004 and $16.49 for the quarter ended March 31, 2005 based on the weighted average closing price of Units on the TSX for the 10 trading days preceding each quarter end of the Fund in respect of the Deferred Unit Amount and the applicable percentage of the Base Retainer, Attendance Fee and Chair Fee which are to be paid in the form of a deferred grant of Units.

The total number of Units issuable pursuant to the Director's Plan may not exceed 100,000. As at March 31, 2005 the non-management directors owned a total of 9,365 deferred Units allocated as to 1,244 to Michael Kirby; 1,282 to Hugh Segal; 1,525 to John Panneton; 2,518 to Brian Smith; 306 to Donald Macdonald and 1,176 to John Brussa. Alek Krstajic, who resigned from the board on December 17, 2004, received 1,314 Units of the Fund reflecting his ownership on that date of 1,314 deferred Units. The number of deferred units to which a director is entitled is increased pursuant to a formula in the Plan reflecting the amount of the distributions which a director would have received if he held Units in lieu of deferred Units,

Each of the foregoing persons has held the same principal occupation or other positions with the same employer for the previous five years except as follows:

Rebecca MacDonald became an officer of the Corporation in January 2000. Prior to January 2000, Ms. MacDonald was the President of Energy Marketing Inc. (gas marketing company). A member of the Senate of Canada since 1984, The Honourable Michael Kirby served as Chair of the Standing Senate Committee on Banking, Trade and Commerce from 1994 to 1999 and presently serves as Chair of the Standing Senate Committee on Social Affairs, Science and Technology. Donald Macdonald has, since September 2002, served as a Senior Advisor — Public Policy to Lang Michener (law firm). From September 2000 to December 2002 he was, Senior Advisor, UBS Bunting Warberg (financial institution). He also serves (and has for the past several years), as a director and trustee of several public corporations and trusts. In 1995 he served as Chair to the Advisory Committee on Competition in Ontario's Electricity System.

Brennan Mulcahy has been employed in management positions by the Corporation since its inception in July 1997. Mr. Panneton joined Dundee Securities Corporation in May 1998 as Vice Chairman and President and has held the position of Vice Chairman from January 1, 2003. Mr. Panneton was appointed President,

Goodman Private Wealth Management in June of 2003. Prior to becoming President, Institute for Research on Public Policy, from November 1998 to July 1999, Hugh Segal was a Senior Fellow, School of Policy Studies, Queen's University. Prior to becoming the Federal Chief Treaty Negotiator and an Energy Consultant in June of 2001, Brian Smith was the Chair of B.C. Hydro from 1996 to June of 2001.

The information as to Units and Preference Shares beneficially owned or controlled, directly or indirectly, not being within the knowledge of the Administrator, has been furnished by the respective nominees individually.

Appointment of Auditors of the Fund

The Fund's Audit Committee, in keeping with the Fund's adherence to good corporate governance practices and its continuing interest in cost improvement and service and based on the recommendations of financial management, recommended to the Board of Directors that the Fund entertain competitive proposals from alternate auditors for the year ended March 31, 2006. Following the receipt of proposals from several auditing firms, the Audit Committee unanimously recommended to the Board of Directors that KPMG LLP ("KPMG") be proposed as the Fund's auditors at the Annual and Special Meeting, as they had been favourably impressed by KPMG's professional qualifications, auditing capabilities, tax expertise, commitment to service, industry knowledge and fee structure.

The Board of Directors therefore propose that KPMG be appointed as auditors of the Fund until the next annual meeting at such remuneration as may be approved by the Board of Directors. KPMG is the Canadian member firm of KPMG International, a global network of professional services firms with approximately 100,000 people in 148 countries. KPMG is Canada's leading auditor by market share, auditing more companies on the combined Financial Post 800, Report on Business 1000 public and Report on Business 300 private, than any other accounting firm. The Fund's current auditors, Deloitte & Touche LLP, have not been asked to stand for reappointment.

There have been no "reportable events" between the Fund and Deloitte & Touche LLP, within the meaning of National Instrument 51-102 ("51-102").

A copy of the reporting package (the "Reporting Package") that has been filed with regulators as required by 51-102 is attached hereto as Schedule "A". The Reporting Package consists of:

(a) Notice of Change of Auditors;

(b) Letter from Former Auditors — Deloitte & Touche LLP; and

(c) Letter from Successor Auditors — KPMG.

In order to be effective, the resolution appointing KPMG as auditors and authorizing the Directors to fix their remuneration, must receive the affirmative vote of a majority of the votes cast by Holders of Units and Preference Shares in person and represented by proxy.

The Board of Directors of OESC recommends a vote "FOR" the appointment of KPMG LLP as independent auditors for the Fund for the fiscal year ending March 31, 2006 and "FOR" authorizing the Board of Directors of OESC to fix the auditor's remuneration.

For fiscal 2005, fees charged by Deloitte & Touche LLP for audit and related services to the Fund and its subsidiaries were $532,965 (2004 — $310,156). Additional fees for audit related services were $66,371 (2004 — $144,131), fees for tax related services amounted to $73,405 (2004 — $40,830) and other fees were $37,000 (2004 — $9,200). Total fees for fiscal 2005 were $709,741 (2004 — $504,317). No other services were provided to the Fund and its subsidiaries by Deloitte & Touche.

The Audit Committee has considered whether the magnitude and nature of these services is compatible with maintaining the independence of the external auditors and is satisfied that they are. All services provided by Deloitte & Touche LLP require the approval of and were approved by the Audit Committee.

SPECIAL ITEM OF BUSINESS

PROPOSED REORGANIZATION

The Holders of Units and Preference Shares will be asked at the Meeting to consider, and if thought advisable to pass, with our without variation, a Special Resolution of the Fund (described in Schedule "B" to this Information Circular), approving the proposed internal reorganization (the "Reorganization") including consequential amendments to the Fund's Declaration of Trust.

Background

When the Fund became a reporting issuer in April, 2001, a simple structure was in place, utilizing only one Ontario corporation, OESC, a wholly-owned subsidiary of the Fund, to carry on the business which, at the time, involved the marketing of natural gas contracts to residential, mid size commercial and small industrial customers (the "Business") solely in the Province of Ontario. In early 2002, a decision was made to expand the Business beyond Ontario into other Provinces of Canada through greenfield operations and acquisitions. The expansion commenced with the acquisition of 280,000 RCEs from Sunoco Inc. in April 2002 and was followed by the establishment of greenfield operations in Manitoba (January 2003), in Quebec (March 2004), in British Columbia (June 2004) and in Alberta (December 2004). Separate provincial companies were incorporated in each of these jurisdictions to carry on the Business. As well, separate corporations were established in several States in the United States (Illinois, Indiana, New York, Maryland, Virginia and the District of Columbia), to market natural gas and/or electricity contracts commencing with the marketing of natural gas contracts in Illinois in early 2004. During the same period the Fund expanded the Business: (a) by adding electricity contracts to its product mix in Ontario and Alberta, and (b) by acquiring several portfolios of natural gas and electricity contracts from Canadian competitors including Toronto Hydro, Union Energy, Epcor and First Source Energy.

March 2004 Reorganization (See Diagram 1 below)

With a view to conserving future cash flow to enable the Fund to further expand the Business, especially into the United States, the Fund established and interposed ESIF Commercial Trust, a subsidiary trust ("ESIF-CT") between the Fund and Energy Savings L.P. ("ESLP") an Ontario limited partnership and a series of three limited partnerships in Quebec, British Columbia and Alberta to carry on the Business in all jurisdictions other than Manitoba and Ontario (the source of in excess of 75% of the Fund's current cash flow). The March 2004 reorganization was entirely internal and did not involve any amendments to the Fund's Declaration of Trust. Accordingly, approval from the Holders of Units and Preference Shares was not required.

Background to 2005 Reorganization

Decisions have been made to further expand the Business both through strategic acquisitions and greenfield operations. The proposed Reorganization will facilitate these objectives by conserving cash flow and ensuring a continuity of distributions to Unitholders by interposing a new subsidiary trust ("Subtrust") between the Fund and a new limited partnership ("New LP") and ESIF-CT (created in March 2004). The New LP is being established for the primary purpose of operating the Fund's Businesses in Ontario and Manitoba and, indirectly, through Ontario Energy Commodities Inc. (Commodities) in the United States. ESIF-CT, through ESLP will continue to operate the Fund's Business, through three limited partnerships in Quebec, British Columbia and Alberta. As with the March 2004 reorganization, the assets of the Fund held, directly or indirectly, will not change on a consolidated basis as a result of the proposed Reorganization.

The objective of the proposed Reorganization is to compliment the ESIF-CT and ESLP structure established pursuant to the March 2004 Reorganization by creating Subtrust (described on page 31 of the Information Circular) and New LP (described on page 35 of the Information Circular) that: (a) will accommodate the profitable, expansionary development attained by the Fund's Business which has been carried on to date by OESC and other wholly owned affiliates and subsidiaries owned directly or indirectly by the Fund, (b) will conserve cash flow and enable the Fund to continue to expand through greenfield operations and acquisitions and (c) will protect Unitholder's expectations regarding returns on their investment in Units. The Reorganization will also involve several consequential benefits one of which will accelerate the exchange of all remaining 10,168,695 Preference Shares into Units at the current exchange ratio of 1:1.

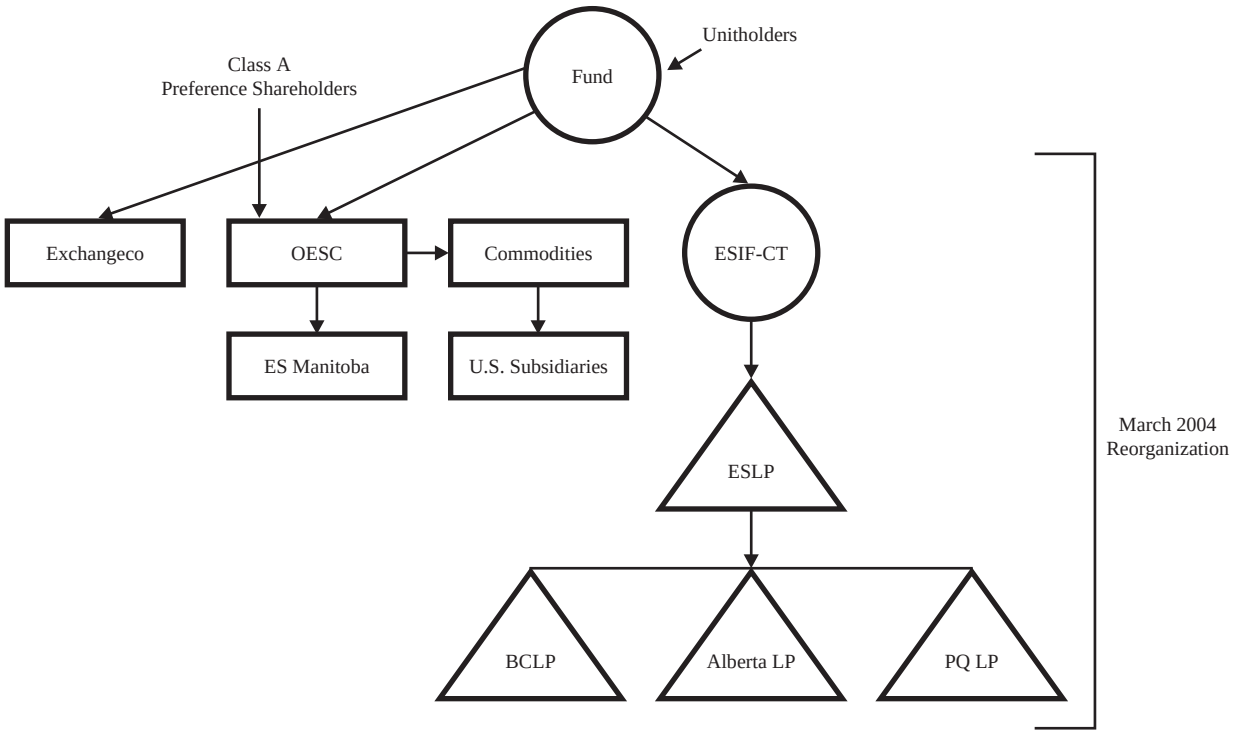
To maximize cash distributions to Unitholders, the Fund proposes to make its investments in greenfield operations and future acquisitions through the Subtrust and New LP structure to be created by the Reorganization. Maintaining both the Subtrust and the New LP and the existing holding corporation ie., OESC, would result in unnecessary administrative cost and effort.

To address the above issues, the Fund proposes to interpose Subtrust (to be wholly owned by the Fund), between the Fund and ESIF-CT on the one hand and New LP on the other, which latter limited partnership will: (i) operate the Business formerly carried on by OESC and Energy Savings (Manitoba) Corp. ("ES Manitoba") and (ii) hold through an existing wholly owned subsidiary, Commodities, indirectly, all shares in subsidiaries incorporated to carry on the Business in several jurisdictions in the United States. See Diagram 1 below entitled "Pre-Reorganization Structure" and Diagram 7 on page 25 entitled "Post Reorganization Structure" to see the changes to the Fund's organizational structure that will result from the Reorganization, if it is completed.

The Fund has applied to the Canada Revenue Agency ("CRA") for an advance income tax ruling (the "Ruling") in respect of the Reorganization. If obtained, the Ruling will confirm that the Reorganization will occur on a tax deferred rollover basis for: (i) the Fund (ii) its subsidiaries and affiliates, (iii) the Holders of Units resident in Canada and (iv) the Holders of Preference Shares. See "Certain Canadian Federal Income Tax Considerations — Tax Considerations Applicable to the Reorganization" on page 37 of this Information Circular. The Fund will not undertake the Reorganization if the Ruling is not obtained regardless of whether or not the Reorganization is approved by the Holders at the Meeting and reserves the right to cancel the Reorganization.

PRE-REORGANIZATION STRUCTURE

Diagram 1



Certain aspects of the Reorganization will require several approvals and consents, some or all of which may not be obtainable and some of which, if not obtainable, may preclude or constrain the Reorganization. For example, approvals or consents will be required to transfer Manitoba and Ontario natural gas and/or electricity licences. The approval of the holders of the Preference Shares will be required in connection with the amalgamation (see Diagram 2 below), and the proposed indirect exchange of their Preference Shares for Units. Approvals or consents may be required from bankers, energy suppliers and LDC's. Subject to obtaining the Ruling and the required approvals and consents determined to be necessary or advisable in connection with the Reorganization, the Fund presently plans to effect the Reorganization during calendar 2005.

The Reorganization

The following is a summary of the principal steps required to effect the Reorganization.

(a) A subsidiary Ontario trust ("Subtrust") will be created under the laws of Ontario to be owned as to 100% by the Fund (see Diagrams 6 and 7 on page 25 below). The general terms of Subtrust are described under the heading "Description of Subtrust" commencing on page 34 of the Information Circular.

