

RENEWAL ANNUAL INFORMATION FORM



May 20, 2005

ENERGY SAVINGS INCOME FUND**MAY 20, 2005****RENEWAL ANNUAL INFORMATION FORM ⁽¹⁾****TABLE OF CONTENTS**

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⁽¹⁾ Except as otherwise indicated, all information in this Renewal Annual Information Form is as at March 31, 2005.

GLOSSARY OF TERMS

In this Renewal Annual Information Form, the following terms shall have the meanings set forth below, unless otherwise indicated:

"ABC T-Service" means agent, billing and collection system. Under this system, the LDC bills customers for the price of gas agreed upon between the ABM and its customers.

"ABMs" means Agents/Brokers/Marketers such as OESC. ABMs are market aggregators meaning that they aggregate downstream customers into groups.

"Acquisition Agreement" means the acquisition agreement between OESC and OESC GP as the general partner of ESLP dated March 18, 2004 as amended by amending acquisition agreement #1 between the parties dated June 15, 2004.

"Administration Agreement" means the administration agreement between the Fund and OESC (as Administrator), dated April 30, 2001, as amended.

"Administrator" means OESC in its capacity as administrator of the Fund pursuant to the Administration Agreement.

"Affiliate" shall have the meaning ascribed thereto in the OBCA and includes ESIF CT, ESLP, Quebec Energy Savings, B.C. Energy Savings and Alberta Energy Savings.

"Alberta Energy Savings" means the limited partnership formed under the laws of the Province of Alberta with the name Energy Savings (Alberta) L.P. pursuant to a limited partnership agreement dated March 18, 2004 between OESC GP as the general partner and ESLP as the limited partner.

"Alberta Gas Marketing Licence" means licence # 314219 issued on November 30, 2004 by the Alberta Energy Board to permit Alberta Energy Savings to market natural gas to residential, commercial and industrial customers in the Province of Alberta and which is renewable on October 31, 2005.

"Alberta Electricity Marketing Licence" means licence # 314218 issued on November 30, 2004 by the Alberta Energy Board to permit Alberta Energy Savings to market electricity to residential, commercial and industrial customers in the Province of Alberta and which is renewable on October 31, 2005.

"Amalgamation of April 30, 2001" means the amalgamation pursuant to the provisions of the OBCA on April 30, 2001 of OESC and OESC Acquisitions Inc. as one corporation under the name "Ontario Energy Savings Corp."

"Amalgamation of July 1, 2002" means the amalgamation pursuant to the provisions of the OBCA on July 1, 2002 of Electrico and OESC as one corporation under the name "Ontario Energy Savings Corp."

"Amalgamation of March 1, 2005" means the amalgamation pursuant to the provisions of the OBCA on March 1, 2005 of Exchange and OESC as one corporation under the name "Ontario Energy Savings Corp."

"Amended and Restated OESC Shareholders' Agreement" means the agreement dated March 1, 2005 among the Fund, Exchangeco, OESC and the persons who hold all of the outstanding Class A Preference Shares.

"Assignment Agreement" means the assignment agreement between Exchange and Exchangeco dated February 23, 2005 pursuant to which Exchangeco assumed all of the rights and obligations of Exchange pursuant to the OESC Shareholders' Agreement.

"B.C. Energy Savings" means the limited partnership formed under the laws of the Province of British Columbia with the name ES (B.C.) Limited Partnership pursuant to a limited partnership agreement dated March 18, 2004, as amended between OESC GP as general partner and ESLP as the limited partner.

"B.C. Licence" means licence # A-3-04 issued on April 29, 2004 by the British Columbia Utilities Commission to permit B.C. Energy Savings to market natural gas to commercial consumers in the Province of British Columbia and which is renewable July 5, 2005.

"Book-Entry Only System" means the book-based system administered by CDS.

"CIBC" means Canadian Imperial Bank of Commerce, a Canadian chartered bank.

"CDS" means The Canadian Depository for Securities Limited.