(b) A new Ontario corporation will be created to be owned as to 100% by the Fund ("Newco 1") which will serve as the general partner of New LP referred to in step (c) below (see Diagram 3 below). Newco 1 is described under the heading "Newco 1" on page 31 of the Information Circular. Partnership interests in New LP will be represented by units of New LP (see Diagrams 3 to 7 below).

(c) New LP will be created as a limited partnership under the laws of Ontario with OESC II as its limited partner (see Diagrams 3 to 7 on pages 23 to 25 below). New LP is described under the heading "Description of New LP" on page 35 of the Information Circular.

(d) A new Ontario corporation will be created ("Newco 2") as a 100% subsidiary of the Fund with four classes of shares: (i) voting common shares (the "Common Shares"); (ii) redeemable non voting Class A Shares (the "Class A Shares"); (iii) redeemable non voting Class B Shares (the "Class B Shares"); and (iv) redeemable non voting Class C Shares (the "Class C Shares") (see Diagram 4 on page 24 below).

(e) ES Manitoba will be continued from Manitoba to Ontario and will amalgamate with OESC to form OESC II on a tax deferral basis (See Diagrams 2 and 3 below).

(f) OESC II will transfer all the customer accounts it owns, along with its shares of Commodities and certain other assets to New LP in exchange for units and certain liabilities of New LP on a tax deferral basis (see Diagram 3 below).

(g) Newco 1 will acquire a 0.01% partnership interest in New LP and become its general partner. The board of directors, committee and officer structure of present OESC will be established at Newco I which will become the attorney and administrator of the Fund (see Diagrams 3 and 4 on pages 23 and 24 below).

Diagram 2

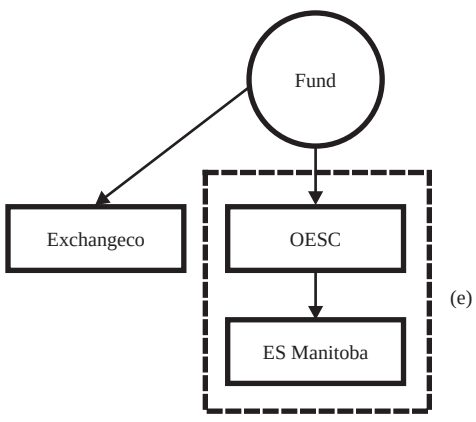
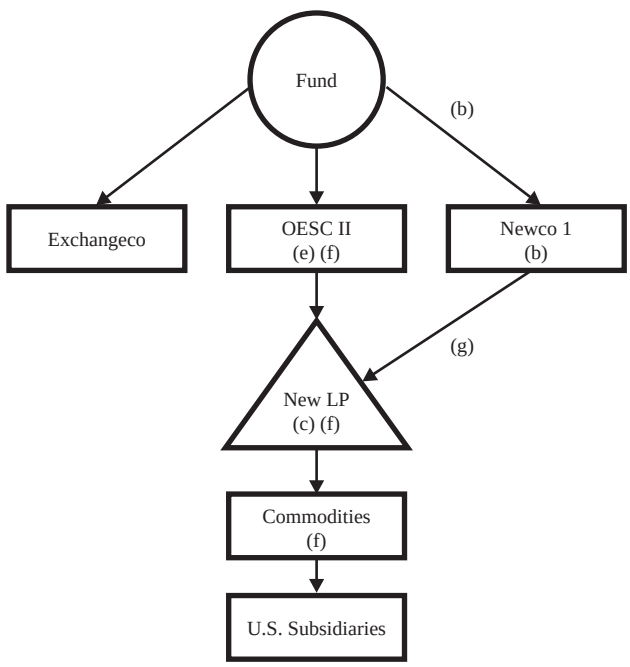


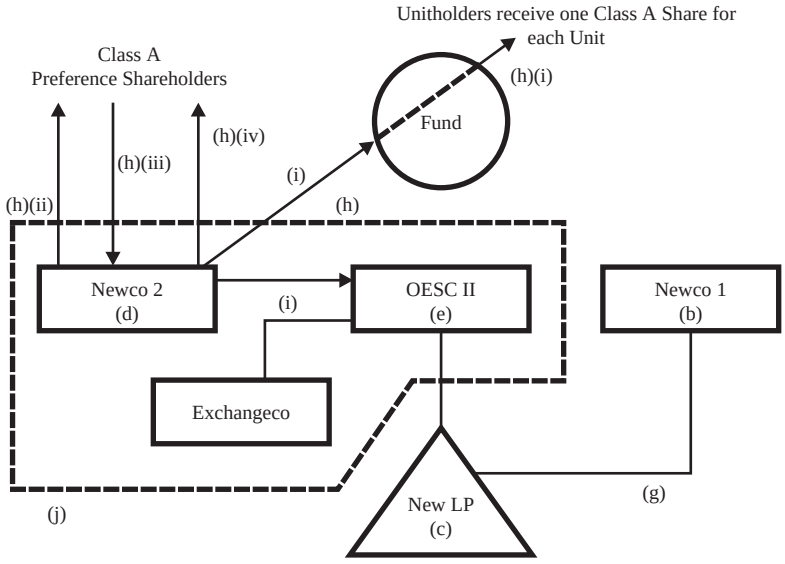
Diagram 3



(h) Newco 2 will issue Class A Shares with a nominal value to: (i) the Fund equal to the number of Units outstanding and the Fund will distribute the Class A Shares as a return of capital to its Unitholders on a 1:1 basis and (ii) to the holders of the Preference Shares equal to the number of Preference Shares held by each such holder — followed by (iii) the transfer to Newco 2 of all outstanding Preference Shares by the holders thereof along with their shareholder exchange rights (iv) in exchange for Class C Shares of Newco 2 on a tax deferral basis (see Diagram 4 on page 24 below).

(i) The Fund will transfer to Newco 2 all of the outstanding common shares and certain debt of OESC II and all of the shares of Exchangeco (see Diagram 4 below) in exchange for Class B Shares of Newco 2 on a tax deferred basis (see Diagram 4 below).

Diagram 4



(j) Newco 2, OESC II and Exchangeco will amalgamate to form an Ontario corporation ("Amalco") on a tax deferred basis so that Newco 2's Common, Class A, Class B and Class C Shares become Common, Class A, Class B and Class C Shares of Amalco, and all inter amalgamating company debt and share capital will be eliminated on the amalgamation (see Diagrams 4 above and 5 below).

(k) Amalco will transfer its interest in New LP and ESLP and all of its preferred units of ESIF-CT to the Fund in exchange for Units and Special Units of the Fund. (see Diagrams 5 and 6 below). ESLP and ESIF-CT are described under the headings "ESLP" and "ESIF-CT" on page 25 of the Information Circular.

(l) Amalco will redeem its outstanding:

(i) Class A Shares owned by the Unitholders and holders of Preference Shares in exchange for Units;

(ii) Class B Shares owned by the Fund for Special Units which will be cancelled; and

(iii) Class C Shares owned by the holders of Preference Shares in exchange for Units (see Diagram 6 below).

(m) All outstanding Units will be consolidated such that the number of Units outstanding upon completion of the Reorganization will be the same as would have been outstanding prior to the Reorganization if the holders of Preference Shares exchanged their Preference Shares for Units.

(n) The Fund will transfer its interest in New LP and ESLP and all of its common and preferred units of ESIF-CT to Subtrust in exchange for units of Subtrust (see Diagrams 6 and 7 below).

(o) Amalco will be eventually dissolved (see Diagram 6 below).

(p) Subtrust will issue promissory notes to the Fund after the *in specie* redemption of Units as a return of capital (see Diagram 6 below).

Diagram 5

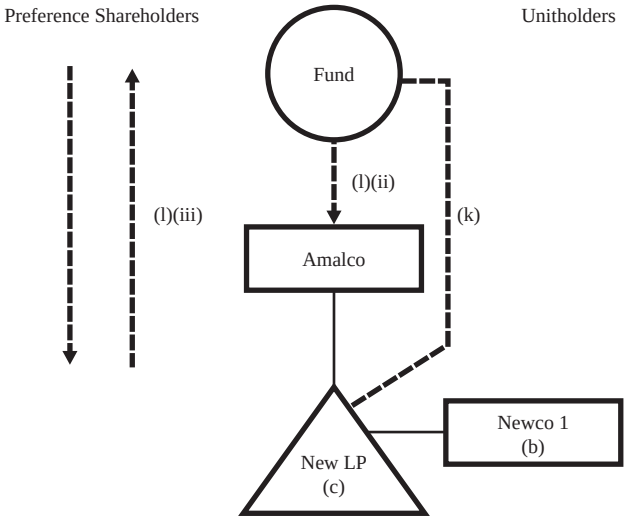
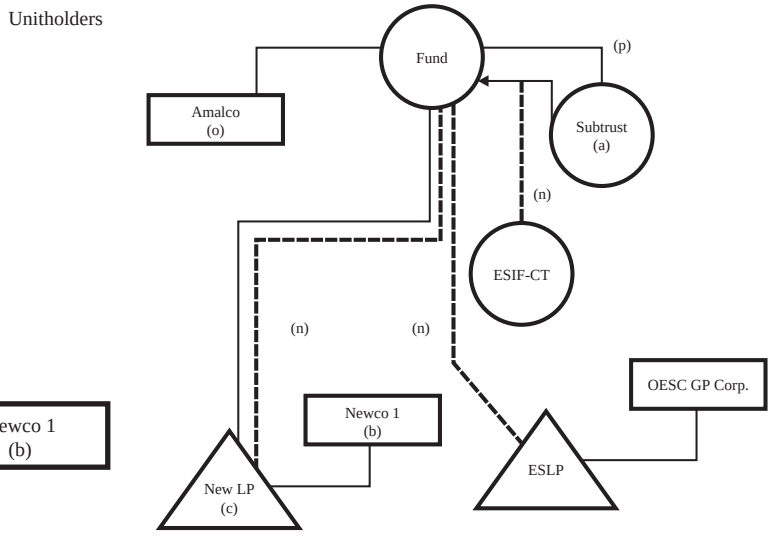


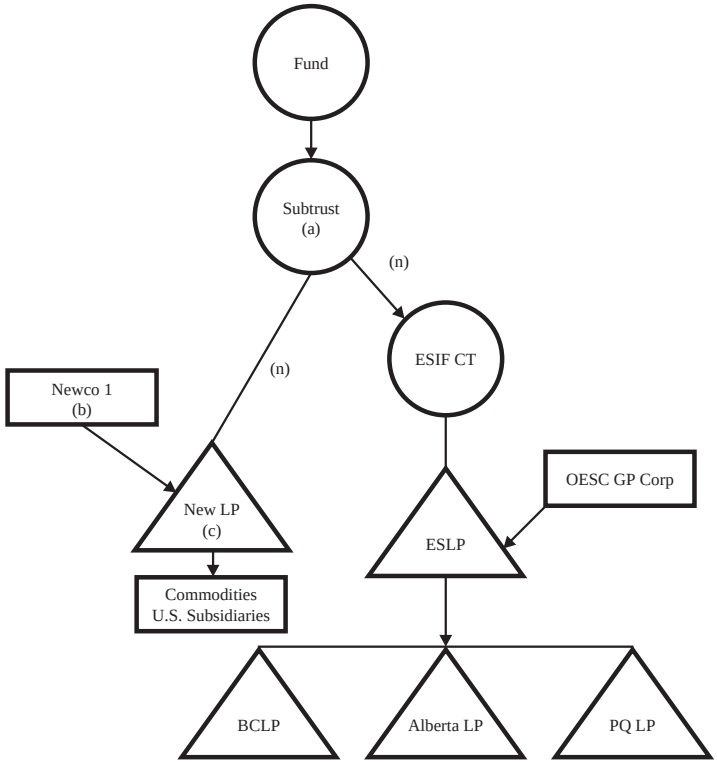
Diagram 6



The post Reorganization structure will be as set forth in Diagram 7 below.

POST REORGANIZATION STRUCTURE

Diagram 7



Special Resolution

At the Meeting, Holders of Units and Preference Shares will be asked to consider and, if deemed advisable, pass a Special Resolution approving: (i) the Reorganization and each of the transactions contemplated thereby and (ii) such amendments to the Declaration of Trust which, in the opinion of management of the Fund, are necessary or desirable to give effect to the Reorganization. See "Amendments to the Fund Declaration of Trust" described on page 30 of the Information Circular. The text of the Special Resolution is attached to this Information Circular as Schedule B.

Approval of the Holders of Units and Preference Shares

The Fund's Declaration of Trust requires that an amendment thereto for the purposes described in this Information Circular be approved by persons entitled to vote at the Meeting by way of a special resolution. In order to be passed the Special Resolution must be approved by at least 66⅔% of the votes cast by Holders of Units and Preference Shares represented in person or by proxy at the Meeting.

Directors' Recommendations

The Directors have determined that the Reorganization and the proposed consequential amendments to the Declaration of Trust are in the best interests of the Fund, its Unitholders and the holders of Preference Shares and recommend that holders of Units and Preference Shares vote "FOR" the Special Resolution approving the Reorganization. Persons named in the enclosed form of proxy, if not expressly directed to the contrary in such form of proxy, will vote such proxy "FOR" the Special Resolution.

Description of Pre-Reorganization Structure

A summary of the Declaration of Trust (which governs the Fund), OESC, ES Manitoba, Exchangeco, Commodities, OESC GP Corp., the OESC Shareholders' Agreement, the amended and restated trust indenture dated November 25, 2004 (the "ESIF-CT Trust Indenture") which governs ESIF-CT and the limited partnership agreement dated March 17, 2004 (the "ESLP Agreement") which governs ESLP are either described below and/or by reference to the Fund's Renewal Annual Information Form dated June 29, 2004 (the "AIF") which is incorporated herein by reference.

Declaration of Trust

The Fund is an open ended, limited purpose trust formed under the laws of the Province of Ontario pursuant to a declaration of trust dated April 18, 2001 (as amended June 27, 2003 and June 29, 2004) with a December 31 taxation year end and a March 31 year end for accounting purposes (the "Declaration of Trust"). The Fund qualifies as a "unit trust" and a mutual fund trust under the *Income Tax Act* (Canada). Each Unit is transferable (subject to restrictions on certain transfers to non-residents) and represents the right to an equal interest in the portion of any distributions or other amounts payable to Unitholders. All Units are of the same class with equal rights and privileges. Each Unit entitles the holder thereof to one vote at all meetings of Unitholders. At no time may non residents be the beneficial owners of a majority of the Units. Distributions are made on a monthly basis. Distributions are made in cash and may, under certain circumstances, be made in additional Units. Montreal Trust Company of Canada is the trustee under the Declaration of Trust. Each Unitholder is entitled to require the Fund to redeem at any time at the demand of the Unitholder for cash all or any part of the Units registered in the name of the Unitholder at a price per Unit calculated by reference to the market price of the Units, provided that the total amount payable by the Fund in respect of the Units tendered for redemption in the same calendar month will not exceed $50,000. If the $50,000 limit is exceeded, or in certain other circumstances (for example, when the Units are not listed for trading or trading in the Units is suspended), Units tendered for redemption will, subject to regulatory approval, be redeemed by way of a distribution *in specie* of securities of OESC or Exchangeco held by the Fund. A complete description of the Declaration of Trust is contained in the Fund's AIF.

OESC

OESC is governed by the Ontario Business Corporations Act ("OBCA") and carries on the Fund's Business in the Province of Ontario. It owns 100% of the shares of ES Manitoba and Commodities, 11 million preferred

units of ESIF-CT, 100 Class A units of ESLP and 3,100 Class B units of ESLP, working capital, fixed assets and intangible assets such as licences issued by regulatory bodies, and customer and supply contracts accounting for well in excess of 75% of the Fund's Business. It has two classes of shares: (i) 100% of its common shares are owned by the Fund and (ii) all 10,168,695 Preference Shares, (each of which is exchangeable into Units on a 1:1 ratio), are held by persons who were original shareholders of OESC. OESC's share and loan capital is described in detail in the AIF. OESC currently serves as attorney and administrator of the Fund pursuant to an administration agreement. Upon completion of the Reorganization, this function will be served by Newco 1 (see Diagrams 3-7) and a new administration agreement will be entered into by several affiliates of the Fund including the Fund, Newco 1 and New LP which will, generally speaking, mirror the terms of the existing administration agreement between the Fund and OESC.

ES Manitoba

ES Manitoba is governed by the Manitoba Business Corporations Act, carries on the Fund's Business in the Province of Manitoba, is owned as to 100% by OESC, holds a licence from the Manitoba Public Utilities Commission and as part of the Reorganization will continue under the OBCA (step (e)) and will amalgamate with OESC to form OESC II.

Exchangeco

Exchangeco, the successor to OESC Exchange Inc. (which amalgamated with OESC on March 5, 2005 to form OESC) is governed by the OBCA and is owned as to 100% by the Fund. It's sole purpose is to facilitate the exchange of Preference Shares for Units. As one of the consequences of the Reorganization will be to accelerate the exchange of Preference Shares for Units on a 1:1 basis, it will no longer serve any purpose and accordingly will amalgamate with Newco 2 (formed as a result of step (d)), and OESC II (step (k)) to form Amalco. Exchangeco's loan and share capital is described in more detail in the AIF.

Commodities

Commodities is owned as to 100% by OESC, serves solely as a holding corporation owning 100% of the shares of United States Energy Savings Corp., which owns 100% of the shares of seven Delaware subsidiaries, six of which were established to carry on the Business in the States of Illinois, Indiana, New York, Maryland, Virginia and D.C. Upon completion of the Reorganization Commodities will be a wholly owned subsidiary of New LP.

OESC GP Corp.

OESC GP Corp. was formed under the OBCA on February 23, 2004 to serve as the trustee of ESIF-CT and the general partner with a nominal equity interest in each of ESLP, BC LP, Alberta LP and Quebec LP and will, after completion of the Reorganization continue in those capacities.

OESC Shareholders' Agreement

In April 2001, when the Fund became a reporting issuer, the Fund, all of the original shareholders of OESC and several other parties entered into a shareholders' agreement to govern OESC and the relationship of its shareholders to the Fund and several other parties. Pursuant to the OESC Shareholders' Agreement, the holders of Preference Shares hold rights (the "Shareholder Exchange Rights") to require Exchangeco to acquire Preference Shares in exchange for Units on a 1:1 basis. The holders of Preference Shares are entitled, pursuant to the OESC Shareholders' Agreement, to a management incentive bonus payable at the end of each quarter equal to the distributions they would have received had they throughout the quarter held Units of the Fund and not Preference Shares. The OESC Shareholders' Agreement is described in greater detail in the AIF. Upon completion of the Reorganization, the holders of Preference Shares will hold one Unit of the Fund for each one Preference Share presently held by them and will no longer be entitled to any management incentive bonus. Rather they will be entitled to receive monthly distributions in an amount per Unit equal to the amount per Unit received by other Holders of Units. If deemed appropriate, the OESC Shareholders' Agreement may be terminated after the completion of the Reorganization.

ESIF-CT

ESIF-CT was formed pursuant to the ESIF-CT Trust Indenture between OESC GP Corp. (a 100% owned subsidiary of the Fund) as trustee and the Fund, as the initial Unitholder, which is, governed by the laws of the Province of Ontario as part of the 2004 Reorganization. ESIF-CT is an open-ended, unincorporated investment trust, established for the sole purpose of investing in the limited partnership units of ESLP and issuing trust units to the Fund. ESIF-CT has two classes of units: (i) common units, 100% of which are owned by the Fund and (ii) preferred units owned as to 100% by OESC. After giving effect to the Reorganization 100% of all common units (200,000 units) and 100% of all preferred units (11 million) will be owned by Subtrust and Subtrust, ESIF-CT and OESC GP Corp. will own indirectly 100% of the equity of the three limited partnerships formed to carry on the Business of the Fund in British Columbia, Alberta and Quebec.

The holders of common and preferred units of ESIF-CT are entitled to receive non cumulative distributions if, as and when declared by OESC GP Corp. as trustee, out of the net income of ESIF-CT, the capital of ESIF-CT or otherwise in any year, in such amounts, and on such dates as the Trustee may determine. All income of ESIF-CT in an amount not less than the income of ESIF-CT for any taxation year of the ESIF-CT shall be payable for such year. ESIF-CT has the same termination date as the Fund. After paying, retiring or discharging all liabilities and obligations of the ESIF-CT, OESC GP Corp. must distribute the remaining part of any sale proceeds, together with any cash forming part of ESIF-CT fund, among the unitholders. See "Restrictions on Exercise of Certain Voting Rights attached to New LP Units and ESIF-CT Units" on page 36. The fiscal year of ESIF-CT ends on March 31 of each year. The sole asset of ESIF-CT is 559,899 Class A Units of ESLP.

ESLP

ESLP is a limited partnership established on March 17, 2004 under the laws of the Province of Ontario and is a Canadian partnership. ESLP is currently owned as to 100 Class A Units and 3,100 Class B Units by OESC as a limited partner, 1 Class A Unit by OESC GP Corp. as general partner and 559,899 Class A Units by ESIF-CT, a limited partner. Class A unitholders are entitled to distributions once the Class A preferred return has been paid.

ESLP was formed for the primary purpose of holding a 99.99% limited partnership interest in three limited partnerships formed pursuant to the laws of the Provinces of British Columbia, Alberta and Quebec to carry on the Business in each such province: (i) B.C., — British Columbia Limited Partnership, (ii) Alberta — Alberta Energy Savings L.P. and (iii) Quebec — Energy Savings (Quebec) Limited Partnership. OESC GP Corp. is the general partner of ESLP.

The ESLP Partnership Agreement between OESC GP Corp., as general partner and ESIF-CT as the initial limited partner were formed pursuant to the laws of the Province of Ontario on March 17, 2004. The partnership is limited to not more that 50 partners, the transfer of its units are restricted and persons who are non residents may not purchase or acquire units. The fiscal year end of ESLP is March 31 in each year. The partnership agreement provides for Class A and Class B Units. The Class B Units are entitled to a preferred return which for a fiscal year is the lesser of: (i) the net income of the partnership for the fiscal year end and (ii) an amount equal to 14% of the total aggregate subscription price of the Class B Units. ESLP was formed for several purposes including: (a) to acquire certain assets from OESC (the "Acquisition Assets"); (b) to enter into separate limited partnership agreements, as a limited partner with OESC GP Corp., as general partner to carry on the Business in each of British Columbia, Alberta and Quebec; (c) to grant licences and sublicences to the Acquisition Assets to each of the limited partnerships referred in (b) above and to several U.S. subsidiaries in the United States in exchange for royalties; and (d) to carry on any business in any jurisdiction related to the Business.

The net income or net loss, if any, for a particular fiscal year of ESLP, will be allocated to the partners as follows: (a) to the extent there is a net loss for any fiscal period such net loss shall be allocated as follows: (i) first to the Class A Units *pro rata* up to the amount of the capital account for each Class A Unitholder; then (ii)to the Class B Units *pro rata* up to the amount of the capital account for each Class B Unitholder; then (iii) to the general partner (b) to the extent there is net income in a fiscal year of ESLP, such net income shall be allocated: (i) first to the Class B Units up to the amount of the Class B Preferred Return; then (ii) to the Class A Units *pro rata* in accordance with the aggregate number of Class A Units held by a partner.

The taxable income and taxable loss, if any, for a particular fiscal year of ESLP will be allocated to the partners in the same proportions as the net income or net loss, as the case may be, for such fiscal year.

In respect of each distribution period the general partner shall make cash distributions at such time and from time to time as the general partner shall determine in its sole discretion, such distributions, if any, to be made as follows: (a) first to the Class B Units up to the amount of the Class B Preferred Return, then (b) to the Class A Units *pro rata* in accordance with the aggregate number of Class A Units held by a partner.

The General Partner is the manager of the Partnership and has the power and authority to transact the business of the Partnership and may, without limiting the generality of the foregoing: (a) manage, control and operate the business of the Partnership and do or cause to be done any and all acts necessary, appropriate or incidental to the business of the Partnership; (b) pay or not pay any royalty, or any like charge or assessment; (c) to, directly or indirectly, borrow money from our incur indebtedness, liability or obligation to any person and to guarantee, indemnify, be jointly and severally liable to or act as a surety with respect to payment or performance of any indebtedness, liabilities or obligation of any kind of any person, including, without limitation, the General Partner, any Affiliate of the Partnership, or the General Partner; to enter into any other obligations on behalf of the Partnership; to enter into any priority, subordination or postponement agreement on behalf of the Partnership or any other person; and to assign, charge, pledge, hypothecate, convey, transfer, mortgage, subordinate, postpone and grant any security interest, mortgage or encumbrance over or with respect to all or any of the present and future property, assets and undertaking of the Partnership or to subordinate or postpone the interests of the Partnership in the present and future property, assets and undertaking of the Partnership to any other person; and (d) enter into other partnerships and incorporate and participate in companies necessary or advisable for the business of the Partnership.

ESLP shall terminate on the same day the Fund terminates unless sooner dissolved and terminated pursuant to the Partnership Agreement at which time, after payment of all debts and liabilities, the remaining assets and proceeds of sale shall be distributed to the partners first to the holders of the Class B Preferred Return and then to the holders of the Class A Units pro rata in accordance with the aggregate member of Class A Units held by a Partner. The interests of the General Partner as a general partner of ESLP may be transferred without the approval of the limited partners. A limited partner may not sell, assign, transfer, pledge, charge or otherwise encumber its interest in any Units of ESLP without the General Partner.

Proposed Amendments to the Declaration of Trust and the OESC Shareholders' Agreement as a result of the Reorganization

To complete the Reorganization several changes will need to be made to the Declaration of Trust and the OESC Shareholders' Agreement. Modifications to the following may be required to be made as a result of the content of the Ruling. The principal changes are described below.

Amendments to Fund Declaration of Trust

As part of the Reorganization the following principal changes will be made to the Declaration of Trust which changes require approval of the Holders of Units and Preference Shares by way of the Special Resolution:

1. **Special Units:** The Declaration of Trust will be amended to provide for a special class of units (the "Special Units") to enable the Fund to complete step (k) described in Diagram 5. The Special Units will be identical to the Units in all but one respect. The Declaration of Trust currently provides that a Unitholder who tenders Units for redemption in one month is entitled to be repaid the redemption price (i) on the last day of the following month if the redemption price is paid in specie and (ii) on or before the last day of the month following the quarter in which the tender occurred if the redemption price is paid in cash. The Special Units instead will be redeemed within two days of the demand for redemption and accordingly the Special Units will be cancelled shortly after they are issued as part of the Reorganization.
2. **Fractions of Units:** The Declaration of Trust may need to be amended to provide for the issuance of fractions of Units, if any, pursuant to the Reorganization.
3. **In Specie Redemption:** The Declaration of Trust will be amended in respect of in specie redemption rights. Under certain circumstances as described under the heading "Declaration of Trust" on page 26 of this

Information Circular, the Unit redemption price may be paid in certain shares or notes of OESC. As these securities will cease to exist after the Reorganization, the in specie redemption provision of the Declaration of Trust will need to be amended to provide that in the event that the redemption price is to be paid in specie, then each Unit tendered for redemption shall be redeemed by way of a distribution in specie of notes issued by the Subtrust.

4. **Consolidation:** The Declaration of Trust will be amended to provide for the automatic consolidation of the outstanding Units (including additional Units distributed to Unitholders and holders of Preference Shares pursuant to the Reorganization) such that the total number of Units outstanding upon completion of the Reorganization will be equal to the number of Units that would have been outstanding immediately before the Reorganization was undertaken if the Preference Shares had all been exchanged into Units before that time. The same consolidation ratio will be applied on the consolidation of all Units.

5. **Newco 1:** The Declaration of Trust will be amended to provide for the replacement of OESC by Newco 1 as the administrator of the Fund.

6. **Subtrust Notes and Units:** The Declaration of Trust will be amended to replace references to the common shares and notes of OESC and Exchangeco with reference to Subtrust Units and Subtrust Notes respectively and related provisions.

7. **Other Amendments:** Other amendments will be made to the Declaration of Trust in order to permit the Reorganization to take place including changes to delete all provisions relating to the April 30, 2001 initial public offering.

Amendments to the OESC Shareholders' Agreement

A number of amendments will be made to the OESC Shareholders' Agreement to reflect the Reorganization, if completed. The principal amendments will relate to the deletion of those provisions relating to the Shareholder Exchange Rights, the exchange of Class A Preference Shares for Units, the elimination of all references to Preference Shares, the deletion of the amalgamation of OESC and Exchangeco, the elimination of the special management incentive bonus, the replacement of Exchangeco by Newco 1, the addition of several new parties to the agreement i.e., Subtrust, ESIF-CT, New LP, Newco 1 and ESLP and the deletion of certain existing covenants and prudential requirements and the addition of others. If deemed appropriate, the OESC Shareholders' Agreement may be terminated after the completion of the Reorganization.

New Entities Resulting from the Reorganization

To complete the Reorganization it will be necessary to establish several new entities including Newco 1, Newco 2, Subtrust (including a note indenture between Computershare Trust Company of Canada as note trustee and Subtrust (the "Subtrust Indenture") and New LP. A description of these entities and the Subtrust Indenture follows. Modifications to the following may be required to be made as a result of the content of the Ruling.

Newco 1

Newco 1 will be incorporated under the OBCA as a wholly owned subsidiary of the Fund and will serve as the general partner of New LP. When the Reorganization is completed, Newco 1 will replace OESC as attorney and administrator of the Fund and the board of directors, committee and officer structure currently in place at OESC will be transferred to Newco 1.

Newco 2

Newco 2 will be incorporated under the OBCA and will be a taxable Canadian corporation. The Articles of Newco 2 will state that its only undertaking will be the activities described in subparagraphs (i), (ii) and (iii) of subsection 131 (8) of the Income Tax Act. The issued and outstanding capital of Newco will consist of four classes of shares: (i) common shares; (ii) non voting redeemable Class A Shares; (iii) non voting redeemable Class B Shares; and (iv) non voting redeemable Class C Shares.