"Clarification and Restatement Agreement" means the agreement dated as of April 30, 2001 among the persons who were the original parties to the OESC Shareholders' Agreement.

"Class A Preference Shares" means the Class A preference shares in the capital of OESC.

"Class B Preference Shares" means the Class B preference shares in the capital of OESC.

"Commodities" means Ontario Energy Commodities Inc., a corporation incorporated under the OBCA on January 25, 2002.

"Common Shares" means the common shares in the capital of OESC.

"Coral Energy" means Coral Energy Canada Inc., an affiliate of Shell Oil Company.

"Credit Facility" means the agreement dated November 1, 2004 among a group of financial institutions (including CIBC as collateral agent), OESC and US Energy Savings as amended from time to time.

"Declaration of Trust" means the amended and restated declaration of trust for the Fund dated as of the 29th day of June 2004.

"Electrico" means Ontario Electric Savings Corporation, a corporation incorporated under the OBCA on February 15, 1999 and which amalgamated with OESC pursuant to the Amalgamation of July 1, 2002.

"Electricity Supplier" means a person who is an electricity producer and electricity supply aggregator.

"Energy Consumers' Bill of Rights" means the bill of rights contained in Part V.1. of the *Ontario Energy Board Act*, 1998 and Ontario Regulation 200/02 entitled "Consumer Protection" issued thereunder.

"Energy Contracts" means Fixed Price Gas Contracts and Retail Electricity Contracts.

"Energy Savings Marketing" means Energy Savings Marketing Corp., a corporation incorporated under the laws of the State of Delaware on December 24, 2003.

"Energy Savings System" means the proprietary concepts (including intellectual property and know-how), and methodologies specifically developed by OESC for the business of marketing energy contracts to residential, small to mid-sized commercial and small industrial customers including the unique recruitment, training and evaluation methodology for independent commission agents, the proven direct marketing and sales methodology, the unique customer care program for inbound and outbound calls and all intellectual property etc., all as more specifically described in the Acquisition Agreement.

"Epcor" means EPCOR Utilities Inc.

"ESIF CT" means ESIF Commercial Trust 1, an open ended investment trust established under the laws of the Province of Ontario pursuant to the ESIF Trust Indenture.

"ESIF Trust Indenture" means the trust indenture dated March 16, 2004 between the Fund, as the initial unitholder and OESC GP as trustee, as amended.

"ESLP" means the limited partnership established under the laws of the Province of Ontario pursuant to the ESLP Partnership Agreement.

"ESLP Partnership Agreement" means the limited partnership agreement dated March 17th, 2004 between ESIF CT as the initial limited partner and OESC GP as the general partner.

"Exchange" means OESC Exchange Inc., a corporation which amalgamated with OESC pursuant to the Amalgamation of March 1, 2005.

"Exchange Common Shares" means the common shares in the capital of Exchange transferred to OESC on February 23, 2005 immediately prior to the Amalgamation of March 1, 2005.

"Exchange Extraordinary Resolution" means a resolution passed by the holders of not less than 66 2/3% of the principal amount of Exchange Notes outstanding, either in person or by proxy at a meeting of holders of Exchange Notes called for the purposes of approving such resolution, or approval in writing by the holders of not less than 66 2/3% of the principal amount of Exchange Notes then outstanding .

"Exchange First Supplemental Note Indenture" means the first supplemental note indenture between the Exchange Note Trustee and OESC dated March 1, 2005 pursuant to which OESC assumed all obligations of Exchange to the Fund including the Exchange Notes issued pursuant to the Exchange Note Indenture.

"Exchange Notes" means the 13% unsecured notes of Exchange issued by Exchange to the Fund from time to time pursuant to the Exchange Note Indenture which Notes were assumed by OESC pursuant to the Exchange First Supplemental Note Indenture arising from the Amalgamation of March 1, 2005.

"Exchange Note Indenture" means the note indenture dated April 30, 2001 providing for the issuance of the Exchange Notes made between Exchange and the Exchange Note Trustee as supplemented and amended by the Exchange First Supplement Note Indenture.