As part of step (j) Newco 2 will amalgamate with Exchangeco and OESC II to form Amalco.

Description of Subtrust

The following is a summary of certain provisions of the declaration of trust that will govern Subtrust (the "Subtrust Declaration of Trust"). This summary is qualified in its entirety by reference to the provisions of the Subtrust Declaration of Trust, which will contain a complete statement of such provisions.

General

Subtrust will be an unincorporated, limited purpose trust established under the laws of the Province of Ontario pursuant to the Subtrust Declaration of Trust. The activities of the Subtrust will be restricted to the acquisition and holding, directly or indirectly, of securities of New LP which will carry on the Business in certain jurisdictions including in the Provinces of Ontario and Manitoba and through Commodities and subsidiaries thereof in several states in the United States, including all activities ancillary or incidental thereto, and such other businesses including the acquisition and holding of securities of ESIF-CT and activities as the trustees of Subtrust may determine, and having investments and other direct or indirect rights in entities involved in the Business, including all activities ancillary or incidental thereto. The fiscal year-end of Subtrust will be March 31.

Trustee of the Subtrust

Subtrust will have a single trustee which will be a resident of Canada within the meaning of the Tax Act and the regulations thereunder. The trustee of Subtrust is to supervise the activities and manage the affairs of Subtrust. The trustee of Subtrust will be appointed by the directors of Newco 1.

The Subtrust Declaration of Trust will provide that, subject to the terms and conditions thereof, the trustee of Subtrust will have full, absolute and exclusive power, control and authority over the assets of Subtrust and over the affairs of Subtrust to the same extent as if the trustee of Subtrust was the sole and absolute beneficial owner of the assets of Subtrust in its own right, to do all such acts and things as in their sole judgment and discretion are necessary or incidental to, or desirable for, carrying out the investments and affairs of Subtrust. The trustee of Subtrust will be responsible for, among other things: (i) acting for, voting on behalf of and representing Subtrust as a holder of LP Units, (ii) maintaining records and providing reports to the Fund, (iii) supervising the activities and managing the investments and affairs of Subtrust, and (iv) effecting payments of distributable cash from Subtrust to the Fund and payments of interest and principal on the Subtrust Notes.

Cash Distributions

Subtrust will make monthly cash distributions to the Fund of its distributable cash, as defined in the Subtrust Declaration of Trust, subject to working capital requirements and other reserves. The amount of cash to be distributed monthly per Trust Unit to the Fund will be equal to a pro rata share of distributions on or in respect of the LP Units and the units of ESIF-CT owned by Subtrust and all other amounts, if any, from any other investments from time to time held by Subtrust received in such period, less amounts which are paid, payable, incurred or provided for in such period in connection with: (a) administrative expenses and other obligations of Subtrust; (b) any interest expense (including interest payable in respect of the Subtrust Notes) incurred by Subtrust; (c) principal repayments in respect of the Subtrust Notes, in the amount considered advisable by the trustees of Subtrust, and any other debt obligations of Subtrust; (d) any cash redemptions or repurchases of the Subtrust Units or Subtrust Notes; and (e) any amount that the trustee of Subtrust may reasonably consider to be necessary to provide for the payment of any costs or expenses, including any tax liability of Subtrust, that have been or are reasonably expected to be incurred in the activities and operations of Subtrust (to the extent that such costs or expenses have not otherwise been taken into account in the calculation of the available distributable cash of Subtrust).

Such distributions will be payable to the Fund, as the holder of record of Subtrust Units on the last business day of each month, and will be paid within 15 days following each month-end. The cash distributions payable by Subtrust are intended to be received by the Fund prior to its related cash distribution to Unitholders.

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

Any income of Subtrust which is unavailable for cash distribution will, to the extent necessary to ensure that Subtrust generally does not have any income tax liability under Part I of the Tax Act, be distributed to the Fund in the form of additional Subtrust Units. The value of each Subtrust Unit so issued will be equal to the redemption price thereof. The Subtrust Declaration of Trust provides that immediately after any pro rata distribution of Subtrust Units in satisfaction of any non-cash distribution, the number of outstanding Subtrust Units will be consolidated such that the Fund will hold after consolidation the same number of Subtrust Units as it held before the non-cash distribution.

Subtrust Units

The beneficial interests in Subtrust will be divided among one class of Subtrust Units, each of which will represent an equal and undivided beneficial interest in the distributions made by Subtrust, as well as in the net assets of Subtrust in the event of a termination or winding-up of Subtrust. Each Subtrust Unit will be transferable, will entitle the holder to one vote on all matters to be voted on at all meetings of the Trust Unitholders and will be redeemable on demand of the holder for a redemption price described below under "Redemption Right".

Subtrust Units are not intended to be issued or held by any person other than the Fund. As a result, registration of interests in, and transfers of, the Subtrust Units will not be made through the book-entry only system. Rather, the Fund will be entitled to receive certificates representing such Subtrust Units.

Redemption Right

The Subtrust Units will be redeemable at any time on demand by the Fund upon delivery to Subtrust of a duly completed and properly executed notice requiring Subtrust to redeem the Subtrust Units, in a form specified by the trustee of Subtrust, together with the certificates for the Subtrust Units representing the Subtrust Units to be redeemed and written instructions as to the number of Subtrust Units to be redeemed. Upon tender of the Subtrust Units by the Fund for redemption, the Fund will no longer have any rights with respect to such Subtrust Units other than the right to receive the redemption price for such Subtrust Units. The redemption price for each such Trust Unit tendered for redemption by the Fund will be equal to:

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

where:

A = the redemption price per Unit (i.e., a Unit of the Fund, not the Subtrust) calculated as of the close of business on the date the Subtrust Units were so tendered for redemption by a holder thereof;

B = the aggregate number of Units outstanding (i.e. Units of the Fund, not the Subtrust) as of the close of business on the date the Subtrust Units were so tendered for redemption by a holder thereof;

C = the aggregate unpaid principal amount and accrued interest thereon of the Series 1 Notes held by or owed to the Fund and the fair market value of any other assets or investments held by the Fund reasonably considered to be attributable to and derived from the Subtrust (other that the Subtrust Units) as of the close of business on the date the Subtrust Units were so tendered for redemption by a holder thereof;

D = the fair market value of the common shares of Newco 1 and OESC GP Corp. held by the Fund;

E = the aggregate unpaid principal of any indebtedness and any accrued liabilities owed by the Fund that may reasonably be considered to be attributable to Subtrust; and

F = the aggregate number of Subtrust Units outstanding held by the Fund as of the close of business on the date the Subtrust Units were so tendered for redemption by a holder thereof.

The trustee of Subtrust will be entitled to call for redemption, at any time, of all or part of the outstanding Subtrust Units registered in the name of the Fund or any other holder of Subtrust Units at the same redemption price as described above for each Subtrust Unit called for redemption calculated with reference to the date the trustee of the Subtrust approved the redemption of the Subtrust Units.

The aggregate redemption price payable by Subtrust in respect of any Subtrust Units tendered for redemption by the holders thereof during any month will be satisfied, at the option of the trustee of Subtrust, in cash or by such other manner of payment approved by the trustee of Subtrust from time to time.

In certain circumstances, Subtrust may satisfy the redemption price in respect of Subtrust Units by issuing Series 1 Notes (as described below).

Description of the Subtrust Notes

The following is a summary of the material attributes and characteristics of the Subtrust Notes that will be issuable by Subtrust under a note indenture (the "Note Indenture") to be entered into between Subtrust and a trust corporation to be selected by the Fund, as note trustee (the "Note Trustee"). This summary is qualified in its entirety by reference to the provisions of the Note Indenture, which will contain a complete statement of such attributes and characteristics.

The Subtrust Notes will initially be authorized for issuance under the Note Indenture ("Series 1 Notes"). After giving effect to the Reorganization. Series 1 Notes will be reserved by Subtrust to be issued exclusively to the Fund as full or partial payment of the redemption price for Subtrust Units, as the trustee of Subtrust determine in their sole discretion. Series 1 Notes will be issued to the Fund by Subtrust in the event of an *in specie* payment by the Fund of the redemption price of Units redeemed by the Unitholders.

The Subtrust Notes will be issued only in Canadian currency and only as fully registered Subtrust notes in minimum denominations of $100 and integral multiples of $100. No fractional Subtrust Notes will be issued and where the number of Subtrust Notes to be received by a unitholder includes a fraction, such number shall be rounded down to the lowest whole number.

Interest and Maturity

Series 1 Notes will mature on a date which is no later than the 10th anniversary of the date of issuance thereof and will bear interest at a market rate to be determined by the trustees of Subtrust at the time of issuance thereof, payable in arrears on or about the 15th day of each calendar month such Series 1 Note is outstanding.

Payment upon Maturity

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

Redemption

The Subtrust Notes will be redeemable, at the option of Subtrust prior to maturity, at a redemption price equal to the principal amount thereof, plus accrued but unpaid interest thereon, payable in cash.

Subordination/Security

Payment of the principal amount and interest on the Subtrust Notes will be subordinated in right of payment to the prior payment in full of the principal of and accrued and unpaid interest on, and all other amounts owing in respect of, all senior indebtedness of Subtrust. Senior indebtedness of Subtrust will be defined as all indebtedness, liabilities and obligations of or guaranteed by Subtrust which, by the terms of the instrument creating or evidencing the same, is expressed to rank in right of payment in priority to the indebtedness evidenced by the Note Indenture (and any interest hedging facility) but excluding any such indebtedness to trade creditors. Subtrust may also designate in writing from time to time any other obligations or liabilities or class thereof, as senior indebtedness. The Note Indenture will provide that upon any distribution of the assets of Subtrust in the event of any dissolution, liquidation, reorganization or other similar proceedings relative to Subtrust, the holders of all such senior indebtedness will be entitled to receive payment in full before the holders of Subtrust Notes are entitled to receive any payment. Senior indebtedness of Subtrust will include the

obligations of Subtrust in respect of New LP's credit facilities, including all hedging facilities provided for thereunder.

The Subtrust Notes will be unsecured debt obligations of Subtrust.

Default

The Note Indenture provides that any of the following will constitute an event of default (as defined in the Note Indenture): (i) default in repayment of the principal amount of any of the Subtrust Notes when the same becomes due and payable and the continuation of such default for a period of 10 business days; (ii) subject to the terms of any senior indebtedness, the failure to pay the interest obligations of any of the Subtrust Notes, if and when issued, and continuation of such default for a period of 90 days; (iii) certain events of dissolution, liquidation, bankruptcy, insolvency or other similar proceedings relative to the Subtrust or its affiliates; or (iv) default in the observance or performance of any other covenant or condition of the Note Indenture and the continuance of such default for a period of 30 days after notice in writing has been given by the Note Trustee to the trustees of Subtrust specifying such default and requiring Subtrust to rectify the same.

Description of New LP

The following is a summary of the material attributes and characteristics of New LP and the New LP Units which will be issued in connection with the Reorganization pursuant to the terms of the partnership agreement governing the affairs of New LP (the "Limited Partnership Agreement"). This summary is qualified in its entirety by reference to the provisions of the Limited Partnership Agreement which will contain a complete statement of those attributes and characteristics.

General Partner

The general partner of New LP will be OESC GP Corp. See "OESC GP" Corp. on page 27 of the Information Circular.

Units

New LP will be entitled to issue various classes of partnership interests, for such consideration and on such terms and conditions as may be determined by OESC GP Corp. Upon completion of the Reorganization, 100% of the LP Units will be held by Subtrust and OESC GP Corp.

The LP Units will entitle the holder thereof to one vote for each whole LP Unit held at all meetings of holders of the LP Units and will have economic rights that are equivalent in all material respects.

Distributions

New LP will adopt a policy to distribute an amount of its distributable cash required to provide the Fund indirectly through Subtrust, with its monthly distributions to Unitholders. Distributions will be made on the LP Units within 15 days of the end of each month and are intended to be received by Subtrust prior to its related distribution to the Fund. Distributions will be payable to the holders of LP Units of record on the last day of the period in respect of which the distribution is to be paid. New LP may, in addition, make a distribution at any other time.

Allocation of Net Income and Losses

The income or loss of New LP for tax purposes for each fiscal year will be allocated to OESC GP and Subtrust in proportion to their percentage interests.

Fiscal and Taxation Year

The fiscal year end of New LP will be March 31. It's taxation year end will be December 31.

Limited Liability

New LP will operate in a manner so as to ensure, to the greatest extent possible, the limited liability of Subtrust. Subtrust may lose its limited liability in certain circumstances. OESC GP Corp. will indemnify Subtrust against all claims arising from assertions that its liability is not limited as intended by the Limited Partnership Agreement unless the liability is not so limited as a result of or arising out of any act of Subtrust.

Amendments to the Limited Partnership Agreement

The Limited Partnership Agreement may only be amended with the consent of the holders of at least 66⅔% of the outstanding LP Units voted on the amendment at a duly constituted meeting or by a written resolution of partners holding more than 66⅔% of the outstanding LP Units entitled to vote at a duly constituted meeting (a "Limited Partnership Special Resolution"). Notwithstanding the foregoing:

(a) no amendment will be permitted to be made to the Limited Partnership Agreement changing the liability of any limited partner, allowing any limited partner to exercise control over the Business of New LP, changing the right of a partner to vote at any meeting, adversely affecting the rights, privileges or conditions attaching to any of the LP Units or changing New LP from a limited partnership to a general partnership, in each case, without the unanimous approval of the partners;

(b) no amendment may be made to the Limited Partnership Agreement which would adversely affect the rights and obligations of any particular partner without similarly affecting the rights and obligations of all other partners without the unanimous approval of the partners; and

(c) no amendment which would adversely affect the rights and obligations of OESC GP Corp., as general partner, will be permitted to be made without its consent.

The foregoing approval requirements are subject to additional restrictions on, or conditions to the approval of, amendments to the Limited Partnership Agreement pursuant to the Subtrust Declaration of Trust.

OESC GP Corp. may call meetings of partners and will be required to convene a meeting on receipt of a request in writing of the holder(s) of not less than 66⅔% of the outstanding LP Units. Each partner is entitled to one vote for each LP Unit held. A quorum of a meeting of partners consists of one or more partners present in person or by proxy.

Functions and Powers of OESC GP Corp.

OESC GP Corp. will have exclusive authority to manage the business and affairs of New LP, to make all decisions regarding the business of New LP and to bind New LP. OESC GP Corp. will be required to exercise its powers and discharge its duties honestly, in good faith and in the best interests of New LP and to exercise the care, diligence and skill of a reasonably prudent person in comparable circumstances. The authority and power vested in OESC GP Corp. to manage the business and affairs of New LP will include all authority necessary or incidental to carry out the objects, purposes and business of New LP, including without limitation, the ability to engage agents to assist OESC GP Corp. to carry out its management obligations or substantially administrative functions. OESC GP Corp. will not have the authority to dissolve New LP or wind up New LP's affairs except in accordance with the provisions of the New LP Partnership Agreement.

Withdrawal or Removal of OESC GP Corp.

OESC GP Corp. will not be permitted to resign on less than 180 days' written notice to the limited partners of New LP or where such resignation would have the effect of dissolving New LP.

The Limited Partnership Agreement will provide that OESC GP Corp. may not be removed as general partner of New LP unless: (i) OESC GP Corp. has committed a material breach of the Limited Partnership Agreement, which breach has continued for 30 days after notice, and that removal is also approved by special resolution of the limited partners of New LP; or (ii) the shareholders or directors of OESC GP Corp. pass a resolution in connection with the bankruptcy, dissolution, liquidation or winding-up of OESC GP Corp., or OESC GP Corp. commits certain other acts of bankruptcy or ceases to be a subsisting corporation, provided that certain other conditions are satisfied, including a requirement that a successor general partner with the same

ownership and governance structure at the relevant time agrees to act as general partner under the Limited Partnership Agreement.

Securities Laws

The distribution of Class A Shares and additional Units to Unitholders pursuant to the Reorganization will be exempt from the registration and prospectus requirements of applicable Canadian securities legislation.

Restrictions on Exercise of Certain Voting Rights Attached to New LP Units and ESIF-CT Trust Units

The Subtrust Declaration of Trust will provide that Subtrust must not vote the common shares of OESC GP Corp., its New LP Units or its ESIF-CT Trust Units to authorize, among other things:

(a) any sale, lease or other disposition of all or substantially all of the direct or indirect assets of New LP or ESIF-CT except: (i) in conjunction with an internal reorganization; (ii) pursuant to a good faith charge, pledge, mortgage, lien, security interest or other encumbrance granted by Subtrust over any of the assets of Subtrust in the ordinary course of business; or (iii) pursuant to any guarantee of any obligation of the Fund, Subtrust or any of their respective affiliates, or any charge, pledge, mortgage, lien, security interest or other encumbrance, in each case, granted by New LP or ESIF-CT over any of the assets of New LP or ESIF-CT;

(b) any arrangement, merger or capital reorganization of New LP or ESIF-CT with any other entity, except in conjunction with an internal reorganization or the acquisition by New LP or ESIF-CT of the securities or assets of another entity;

(c) the winding-up or dissolution of New LP or ESIF-CT prior to the end of the term of the Fund, except in connection with an internal reorganization; or

(d) any material amendment to the constating documents of New LP or ESIF-CT that may be adverse to the Fund,

in each case without the authorization of the Fund by a special resolution.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Burnet, Duckworth & Palmer LLP, special counsel to the Fund and its affiliates in connection with the Reorganization, the following summary fairly describes, as of the date of this Information Circular, the principal Canadian federal income tax considerations relating to the Reorganization pursuant to the *Income Tax Act* (Canada) (“Tax Act”) generally applicable to a Unitholder or holder of Preference Shares (“Preference Shares”) who, at all relevant times and for the purposes of the Tax Act, holds Units as capital property and who deals at arm’s length, and is not affiliated, with the Fund or its affiliates. Generally, Units and Preference Shares will constitute capital property to a holder thereof unless such Units or Preference Shares, as the case may be are held in the course of carrying on a business of buying and selling securities or have been acquired in a transaction or transactions considered to be an adventure or concern in the nature of trade. Certain Unitholders and Preference Shareholders whose Units might not otherwise qualify as capital property may, in certain circumstances, be entitled to make an irrevocable election in accordance with subsection 39(4) of the Tax Act to have such Units or Preference Shares deemed to be capital property. Unitholders or Preference Shareholders who do not hold their Units or Preference Shares as capital property should consult their own tax advisors regarding their particular circumstances.

This summary is not applicable to a Unitholder or Preference Shareholder that is a “financial institution” or a “specified financial institution” or a Unitholder or Preference Shareholder an interest in which would be a “tax shelter investment”, as defined in the Tax Act.

This summary is based upon the current provisions of the Tax Act and the regulations thereunder (the “Regulations”) and counsel’s understanding, based on publicly available published materials, of the current administrative practices of the CRA, all in effect as of the date of this Information Circular. This summary takes into account all specific proposals to amend the Tax Act and the Regulations announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof, (the “Proposals”), and assumes that such Proposals will

be enacted as proposed, but no assurance can be given that this will be the case. This summary does not otherwise take into account or anticipate any changes in the law or administrative practice, whether by judicial, governmental or legislative action or decision, nor does it take into account provincial, territorial or foreign tax legislation or considerations, which may differ significantly from those discussed herein.

As noted above under "Background to 2005 Reorganization", the Fund has applied to the CRA for the Ruling, and it is anticipated that the Ruling will confirm that the consequences under the Tax Act of the Reorganization will be as described in this summary. However, no assurances can be given that CRA will provide the Ruling in the form requested. If the Ruling is not obtained, the Fund will not undertake the Reorganization regardless of whether or not the Reorganization is conditionally approved by Unitholders and Preference Shareholders at the Meeting.

This summary is of a general nature only and is not exhaustive of all Canadian federal income tax considerations applicable to Unitholders or Preference Shareholders. This summary is not intended to be, and should not be construed to be, legal, business or tax advice to any particular Unitholder or Preference Shareholder and no representation with respect to the tax consequences to any particular Unitholder or Preference Shareholder are made. Unitholders and Preference Shareholders should consult their own tax advisors to determine the tax consequences to them of the Reorganization having regard to their particular circumstances, including the application and effect of the income and other tax laws of any country, province, territory, state or local tax authority.

Tax Considerations Applicable to the Reorganization

The Fund and its Subsidiaries & Affiliates

None of the Fund or any of its subsidiaries or affiliates will be required to include in its income any material amount as a result of the Reorganization.

Unitholders Resident in Canada

The following portion of the summary is applicable to Unitholders who at all relevant times are, or are deemed to be, resident in Canada for the purposes of the Tax Act and any applicable tax treaty or convention.

Participation of Unitholders in the Reorganization

Unitholders will not be required to include in computing income for the year the nominal value of the Shares of Newco 2 received from the Fund as a return of capital. A Unitholder will be required to reduce the adjusted cost base of its Units by the amount of the return of capital. To the extent that the adjusted cost base of a Unit would otherwise be a negative amount, the negative amount will be deemed to be a capital gain and the adjusted cost base of the Unit to the Unitholder will then be nil. The cost to a Unitholder of a Share of Newco 2 distributed to such holder will be equal to the fair market value of such Share at the time of the distribution.

A Unitholder holding Shares of Newco 2 will not realize a capital gain or a capital loss on the amalgamation of Newco 2 and Exchangeco. The cost to a Unitholder of the Shares of Amalco resulting from the amalgamation will be equal to the adjusted cost base of the Shares of Newco to that Unitholder immediately before the amalgamation.

A Unitholder holding Shares of Amalco will not be considered to have received a dividend and will not realize a capital gain or a capital loss as a result of the receipt of Units of the Fund on the redemption of the Shares. The cost to a Unitholder of Units of the Fund received by such holder on the redemption will be equal to the cost amount of the redeemed Shares to the holder immediately prior to the redemption. The cost of these Units will be required to be averaged with the adjusted cost base of all other Units held by the Unitholder as capital property immediately before the acquisition in order to determine the adjusted cost base of each Unit.

The consolidation of Units of the Fund occurring as part of the Reorganization will not be considered to result in a disposition of Units by Unitholders. The aggregate adjusted cost base of Units owned by a Unitholder after the Reorganization will be equal to the aggregate adjusted cost base of the Units owned by the Unitholder immediately prior to the Reorganization.

Holders of Preference Shares Resident in Canada

The following portion of the summary is applicable Preference Shareholders who at all relevant times are, or are deemed to be, resident in Canada for the purposes of the Tax Act and any applicable tax treaty or convention and who makes an election under section 85 of the Tax Act in order to obtain a tax-deferred or partially tax-deferred "rollover" for the purposes of the Tax Act on the exchange of their Preference Shares and Shareholder Exchange Rights for Class C Shares of Newco 2. A Preference Shareholder who does not make such an election will be taxable in respect of the full amount of any gains arising on the exchange and should consult his or her own tax advisors.

Subscription for Shares

Preference Shareholders will not be required to include any material amount in income as a result of the subscription for Class A Shares of Newco 2.

Exchange of Preference Shares and Shareholder Exchange Rights for Class C Shares of Newco 2

A Preference Shareholder who exchanges Preference Shares and Shareholder Exchange Rights for Class C Shares of Newco 2 may make a joint election with Amalco (as successor to Newco 2) pursuant to subsection 85(1) of the Tax Act (or, in the case of a Shareholder that is a partnership, pursuant to subsection 85(2) of the Tax Act) and thereby obtain a full or partial tax-deferred "rollover" for the purposes of the Tax Act in respect of such exchange, depending on the amount specified in that election (the "Elected Amount") and the adjusted cost base to the Shareholder of such Preference Shares at the time of the exchange. In order to make an election, a Preference Shareholder must provide to Amalco two signed copies of the necessary election (including any applicable provincial tax election forms relevant to such Preference Shareholder) no later than the 120th day after the Effective Date, duly completed with the details of the number of Preference Shares transferred and the applicable Elected Amount for the purposes of the election. Subject to the election form complying with the provisions of the Tax Act (and any applicable provincial tax legislation), the form will be signed by Amalco (as successor to Newco 2) and returned to the Preference Shareholder for filing by such shareholder with the CRA (and with applicable provincial tax authorities).

For Canadian federal income tax purposes, the relevant tax election form is Form T-2057, "Election on Disposition of Property by a Taxpayer to a Taxable Canadian Corporation" (or, if the Preference Shareholder is a partnership, Form T-2058, "Election on Disposition of Property by a Partnership of a Taxable Canadian Corporation"). A tax election package, consisting of the relevant federal tax election forms and a letter of instructions, may be obtained from Amalco. A Preference Shareholder interested in making such an election should so indicate on the Letter of Transmittal and Election Form which will be forwarded to all holders of Preference Shares in the event the Reorganization is approved. Preference Shareholders should consult their own tax advisers to determine whether any separate provincial elections are required.

Where Preference Shares are held in joint ownership and two or more of the co-owners wish to elect, one of the co-owners designated for such purpose should file the designation and a copy of Form T2057 for each co-owner along with a list of all co-owners electing, which list should contain the address and social insurance number or tax account number of each co-owner. Where Preference Shares are held as partnership property, a partner designated by the partnership must file one copy of Form T2058 on behalf of all members of the partnership. Such Form T2058 must be accompanied by a list containing the name, address and social insurance number or tax account number of each partner as well as the letter signed by each partner authorizing the designated partner to complete and file the form.

In general, where an election is made, the Elected Amount must comply with the following rules:

- The Elected Amount may not be less than the lesser of the adjusted cost base to the Shareholder of the Preference Shares and Shareholder Exchange Rights at the he time of the exchange, and the fair market value of the Preference Shares and Shareholder Exchange Rights at that time.
- The Elected Amount may not exceed the fair market value of the Preference Shares at the time of the exchange.

Where a Preference Shareholder and Amalco (as successor to Newco 2) make a joint election, the tax treatment to the Preference Shareholders generally will be as follows:

(a) The Preference Shareholder will be deemed to dispose of the Preference Shares and Shareholder Exchange Rights for proceeds of disposition equal to the Elected Amount;

(b) If such deemed proceeds of disposition, net of any reasonable costs incurred by the Preference Shareholder in connection with the exchange are equal to the adjusted cost base to the Preference Shareholder of the Preference Shares and Shareholder Exchange Rights immediately before the exchange the Preference Shareholder will not realize any capital gain or loss at the time of the exchange;

(c) If such deemed proceeds of disposition, net of any reasonable costs incurred by the Preference Shareholder in connection with the exchange, exceed (or are less than) the adjusted cost base to the Shareholder of the Preference Shares and Shareholder Exchange Rights immediately before the exchange, the Shareholder generally will realize a capital gain (or capital loss) equal to the amount of such excess (or shortfall). In the case of a Preference Shareholder that is a corporation, or a partnership or trust of which a corporation is a member or beneficiary, the amount of any such capital loss may be reduced by the amount of dividends received or deemed to have been received by the Shareholder on the Preference Shares, to the extent and under the circumstances described in the Tax Act. See "*Taxation of Capital Gains and Capital Losses*" below. In the case of a Preference Shareholder other than a corporation, there is a risk that such a gain might be recharacterized as a deemed dividend received by the Preference Shareholder from Amalco, although Counsel is of the view that this should not be the case. Further considerations may be relevant to a Preference Shareholder other than a corporation who acquired Preference Shares from a non-arm's length person and such Shareholders are urged to consult their own advisers in this regard;

(d) The cost to the Preference Shareholder of the Class C Shares received on the exchange will be equal to the Elected Amount.

Amalco (on behalf of Newco 2) will make an election under section 85 of the Tax Act (and the corresponding provisions of any applicable provincial tax legislation) only at the Elected Amount selected by the Preference Shareholder and subject to the limitations set out in the Tax Act (and any applicable provincial tax legislation). Amalco will not be responsible for the proper completion or filing of any election. The Preference Shareholder will be solely responsible for the proper completion and filing of the election and, if applicable, the payment of any late filing penalty. Amalco will be required only to execute any properly completed election and to forward such election by mail (within 60 days after the receipt thereof) to the Preference Shareholder. With the exception of execution of the election by Amalco, compliance with the requirements for a valid election, including selection of the appropriate Elected Amount and the provision of any documentation required under applicable provincial legislation, will be the sole responsibility of the Preference Shareholder making the election. Accordingly, Amalco will not be responsible or liable for taxes, interest, penalties, damages or expenses resulting from the failure by anyone to properly complete any election or to properly file it within the time prescribed and in the form prescribed under the Tax Act (or the corresponding provisions of any applicable provincial legislation).

In order for the CRA to accept a tax election without a late filing penalty being paid by a Preference Shareholder, the election must be received by the CRA on or before the day that is the earliest of the days on or before which either Amalco or the Preference Shareholder is required to file an income tax return for the taxation year in which the exchange occurs. Amalco's taxation year will end on the amalgamation under the Arrangement. Thus, assuming that the Arrangement is effective in 2005, the tax election will be due six months after the Effective Date or at such earlier time as the Preference Shareholder's tax return is due to be filed for the year in which the disposition occurs. However, regardless of such deadline, the tax election forms of a Preference Shareholder must be received by Amalco no later than the 120th day after the Effective Date.

Any Shareholder who does not ensure that Amalco has received a duly completed election no later than the 120th day after the Effective Date will not be able to benefit from the rollover provisions of the Tax Act unless

otherwise agreed to by Amalco. Accordingly, all Preference Shareholders who wish to enter into an election with Amalco should give their immediate attention to this matter.

Preference Shareholders are referred to Information Circular 76-19R3 and Interpretation Bulletin 291R2 issued by the CRA for further information respecting the election. Preference Shareholders wishing to make the election should consult their own tax advisors. The comments herein with respect to such elections are provided for general assistance only. The law in this area is complex and involves numerous technical requirements and issues.