"Exchangeco" means OESC Exchangeco Inc., a corporation incorporated under the OBCA on February 23, 2005.

"Exchangeco Common Shares" means the common shares in the capital of Exchangeco.

"Exchangeco Exchange Rights" means the rights granted by the Fund to Exchange pursuant to the OESC Shareholders' Agreement entitling Exchange to acquire Units in order to fulfil its obligations under the Shareholder Exchange Rights and to satisfy the purchase price for such Units by the issuance of Exchange Notes to the Fund and which rights were assumed by Exchangeco pursuant to the Assignment Agreement pursuant to which Exchangeco is entitled to acquire Units in order to fulfill its obligations under the Shareholder Exchange Rights and to satisfy the purchase price for such Units by the issuance of Exchangeco Notes to the Fund

"Exchangeco Extraordinary Resolution" means a resolution passed by the holders of not less than 66 $\frac{2}{3}$ % of the principal amount of Exchangeco Notes outstanding, either in person or by proxy at a meeting of holders of Exchangeco Notes called for the purposes of approving such resolution, or approval in writing by the holders of not less than 66 $\frac{2}{3}$ % of the principal amount of Exchangeco Notes then outstanding.

"Exchangeco Notes" means the 13% unsecured notes of Exchangeco issued by Exchangeco to the Fund from time to time pursuant to the Exchangeco Note Indenture.

"Exchangeco Note Indenture" means the note indenture dated February 23, 2005 providing for the issuance of Exchangeco Notes made between Exchangeco and the Exchangeco Note Trustee.

"Exchangeco Note Trustee" and "Exchange Note Trustee" means Computershare Trust Company of Canada.

"Extraordinary Resolution" means a resolution passed by the holders of not less than 66 $\frac{2}{3}$ % of the principal amount of OESC Notes outstanding, either in person or by proxy, at a meeting of holders of OESC Notes called for the purpose of approving such resolution, or approval in writing by the holders of not less than 66 $\frac{2}{3}$ % of the principal amount of OESC Notes then outstanding.

"Fixed Price Gas Contracts" is the name under which OESC and its Affiliates market the fixed price, long term contracts for a customer's natural gas requirements utilizing the ABC T-Service arrangement in the Province of Ontario and similar arrangements in other jurisdictions where OESC and its Affiliates market natural gas.

"Fund" means Energy Savings Income Fund, a trust established under the laws of the Province of Ontario and governed by the Declaration of Trust.

"Gas Supplier" means a person who is a natural gas producer or natural gas supply aggregator.

"GJ" means gigajoules (one billion joules). A joule is a measurement of energy, with one gigajoule being equal to 0.95 million British thermal units or 26.53 m³ of natural gas.

"Illinois Energy Savings" means Illinois Energy Savings Corp., a corporation incorporated under the laws of the State of Delaware on August 29, 2003.

"Illinois Licence" means the Certificate of Service Authority # 03-0720 issued by the Illinois Commerce Commission on December 17, 2003 to permit Illinois Energy Savings Corp. to market natural gas in perpetuity to residential and small commercial gas customers in the service areas of Nicor Gas Company, North Shore Gas Company and Peoples Light and Gas Company.

"Independent Commission Agent" means a person who serves in the capacity of an independent contractor to solicit contracts for the supply of natural gas and/or electricity to residential, small to mid-size commercial and small industrial customers.

"Indiana Energy Savings" means Indiana Energy Savings Corp., a corporation incorporated under the laws of the State of Delaware on September 18, 2003.

"kWh" means a kilowatt hour, the standard commercial unit of electric energy, with one kilowatt hour being the amount of energy consumed by ten 100 watt light bulbs burning for one hour.

"Large Volume User" means an electricity consumer who consumes more than 250,000 kWh of electricity per year.

"LDC" means local distribution company, the natural gas or electricity distributor for a geographic franchise area.

"m³" means a cubic meter or 0.03769 GJs.