Amalgamation of Newco 2, Exchangeco and OESCII

A Preference Shareholders holding Shares and Class C shares of Newco 2 will not realize a capital gain or a capital loss on the amalgamation of Newco 2, Exchangeco and OESC II. The cost to a Preference Shareholder of the Shares of Amalco resulting from the amalgamation will be equal to the adjusted cost base of the Shares of Newco to that holder immediately before the amalgamation and the cost to a Preference Shareholder of the Class C Shares of Amalco resulting from the amalgamation will be equal to the adjusted cost base of the Class C Shares of Newco to that holder immediately before the amalgamation.

Redemption of Class C Shares

A Preference Shareholder holding Class C Shares of Amalco will not be considered to have received a dividend and will not realize a capital gain or a capital loss as a result of the receipt of Units of the Fund on the redemption of the Class C Shares. The cost to a Preference Shareholder of Units of the Fund received by such holder on the redemption will be equal to the cost amount of the redeemed Class C Shares to the holder immediately prior to the redemption. The cost of these Units will be required to be averaged with the adjusted cost base of all other Units held by the Unitholder as capital property immediately before the acquisition in order to determine the adjusted cost base of each Unit.

The consolidation of Units of the Fund occurring as part of the Reorganization will not be considered to result in a disposition of Units by Unitholders. The aggregate adjusted cost base of Units owned by a Unitholder after the Reorganization will be equal to the aggregate adjusted cost base of the Units owned by the Unitholder immediately prior to the Reorganization.

Eligibility for Investment

The Shares of each of Newco 2 and Amalco will be qualified investments for purposes of the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds and deferred profit sharing plans (collectively, "Deferred Income Plans") and registered education savings plans ("RESPs").

The Shares of each of Newco 2 and Amalco will be foreign property for Deferred Income Plans, registered pension plans or other persons subject to tax under Part XI of the Tax Act. RESPs are not liable for such tax. However, the Shares of Newco and Amalco acquired by Unitholders in connection with the Reorganization will have a nominal cost amount for these purposes, and will be redeemed prior to the last day of the month in which such shares are received as part of the Reorganization. Accordingly, such persons will not incur any tax liability under Part XI of the Tax Act by virtue of acquiring shares of Newco 2 and Amalco in connection with the Reorganization. In any event, if the Tax Proposals are enacted in the form proposed, Part XI of the Tax Act will be repealed effective for months that end after 2004.

Provided the Fund is a mutual fund trust within the meaning of the Tax Act, the Units will be qualified investments for Deferred Income Plans and RESPs. If the Fund ceases to qualify as a mutual fund trust, the Units will cease to be qualified investments for such plans. Any Series 1 Notes received upon the redemption of Units will not be qualified investments for Deferred Income Plans and RESPs, and this could give rise to adverse consequences to such plans or the annuitants under such plans. Accordingly, Deferred Income Plans and RESPs that own Units should consult their own tax advisors before deciding to exercise the redemption rights attached to the Units.

Provided the Fund restricts its holdings of foreign property within the limits provided under the Tax Act, the Units of the Fund following the Reorganization will not constitute foreign property for Deferred Income Plans,

registered pension plans and other persons subject to tax under Part XI of the Tax Act. RESPs are not liable for such tax. If the Fund ceases to qualify as a mutual fund trust, the Units may become foreign property. As described above, if the Tax Proposals are enacted in the form proposed, Part XI of the Tax Act will be repealed effective for months that end after 2004.

Tax Considerations Following the Reorganization

Status of the Fund

Mutual Fund Trust

This summary is based on the assumption that the Fund qualifies, and will continue to qualify, as a "mutual fund trust" as defined in the Tax Act. If the Fund were not to qualify as a mutual fund trust, the income tax considerations described in this summary (including the summary of the tax considerations applicable to the Reorganization) would, in some respects, be materially different.

Taxation of the Fund

The taxation year-end of the Fund is December 31 of each year. In each taxation year, the Fund is subject to tax under Part I of the Tax Act on its income for tax purposes for the year, including net realized taxable capital gains, computed in accordance with the Tax Act, less the portion thereof that it deducts in respect of the amounts paid or payable in the year to Unitholders. An amount will be considered to be payable to a Unitholder in a taxation year if it is paid to the Unitholder in the year by the Fund or if the Unitholder is entitled in that year to enforce payment of the amount.

Income Inclusion

The Fund will include in its income for each taxation year such amount of the Subtrust's income for tax purposes, including net taxable capital gains, as is paid or becomes payable to the Fund in the year in respect of the Subtrust Units and all interest on the Subtrust Notes that accrues to the Fund to the end of the year, or that becomes receivable or is received by it before the end of the year, except to the extent that such interest was included in computing its income for a preceding year. The Fund will not be subject to tax on any amount received as a payment of principal in respect of the Subtrust Notes or any amount received as a return of capital from the Subtrust (provided that the capital returned, if any, does not exceed the cost amount of the Subtrust Units held by the Fund).

A distribution by the Fund of its property upon a redemption of Units will be treated as a disposition by the Fund of the property so distributed for proceeds of disposition equal to their fair market value. The Fund's proceeds of disposition of Subtrust Notes will be reduced by any accrued but unpaid interest in respect thereof, which interest will generally be included in the Fund's income in the year of disposition to the extent that it was not included in the Fund's income in a previous year. The Fund will realize a capital gain (or a capital loss) to the extent that the proceeds of disposition exceed (or are less than) the adjusted cost base of the relevant property and any reasonable costs of disposition. The Fund currently intends to treat as payable to and designate to a redeeming Unitholder any capital gain realized by the Fund as a result of the distribution of such property to the Unitholder.

Income Deduction

In computing its income for purposes of the Tax Act, the Fund may deduct reasonable administrative costs, interest and other expenses incurred by it for the purpose of earning income. The Fund may also deduct from its income for the year a portion of the expenses incurred by it in connection with the issuance of Units. The portion of such issue expenses deductible by the Fund in a taxation year is 20% of such issue expenses, pro-rated where the Fund's taxation year is less than 365 days.

Counsel has been advised that the Fund intends to make distributions in each year that are not less than its income for purposes of the Tax Act, including net realized taxable capital gains, so that the Fund will generally not be liable in such year for income tax under Part I of the Tax Act. Income of the Fund that is used to fund redemptions of Units for cash or is otherwise unavailable for distribution in cash will be paid to Unitholders in

the form of additional Units. Income of the Fund payable to Unitholders, whether in cash, additional Units or otherwise, will generally be deductible by the Fund in computing its taxable income. Losses incurred by the Fund cannot be allocated to Unitholders, but may be deducted by the Fund in future years in accordance with the Tax Act.

In the event the Fund is otherwise liable for tax on its net realized taxable capital gains for a taxation year, it will be entitled for such taxation year to reduce (or receive a refund in respect of) its liability for such tax by an amount determined under the Tax Act based on the redemption of Units during the year (the "Capital Gains Refund"). In certain circumstances, the Capital Gains Refund in a particular taxation year may not completely offset the Fund's tax liability for such taxation year arising as a result of the distribution of Trust Notes in connection with the redemption of Units. Thus, the Declaration of Trust provides, and the Amended Fund Declaration of Trust will provide, that any capital gains realized by the Fund as a result of such redemption may be allocated to the Unitholders redeeming their Units. The taxable portion of such capital gains must be included in the income of the redeeming Unitholder.

Taxation of the Subtrust and ESIF-CT

The Subtrust will be taxable on its income determined under the Tax Act for each taxation year (which will be the calendar year), which will include its allocated share of the income of New LP and ESIF CT for its fiscal period ending on or before the year-end of the Subtrust, except to the extent such income is paid or payable in such year to the Fund and is deducted by the Subtrust in computing its income for tax purposes. The Subtrust will generally be entitled to deduct its expenses incurred to earn such income provided such expenses are reasonable and otherwise deductible, subject to the relevant provisions of the Tax Act. Under the Subtrust Declaration of Trust, all of the income of the Subtrust for each year, together with the taxable and non-taxable portion of any capital gains realized by the Subtrust in the year, will generally be payable in the year to the Fund and will generally be deductible by the Subtrust in computing its taxable income. As a result, Counsel has been advised that the Fund does not expect the Subtrust to be liable for any material amount of tax under Part I of the Tax Act.

The tax considerations relating to ESIF-CT are substantially similar to the taxation of the Subtrust as set forth in the preceding paragraph.

Taxation of New LP and ESLP

New LP will not be subject to tax under the Tax Act. Each partner of New LP, including the Subtrust, will be required to include in computing the partner's income for a particular taxation year the partner's share of the income or loss of New LP, as the case may be, for its fiscal year ending in, or coincidentally with, the partner's taxation year, whether or not any of that income is distributed to the partner in the taxation year. For this purpose, the income or loss of New LP will be computed for each fiscal year as if New LP was a separate person resident in Canada. In computing the income or loss of New LP, deductions may be claimed in respect of its administrative and other expenses incurred to earn income from its business or investments. The income or loss of New LP for a fiscal year will be allocated to the partners of New LP, including the Subtrust, on the basis of their respective share of that income or loss subject to the detailed rules in the Tax Act in that regard.

Each partner of New LP will be deemed to realize a capital gain to the extent the adjusted cost base of its partnership units is negative at the end of a fiscal year.

If New LP incurs losses for tax purposes, the Trust will be entitled to deduct in the computation of its income for tax purposes its share of any such losses for any fiscal year to the extent that the Trust's investment is "at risk" within the meaning of the Tax Act. In general, the amount "at risk" for an investor in a partnership for any taxation year will be the adjusted cost base of the investor's partnership interest at the end of the year, plus any undistributed income allocated to the limited partner for the year, less any amount owing by the limited partner (or a person with whom the limited partner does not deal at arm's length) to New LP (or to a person with whom New LP does not deal at arm's length) and less the amount of any benefit that a limited partner (or a person with whom the limited partner does not deal at arm's length) is entitled to receive or obtain for the purpose of reducing, in whole or in part, any loss of the limited partner from the investment.

The tax considerations relating to ESLP are substantially similar to the taxation of New LP as set forth in this section.

Taxation of Unitholders

Fund Distributions

A Unitholder will generally be required to include in income for a particular taxation year the portion of the net income for tax purposes of the Fund for a taxation year, including net realized taxable capital gains, that is paid or payable to the Unitholder in the particular taxation year, whether the amount is received in cash, additional Units or otherwise.

The non-taxable portion of any net realized capital gains of the Fund that is paid or payable to a Unitholder in a taxation year will not be included in computing the Unitholder's income for the year. Any other amount in excess of the net income of the Fund that is paid or payable to a Unitholder in that year (other than as proceeds in respect of the redemption of Units) will not generally be included in the Unitholder's income for the year, but will reduce the adjusted cost base of the Units by that amount. To the extent the adjusted cost base of a Unit would otherwise be a negative amount, the negative amount will be deemed to be a capital gain realized by the Unitholder from the disposition of the Unit and will be added to the adjusted cost base of the Unit so that the adjusted cost base will be nil. The taxation of capital gains is described below.

Disposition of Units

On a disposition or deemed disposition of a Unit, the Unitholder will realize a capital gain (or a capital loss) equal to the amount by which the Unitholder's proceeds of disposition exceed (or are less than) the aggregate of the adjusted cost base of the Unit to the Unitholder and any reasonable costs of disposition. Proceeds of disposition will not include an amount that is otherwise required to be included in the Unitholder's income. The taxation of capital gains and capital losses is described below.

For the purpose of determining the adjusted cost base to a Unitholder of Units, when a Unit is acquired, the cost of the newly acquired Unit will be averaged with the adjusted cost base of all of the Units owned by the Unitholder as capital property immediately before that time.

Where Units are redeemed by the distribution of Series 1 Notes to the Unitholder, the proceeds of disposition to the Unitholder of the Units will be equal to the fair market value of the property so distributed less any income or capital gain realized by the Fund as a result of the redemption of such Units which is designated by the Fund to the Unitholder. Where income or capital gain realized by the Fund as a result of the distribution of Subtrust Notes on a redemption of Units is made payable and designated by the Fund to a redeeming Unitholder, the Unitholder will be required to include in income the income or taxable portion of the capital gain so designated.

The redeeming Unitholder will be required to include in income, interest on any Series 1 Notes acquired, (including interest that accrued prior to the date of the acquisition of such debt by the Unitholder that is designated as income to the Unitholder by the Fund), if any, in accordance with the provisions of the Tax Act.

The cost of any Subtrust Notes distributed by the Fund to a Unitholder upon a redemption of Units will be equal to the fair market value of the Subtrust Notes at the time of the distribution less any accrued interest thereon. The Unitholder will thereafter be required to include in income interest on the Subtrust Notes, if any, in accordance with the provisions of the Tax Act. To the extent that the Unitholder is required to include in income interest accrued on the Subtrust Notes to the date of acquisition, an offsetting deduction may be available. Unitholders are advised to consult their own tax advisors prior to exercising their redemption rights.

Taxation of Capital Gains and Capital Losses

One-half of any capital gain realized by a Unitholder and the amount of any net taxable capital gain designated by the Fund in respect of a Unitholder will be included in the Unitholder's income as a taxable capital gain. One-half of any capital loss realized by a Unitholder in excess of capital gains in a particular year may be carried back and deducted in any of the three preceding years or carried forward and deducted in any

following year against taxable capital gains realized in such year to the extent and under the circumstances described in the Tax Act.

Where a Unitholder that is a corporation or a trust (other than a mutual fund trust) disposes of a Unit, the Unitholder's capital loss from the disposition will generally be reduced by the amount of any dividends, previously designated by the Fund to the Unitholder except to the extent that a loss on a previous disposition of a Unit has been reduced by those dividends. Analogous rules apply where a corporation or a trust (other than a mutual fund trust) is a member of a partnership that disposes of Units.

In general terms, net income of the Fund paid or payable to a Unitholder that is an individual or a trust that is designated as taxable dividends or capital gains, and capital gains realized on the disposition of Units, may increase the Unitholder's liability for alternative minimum tax.

Budget Proposals

On March 23, 2004, the Minister of Finance (Canada) proposed amendments to the Tax Act to restrict direct and indirect holdings in certain "business income trusts" (as defined in the proposals) by certain tax exempt investors and pension corporations (the "Budget Proposals"). The Fund would constitute a business income trust under the proposed amendments. On May 18, 2004, the Minister of Finance (Canada) announced the suspension of the Budget Proposals to allow consultation with representatives of the pension fund industry, the investment industry, provincial governments and other interested parties. Following such consultations, the Minister of Finance (Canada) has indicated the Government will issue legislative proposals.

Unitholders Not Resident in Canada

The following portion of the summary is generally applicable to Unitholders who, for purposes of the Tax Act and any applicable tax treaty or convention, are not, and are not deemed to be, resident in Canada and whose Units are not taxable Canadian property (as defined in the Tax Act and the Tax Proposals). Generally, such Units will not be taxable Canadian property provided that the Fund is a mutual fund trust at the time of a disposition of such Units, and such Unitholder does not use or hold, and is not deemed to use or hold, such Units in connection with carrying on a business in Canada and such Unitholder has not, either alone or in combination with persons with whom such Unitholder does not deal at arm's length, owned (or had an option to acquire) 25% or more of the issued Units of the Fund any time within 60 months preceding the date of disposition, and provided the Unitholder is not carrying on an insurance business in Canada or elsewhere.

Participation in the Reorganization

Generally, a Unitholder who is not resident in Canada will be subject to the same tax considerations in respect of the Reorganization as described above under "Unitholders Resident in Canada" and such Unitholder will not be subject to income tax under the Tax Act as a result of the Reorganization. Provided that the shares of Newco 2 and the shares of Amalco do not constitute taxable Canadian property to a Unitholder, no clearance certificate will be required under section 116 of the Tax Act in respect of any disposition of shares occurring pursuant to the Reorganization. The shares of Newco 2 and the Class A shares of Amalco will normally not be taxable Canadian property at a particular time provided that such Unitholder does not use or hold, and is not deemed to use or hold, the shares of Newco 2 or Amalco, as the case may be, in connection with carrying on a business in Canada and such Unitholder has not, either alone or in combination with persons with whom such Unitholder does not deal at arm's length, owned (or had an option to acquire) 25% or more of the issued Class A shares of Newco 2 or Amalco, as the case may be, any time within 60 months preceding the date of disposition, and provided the Unitholder is not carrying on an insurance business in Canada or elsewhere.

Tax Considerations Following the Reorganization

Where the Fund makes distributions to a non-resident Unitholder, the same considerations as those discussed above with respect to a Unitholder who is resident in Canada will generally apply, except that any distribution of income (excluding capital gains) paid or credited by the Fund to a non-resident Unitholder, including any income or accrued interest arising in connection with a redemption of Units, will be subject to Canadian withholding tax at the time such distribution is paid or credited at the rate of 25%, subject to reduction

of such rate under an applicable tax treaty or convention. In addition, interest paid to a non-resident Unitholder on the Series 1 Notes will be subject to Canadian withholding tax at a rate of 25%, subject to reduction under an applicable treaty or tax convention.

CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATION

Based on management's discussion with tax counsel in the United States, management believes that the Reorganization will not have an adverse impact on holders of Units in the United States. Nevertheless, holders of Units in the United States are advised to consult their tax advisors to determine the particular tax consequences to them as a result of the Reorganization.

COMPENSATION OF THE TRUSTEE AND THE ADMINISTRATOR

Compensation of Trustee

Pursuant to the provisions of the Declaration of Trust the Trustee receives an annual fee of $10,000 per year for its services as Trustee to the Fund.

Administration of the Fund

On April 30, 2001, the Fund entered into an administration agreement (the "Administration Agreement") with OESC, pursuant to which OESC agreed to provide or arrange for the provision of services required in the administration of the Fund. In consideration of its services, OESC receives an annual fee of $100 plus certain out of-pocket expenses. OESC received a fee of $100 for the period from April 1, 2004 to March 31, 2005.

CORPORATE GOVERNANCE

The Toronto Stock Exchange Committee on Corporate Governance in Canada has issued a series of guidelines (the "TSX Report") for effective corporate governance. The TSX Report recommended that the TSX adopt, as a listing requirement, the annual disclosure by each listed corporation of its approach to corporate governance. The TSX adopted a new by-law requiring every Canadian company listed on the TSX to disclose their corporate governance practices. Although the Fund does not have a board of directors or similar governing body, given that the Fund owns all of the common shares of OESC and that pursuant to the Declaration of Trust the Unitholders are given rights substantially equivalent to those which they would have if they were shareholders of OESC, it is appropriate to review the corporate governance practices of the Board of OESC. Schedule C, which is attached to this Information Circular, details the corporate governance practices of OESC.

The Canadian Securities Administrators issued National Policy Instrument 58-201 entitled "Corporate Governance Guidelines" and National Instrument 58-101 entitled "Disclosure of Corporate Governance Practices" which will replace the TSX Guidelines and disclosure requirements after June 30, 2005. The Fund is in substantial compliance with the new rules.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Except as disclosed herein, there were no material interests, direct or indirect, of directors or executive officers of OESC, any securityholder who beneficially owns, directly or indirectly, or exercise control or direction over more than 10% of the outstanding Units, or any other Informed Person (as defined in National Instrument 51-102) or any known associate or affiliate of such persons, in any transaction since the commencement of the last completed financial year of the Fund or in any proposed transaction which has materially affected or would materially affect the Fund or any of its subsidiaries.

ADDITIONAL INFORMATION

Additional information relating to the Fund is available on SEDAR at www.sedar.com. Financial information in respect of the Fund and its affairs is provided in the Fund's annual audited comparative financial statements for the year ended March 31, 2005 and the related management's discussion and analysis. Copies of the Fund's financial statements and related management discussion and analysis are available upon request from the Corporate Secretary, Energy Savings Income Fund, 100 King Street West, Suite 2630, P.O. Box 355, Toronto, Ontario, M5X 1E1.

APPROVAL AND CERTIFICATION

The foregoing contains no untrue statements of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to make a statement not misleading in the circumstances in which it was made.

The undersigned hereby certifies that the contents of, and the sending of, this Information Circular have been approved by the Board of Directors of OESC, as the Administrator of the Fund.

DATED the 20th day of May, 2005.

ENERGY SAVINGS INCOME FUND
By its administrator,
Ontario Energy Savings Corp.

REBECCA MACDONALD
Executive Chair
Ontario Energy Savings Corp.

KEN HARTWICK, C.A.
Chief Financial Officer
Ontario Energy Savings Corp.

SCHEDULE A

CHANGE OF AUDITORS — REPORTING PACKAGE

NOTICE OF CHANGE OF AUDITOR

Pursuant to National Instrument 51-102 (Part 4.11)

To: DELOITTE & TOUCHE LLP

And To: KPMG LLP

TAKE NOTICE THAT the Board of Directors of Ontario Energy Savings Corp. ("OESC") as administrator and attorney of Energy Savings Income Fund (the "Fund") resolved at a Board meeting on May 19, 2005 to propose to all holders of units (the "Unitholders") of the Fund and the holders (collectively, the "Holders") of Class A Preference Shares of OESC, at the annual and special meeting of the Holders fixed to take place on June 29, 2005, to vote to appoint KPMG LLP (the "Successor Auditor") as auditor of the Fund upon the expiry of the term of appointment of the Fund's current auditor, Deloitte & Touche LLP (the "Former Auditor").

TAKE FURTHER NOTICE THAT:

(a) the Former Auditor has not been asked or proposed by the Board of Directors of the Company to stand for re-appointment as auditor of the Fund;

(b) the appointment of the Successor Auditor has been considered and approved by the Audit Committee of the Board of Directors of OESC and the Board of Directors of OESC;

(c) there have been no reservations contained in the Former Auditor's reports on the annual financial statements of the Fund for the two most recently completed fiscal years immediately preceding the date of this notice nor for any period subsequent to the most recently completed period for an audit report was issued; and

(d) there are no reportable events including disagreements, consultations or unresolved issues as defined in National Instrument 51-102 (Part 4.11).

DATED this 25th day of May, 2005.

Energy Savings Income Fund
by its attorney Ontario Energy Savings Corp.

Name: Ken Hartwick
Chief Financial Officer
Ontario Energy Savings Corp.

KPMG LLP
Suite 3300 Commerce Court West
PO Box 31 Stn Commerce Court
Toronto ON M5L 1B2

Telephone (416) 777-8500
Fax (416) 777-8818
Internet www.kpmg.ca

KPMG LLP

May 26, 2005

To: Alberta Securities Commission
British Columbia Securities Commission
Manitoba Securities Commission
Office of the Administrator, New Brunswick
Securities Commission of Newfoundland and Labrador
Nova Scotia Securities Commission
Ontario Securities Commission
Registrar of Securities, Prince Edward Island
L'Autorite des marches financiers
Securities Division, Saskatchewan Financial Services Division
Securities Registry, Government of Northwest Territories
Registrar of Securities, Government of Yukon Territories
Nunavut Legal Registry
Toronto Stock Exchange

Dear Sirs/Mesdames:

Re: Notice of Change of Auditor — Energy Savings Income Fund (the "Fund")

We hereby advise that we have read the Notice of Change of Auditor of the Fund dated May 25, 2005 and that we agree with the statements in sections (c) and (d) contained therein. We have no basis to agree or disagree with statements in sections (a) or (b).

Yours very truly,

"KPMG LLP"

Chartered Accountants
Toronto, Canada

Deloitte.

Deloitte & Touche LLP
5140 Yonge Street
Suite 1700
Toronto ON M2N 6L7
Canada

Tel: 416-601-6150
Fax: 416-601-6151
www.deloitte.ca

May 30, 2005

To: Alberta Securities Commission
British Columbia Securities Commission
Manitoba Securities Commission
Office of the Administrator, New Brunswick
Securities Commission of Newfoundland and Labrador
Nova Scotia Securities Commission
Ontario Securities Commission
Registrar of Securities, Prince Edward Island
L'Autorite des marches financiers
Securities Division, Saskatchewan Financial Services Division
Securities Registry, Government of Northwest Territories
Registrar of Securities, Government of Yukon Territories
Nunavut Legal Registry
Toronto Stock Exchange

Dear Sirs/Mesdames:

Re: Notice of Change of Auditor — Energy Savings Income Fund (the "Fund")

We hereby advise that we have read the Notice of Change of Auditor of the Fund dated May 25, 2005 and that we agree with the statements in sections (a), (c) and (d) contained therein. We have no basis to agree or disagree with the statement in section (b) thereof.

Yours very truly,

Deloitte & Touche LLP

Chartered Accountants
Toronto, Canada

SCHEDULE B

SPECIAL RESOLUTION
APPROVAL OF PROPOSED REORGANIZATION AND AMENDMENTS TO THE DECLARATION OF TRUST

RESOLVED AS A SPECIAL RESOLUTION THAT:

1. (i) the reorganization (the "Reorganization") of Energy Savings Income Fund (the "Fund"), and in each of the steps and transactions contemplated thereby; or such steps and transactions as may be modified as necessary in order to effect the Reorganization as approved by any one officer or director of Ontario Energy Savings Corp., as attorney of the Fund, and (ii) such amendments (the "Amendments") to the declaration of trust of the Fund dated April 18, 2001, as amended and restated as of June 27, 2003 and June 29, 2004, as, in the opinion of the directors of Ontario Energy Savings Corp., are necessary or desirable to give effect to the Reorganization, each substantially as described in the management information circular of the Fund dated May 20, 2005 (the "Circular"), are hereby authorized and approved, and any one officer or director of Ontario Energy Savings Corp., as attorney of the Fund, is authorized and directed, for and on behalf of the Fund, to negotiate, execute and deliver any document or instrument, and to do or cause to be done all such other acts and things, as such officer or director may determine if necessary or desirable to carry out the intent of the foregoing resolutions, such determination to be conclusively evidenced by the execution and delivery of such documents and instruments or the doing of such acts and things; and

2. notwithstanding that this special resolution has been duly passed by the unitholders of the Fund and holders of Class A Preference Shares of Ontario Energy Savings Corp. the directors of Ontario Energy Savings Corp. may revoke this special resolution and elect not to proceed with the Reorganization or the Amendments without further approval of the unitholders of the Fund, the holders of Class A Preference Shares of Ontario Energy Savings Corp. or the directors of Ontario Energy Savings Corp.

SCHEDULE C

CORPORATE GOVERNANCE

Statement of Corporate Governance Practices of Energy Savings Income Fund (the "Fund") incorporating the Toronto Stock Exchange Guidelines

Toronto Stock Exchange Guidelines	Corporate Governance Practices of the Fund
RESPONSIBILITY FOR STEWARDSHIP	
1	
The board of directors should explicitly assume responsibility for the stewardship of the corporation;	■ The Board of Ontario Energy Savings Corp., the wholly owned operating subsidiary of the Fund ("OESC" or the "Corporation") and administrator of the Fund is responsible for managing the business and affairs of the Corporation and establishes overall policies and standards for the Corporation. In discharging its responsibility for the stewardship of the Corporation, the Board oversees the management of the Corporation, protects its assets and ensures its profitability, long-term survival and development with a view to enhancing the return on unitholder investment. Furthermore, it is assured of sound management by requiring that management set up, in particular, a compliance program ensuring observance by the Corporation of all rules and regulations which govern its operations. ■ The Board assumes various duties related to strategic planning, risk assessment, assessment of its effectiveness, succession planning for directors and senior management, as well as the communication and disclosure of information. The Board also adheres to the rules of conduct and ethics, notably by adopting in February, 2004 a Code of Business Conduct and Moral Ethics Policy for directors, officers and employees of the Corporation and its subsidiaries. The Policy is available on the Fund's website (www.esif.ca). ■ The Board expects management to be responsible for the day-to-day management and conduct of the Corporation's operations. In order to facilitate the Board's oversight role, senior management, at least annually, provides the Board with an informed opinion specifically on the objectives, strategies, business plans, budgets and major policies of the Corporation.

STRATEGIC PLANNING PROCESS

1(a)

The adoption of a strategic planning process;	■ The Board reviews and approves on an annual basis the strategic plan by which OESC determines its mission, vision, business objectives and strategy. To do so, the Board takes into account business opportunities and risks for the Corporation, as well as business plans concerning its operations. ■ The Board approved the strategic planning exercise during which a report was submitted to the Board on the main challenges, orientations and strategic objectives and goals of the Corporation. At the end of this process, involving the full Board and senior management, the corporate strategic plan and the strategic plans for the business were approved by the Board.

PRINCIPAL RISKS

1(b)

The identification of the principal risks associated with the business of the corporation and ensuring the implementation of appropriate systems to manage these risks;	■ The Board, through its Audit Committee, regularly identifies and assesses the principal risks of the Corporation and has established certain risk parameters (including a Risk Management and Procedures Policy), within which the Corporation must operate. The Policy is available on the Fund's website (www.esif.ca). The Board is apprised of these risks and monitors compliance with risk parameters through quarterly operational reports from senior management. The Board annually adopts and reviews policies regarding these risks, while ensuring their implementation.

SUCCESSION PLANNING

1(c)

Succession planning, including appointing, training and monitoring senior management;	■ The board approves the appointment of all members of senior management of OESC and its subsidiaries and monitors succession planning.

Toronto Stock Exchange Guidelines	Corporate Governance Practices of the Fund
	■ The Compensation and Human Resources Committee annually reviews the profile of senior management to ensure that they possess the required competencies to hold senior management positions at the Corporation, as well as the Corporation's succession plan, and determines development needs, as applicable. ■ The Committee is responsible for establishing senior management objectives annually in cooperation with the Executive Chair and the Chief Executive Officer and monitoring the performance of senior management against these objectives.

COMMUNICATIONS POLICY

1(d)	
A communications policy;	■ The Board emphasizes transparency in the communication of information to all unitholders, investors, suppliers, customers and the general public. ■ A policy approved by the Board in 2004 entitled "Confidentiality, Communication and Trading" establishes the procedures for complete, accurate and timely communication between the Fund and its unitholders, financial analysts, the media and the public and prohibits the selective distribution of information by stipulating that information must be distributed to the general public. The Policy is available on the Fund's website (www.esif.ca). ■ The Audit Committee reviews in particular the Fund's annual and quarterly consolidated financial statements, the related press releases, the Annual Management Information Circular, the Annual Renewal Information Form and Management's Discussion and Analysis of the Financial Condition and Operating Results of the Fund before these are approved by the Board. ■ The Fund responds to requests from unitholders, investors and financial analysts through its Executive Chair, Chief Executive Officer and Chief Financial Officer who regularly present at conferences sponsored by various investment firms. The quarterly reports are made available in real time on the Fund's website (www.esif.ca).

Toronto Stock Exchange Guidelines	Corporate Governance Practices of the Fund

INTEGRITY OF INTERNAL CONTROL

1(e)

The integrity of internal control and management information systems;	■ The Board, through its Audit Committee, examines audit and internal control processes as well as management information systems to determine their integrity and effectiveness. In consultation with internal financial management, the Committee examines the effectiveness of the Corporation's policies and internal control mechanisms. ■ The Audit Committee requires that the internal financial management be free of any influence that could adversely affect its ability to assume its responsibilities objectively.

INDEPENDENCE OF THE BOARD OF DIRECTORS

2

A majority of the directors should be "unrelated";	■ The Board currently consists of seven members, five of whom are unrelated directors and two of whom are the Executive Chair and the Chief Executive Officer. The Board appointed its former Chief Executive Officer as Executive Chair on April 1, 2005. On January 17, 2005 the Board of Directors appointed one of its outside independent directors as lead director. The slate of directors to be proposed by the Board for election by the persons entitled to vote at the Fund's annual and special meeting to be held on June 29, 2005 consists of seven directors, of whom five will be unrelated directors.

UNRELATED DIRECTORS

3

The application of the definition of "unrelated director" to the circumstances of each director should be the responsibility of the board, as well as the disclosure on an annual basis of the analysis of the application of the principles supporting this conclusion and whether the board has a majority of unrelated directors;

- The Board, through its Nominating and Corporate Governance Committee, ensures compliance with the Toronto Stock Exchange Guidelines.
- The Committee analyzes all business and related party relationships maintained by the directors with the Fund or its subsidiaries to determine if certain OESC directors met the criteria for the definition of an "unrelated director".
- After the June 29, 2005 annual and special meeting of the Fund only two of the seven directors of OESC are considered to be related, as defined by the Toronto Stock Exchange Guidelines.
- Ms. MacDonald, being the Executive Chair and Brennan Mulcahy the Chief Executive Officer of the Corporation are related directors. Each of Messrs. Brussa, Segal, Kirby, Smith and Macdonald, receives no remuneration from the Corporation in excess of fees paid as a director (except, indirectly, for Mr. Brussa, a partner of Burnet, Duckworth & Palmer LLP, which firm receives fees for legal services rendered to the Fund and its operating subsidiaries, is not involved in the day-to-day management of the Corporation and is free from any interest in the business or other relationship which could materially interfere with his ability to act with a view to the best interests of the Corporation. As a result, each of Messrs. Brussa, Segal (appointed as lead director on January 17, 2005) Kirby, Smith and Macdonald, are unrelated directors.

BOARD COMMITTEES

4

Toronto Stock Exchange Guidelines	Corporate Governance Practices of the Fund
The Board should appoint a committee of directors composed exclusively of outside, i.e. non-management directors, a majority of whom are unrelated, and assign to such committee the responsibility for proposing nominees to the board and for assessing directors on an ongoing basis;	■ Following the annual and special meeting on June 29, 2005, the Board will re-appoint a Compensation and Human Resources Committee and a Nominating and Corporate Governance Committee each composed of three unrelated directors and an Audit Committee. The Nominating and Corporate Governance Committee has the mandate to recommend candidates for the Board, annually reviews credentials of nominees for re-election, recommends candidates for filling vacancies on the Board and its Committees and ensures qualifications are maintained. The Nominating and Corporate Governance Committee will have the ongoing responsibility of assessing the effectiveness of the Board as a whole, the committees of the Board and the contributions of individual directors.

ASSESS THE EFFECTIVENESS OF THE BOARD

5

Toronto Stock Exchange Guidelines	Corporate Governance Practices of the Fund
The Board should implement a process, to be monitored by the appropriate committee, for assessing the effectiveness of the Board and the committees of the Board, as well as the contribution of individual directors;	■ The Nominating and Corporate Governance Committee is delegated by the Board to implement a process allowing the Committee to assess the performance and effectiveness of the Board and its committees while executing their mandate. ■ As part of this process, directors must annually complete a self-assessment questionnaire concerning the performance of the Board and its committees. They annually evaluate in particular the availability of information required for decision-making and the ability of the members of the Board and the committees to process this information for each strategic activity of the Board and the committees. The questionnaire also covers the directors' evaluation of the general operation of the Board and its committees.

- Completed questionnaires are sent to the Chair of the lead director to compile the results. On receipt of the results, the lead director apprises the Committee members of the results of the self-assessment and reports to the Board by presenting its recommendations.
- The table on page ● of this Information Circular indicates the attendance record for each person who was a director to March 31, 2005 and for each proposed director nominee for all director and committee meetings held for the fiscal year ending March 31, 2005.

ORIENTATION AND EDUCATION PROGRAM FOR DIRECTORS

6

Provide an orientation and education program for new recruits to the board;

- The Corporation has an informal process for orientating new directors which is managed by the Nominating and Corporate Governance Committee. The process is designed to provide an overview of the Fund and its operations, and to promote exchanges with senior management members so as to allow new directors to become familiar with the main activities of the Fund and its major challenges.
- An internal memorandum, which describes the responsibilities and obligations of directors, the organizational structure and the mandates of the Board and its committees, is distributed to all directors and regularly updated.

APPROPRIATE SIZE FOR THE BOARD

7

The board should examine its size with a view to determining the impact of the number of directors upon effectiveness, and undertake, where appropriate, a program to reduce the number of directors to a number which facilitates more effective decision making;

- The Board, through the Nominating and Corporate Governance Committee, annually reviews the size and composition of the Board to maintain the proper industry representation as well as complementary experience and expertise to foster exchange and discussion with directors and effective decision making.
- In this regard, the Board has concluded that the current number of directors to be elected at the annual and special meeting of the Fund on June 29, 2005 is appropriate for a company of the size and complexity of the Corporation and given the nature of the Corporation's business.

COMPENSATION OF DIRECTORS

8

The board should review the adequacy and form of the compensation of directors. In light of the risks and responsibilities involved in being an effective director;	■ The Nominating and Corporate Governance Committee periodically examines the adequacy and form of directors' compensation based on their responsibilities and makes recommendations thereon to the Board. The Committee therefore takes into consideration the types of compensation and the amounts paid to directors of comparable Canadian companies and income trusts. The Nominating and Corporate Governance Committee considers time commitment, comparative fees and responsibilities in determining remuneration. ■ In order to link the interests of directors to those of unitholders, the board approved a Directors' Deferred Unit Compensation Plan at the June 29, 2004 meeting of Unitholders, which requires directors to be paid a minimum portion of their compensation in the form of Units of the Fund. (For information about the compensation paid to directors in 2004 see "Compensation of Directors" on page ● of the Circular and "Directors Deferred Unit Compensation Plan" on page ● of the Circular).

COMMITTEES AND OUTSIDE DIRECTORS

9

The committees of the board of directors should generally be composed of outside directors[1], a majority of whom are unrelated directors;	■ The Audit Committee, the Nominating and Corporate Governance Committee and Compensation and Human Resources Committee are each composed exclusively of directors who are non-management members.

CORPORATE GOVERNANCE PHILOSOPHY

10

The board of directors should assume responsibility for developing the approach to governance issues, or assign such responsibility to a committee of the board. The committee would, among other things, be responsible for responding to the TSX Guidelines;	■ The Nominating and Corporate Governance Committee is responsible for studying, applying and overseeing corporate governance rules, procedures and policies for the Corporation. More specifically, it has the responsibility of examining, on a regular basis, and approving the manner in which the Corporation responds to the Toronto Stock Exchange Guidelines.

(1) An "outside director" is a director who is a non-management member.

DEFINITION OF DUTIES

11

The board of directors, together with the CEO, should develop position descriptions for the board and for the CEO, involving the definition of the limits to management's responsibilities. The board should approve or develop the general objectives of the Fund which the CEO is responsible for meeting;

- The Board is cognizant of its legal responsibilities and has established written terms of reference for each of its committees. There is no specific mandate for the Board members, since the Board has plenary power. Any responsibility which is not delegated to Management or a Committee remains with the full Board. The Executive Chair and the Chief Executive Officer's written objectives constitute a mandate on a year-to-year basis. These objectives include the general mandate to maximize Unitholder value. The Board believes that Management is responsible for the development of the business and overall corporate strategy. The role of the Board is to establish an agreed planning process, then review, question and ultimately approve the strategy for the Corporation. The Board's expectations of Management as they relate to the Corporation's performance are set out in the Corporation's business plan and budget. Those documents address issues of strategic significance to the Corporation. The Corporation's business plan and budget are prepared by Management and approved by the Board and are both a method of establishing goals and of assessing performance. The Board also looks to Management to identify matters which should be considered by the Board, to provide it with all information and documentation relevant to the Board's consideration of those issues and to remain alert to developments in the strategic environment in which the Corporation operates, including changes in the industry and consumer preference. The Board receives regular reports from Management confirming the Corporation's compliance with various legal requirements and internal control procedures including as regards risk management, distributions and the certification of financial statements and expects Management to provide it with additional reports if extraordinary situations arise.

- A description of the duties of the Executive Chair and the Chief Executive Officer is included in each of their employment agreements. The Board annually approves the general objectives of the Corporation. On the basis of these objectives, the Compensation and Human Resources Committee determines the target objectives to be achieved by the Executive Chair and the Chief Executive Officer during the financial year, and then review their performance based on the objectives achieved. The quarterly report to unitholders includes an analysis of the Fund's results and gauges performance based on the achievement of the objectives set for the current year.

INDEPENDENCE OF THE BOARD

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The board should have in place appropriate structures and procedures to ensure that the board can function independently of management. An appropriate structure would be to: (i) appoint a chair of the board who is not a member of management with responsibility to ensure that the board discharges its responsibilities or (ii) adopt alternate means such as assigning this responsibility to a committee of the board or to a director, sometimes referred to as the "lead director". Appropriate procedures may involve that the board meet on a regular basis without management present or may involve expressly assigning the responsibility for administering the board's relationship to management to a committee of the board;

- The Executive Chair of the Board is Ms. Rebecca MacDonald who was replaced as the Chief Executive Officer of the Corporation on April 1, 2005 by Brennan Mulcahy to separate the two roles. The knowledge and experience of Ms. Rebecca MacDonald are very important to the Corporation and the Board. However, for the above reasons it was believed that the best interests of the Board, the Corporation and the Fund would be served by separating these two functions on the basis that neither of them be a member of either Committee of the Board. At the completion of each Board of Director and committee meeting, the directors meet independently of management. In addition to separating the roles of Executive Chair and Chief Executive Officer, the board appointed a lead director on January 17, 2005 whose responsibilities include among other things, for ensuring that the board discharges its responsibilities effectively and independently, in consultation with the three Committees of the board each of which consists of entirely independent directors.
- The Nominating and Corporate Governance Committee prepares and reviews the mandate of the lead director by proposing a description of duties which has been approved by the Board.
- Outside directors periodically hold in camera meetings under the leadership of the lead director. These meetings provide a forum for exchanges and promote more open discussion among the members.

AUDIT COMMITTEE

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The audit committee should be composed only of outside directors. The role and responsibilities of the audit committee should be specifically defined so as to provide appropriate guidance to audit committee members as to their duties. The audit committee should have direct communication channels with the internal and external auditors to discuss and review specific issues as appropriate. The audit committee duties should include oversight responsibilities for management reporting on internal control. While it is management's responsibility to design and implement an effective system of internal controls, it is the responsibility of the audit committee to ensure that management has done so;

- The Audit Committee is composed exclusively of outside unrelated directors of the Corporation.
- The members of the Audit Committee are financially literate.
- The Board reviewed and approved a new mandate for the Audit Committee, which sets out the duties and responsibilities assigned to this Committee's members, both in audit and risk management matters.
- The Audit Committee is responsible for assuring the Board that the risks to which the Corporation is exposed are identified and that they are properly and effectively managed and controlled. The Audit Committee analyzes, examines and monitors issues related to the management of material financial and non-financial risks to which the Corporation is exposed.
- As part of its audit responsibilities, the Committee reviews quarterly and annual consolidated financial statements, makes recommendations to the Board regarding the appointment of external auditors and their compensation, and assesses, in consultation with financial management, the effectiveness of policies and internal control procedures.
- The Audit Committee reviews and discusses the report prepared by the external auditors detailing all the elements likely to affect their independence and objectivity.
- As part of its risk management responsibilities, the Committee ensures that a proactive detection, assessment and management process exists for material risks and compliance with policies and control measures, in addition to reviewing and recommending to the Board the adoption of various risk management policies for the material risks to which the Corporation is exposed.

Toronto Stock Exchange Guidelines	Corporate Governance Practices of the Fund
	■ The Audit Committee regularly meets with the external auditors in the absence of other management members in order to discuss specific issues with them. External auditors participate as guests, in the audit function of all meetings of the Committee. ■ For more information about the Audit Committee and its members, see the Fund's Renewal Annual Information Form for the year ended March 31, 2005.

OUTSIDE ADVISORS

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The board of directors should implement a system that enables an individual director to engage an outside advisor at the expense of the Corporation in appropriate circumstances. The engagement of the outside advisor should be subject to the approval of an appropriate committee of the board;	■ The Board and the mandate of each of the three committees of the board allows directors to engage the services of outside advisors, at the expense of the Corporation.

The mandate for each of the Board Committees is available in real time on the Fund's website (www.esif.ca). The following table indicates the attendance record[1] for each proposed director nominee for all director and committee meetings held for the one year period ending May 30, 2005:

Name of Director	# of Board Meetings attended of which there were 6	# of Audit Committee Meetings attended of which there were 5 (Kirby, Segal and Smith)	# of Compensation, Corporate Governance and Human Resources Meetings attended of which there were 6 (Panneton, Brussa, Krstajic and Macdonald)[4]
John A. Brussa	5	1	5
The Hon. Michael Kirby	6	5	—
Donald Macdonald[3]	2	—	3
Alek Krstajic[2]	2	—	1
Rebecca MacDonald	6	—	—
Brennan R. Mulcahy	6	—	—
John Panneton	6	1	6
Hugh D. Segal	6	4	2
Brian R.D. Smith	6	5	—

Notes:

(1) Includes meetings attended in person or by telephone conference call.

(2) Resigned December 17, 2004.

(3) Appointed January 17, 2005.

(4) The Compensation, Corporate Governance and Human Resources Committee was divided into two separate committees on May 19, 2005: (i) the Compensation and Human Resources Committee and (ii) the Nominating and Corporate Governance Committee.

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