"Manitoba Energy Savings" means Energy Savings (Manitoba) Corp., a corporation formed pursuant to the *Business Corporations Act* (Manitoba) on June 20, 2001 and with respect to which a Certificate of Revival was issued on October 5, 2004.

"Manitoba Licence" means broker licence No. 0394 issued by the Manitoba Public Utilities Board on October 25, 2004 to permit Manitoba Energy Savings to participate as a broker in the Province of Manitoba until October 21, 2005 at which time it is renewable.

"Marketing Codes" includes the OEB Code of Conduct and the Energy Consumers' Bill of Rights and other similar codes, regulations and rules in force in jurisdictions where OESC or an Affiliate thereof markets natural gas or electricity.

"MEU" means a municipal electric utility.

"NEB" means the National Energy Board, a federal regulatory body which regulates, *inter alia*, the distribution of natural gas between provinces of Canada.

"New York Energy Savings" means New York Energy Savings Corp., a corporation incorporated under the laws of the State of Delaware on July 22, 2004.

"Note Indenture" means the note indenture dated April 30, 2001 providing for the issuance of OESC Notes between OESC and the Note Trustee as supplemented and amended by the OESC First Supplemental Note Indenture.

"Note Trustee" means Computershare Trust Company of Canada.

"OBCA" means the *Business Corporations Act* (Ontario), as amended from time to time, including the regulations promulgated thereunder.

"OEB" means the Ontario Energy Board, a regulatory body which regulates, *inter alia*, the distribution and marketing of natural gas and electricity in the Province of Ontario.

"OEB Codes of Conduct" means the Code of Conduct for Gas Marketers enacted pursuant to a Rule made under Part III of the *Energy Board Act, 1998* (Ontario) and/or the Code of Conduct for Electricity Retailers, as applicable.

"OESC" or the **"Company"** means Ontario Energy Savings Corp., the corporation created by the Amalgamation of March 1, 2005.

"OESC First Supplemental Note Indenture" means the first supplemental note indenture between OESC and the Note Trustee dated March 1, 2005.

"OESC GP" means OESC GP Corp., a corporation incorporated under the OBCA on February 21, 2004.

"OESC Notes" means the 13% unsecured, subordinated notes of OESC issued by OESC pursuant to the Note Indenture.

"OESC Shareholders' Agreement" means the shareholders' agreement dated April 30, 2001 among the Fund, OESC, Exchange and the shareholders and former shareholders of OESC as amended by the Clarification and Restatement Agreement.

"Ontario Electric Licence" means renewal Licence Number ER-2000-0017 issued by the OEB to Electrico on September 27, 2000 authorizing Electrico to serve as an electricity marketer in the Province of Ontario until September 26, 2005 as amended by a decision and order of the OEB dated July 10, 2002 so that, based on the Amalgamation of July 31, 2002, OESC is now named as the holder of the Ontario Electric License.

"Ontario Natural Gas Licence" means renewal Licence Number GM-2004-0226 issued by the OEB to OESC on May 12, 2004 authorizing OESC to serve as a gas marketer in the Province of Ontario to May 11, 2009.

"Preference Shares" means the Class A Preference Shares and the Class B Preference Shares.

"Quebec Energy Savings" means the limited partnership formed under the laws of the Province of Quebec with the name Energy Savings (Quebec) L.P. pursuant to a limited partnership agreement dated March 18, 2004 between OESC GP as general partner and ESLP as the limited partner

"RCE" means a residential customer equivalent which is a unit of measurement equivalent to a customer using, as regards natural gas, 2,815 m³ (or 106 GJ's) of natural gas on an annual basis and, as regards electricity, 10,000 kWh of electricity on an annual basis, which represents respectively the approximate amount of gas and electricity used by a typical household.

"Retail Electricity Contracts" means any and all fixed term price protection contracts for retail electricity supply between a consumer of electricity and OESC.

"Security Agreement" means the agreement between Coral Energy and OESC dated September 26, 2001 as amended from time to time.

"Shareholder Exchange Rights" means the rights granted by Exchange to the holders of Preference Shares pursuant to the OESC Shareholders' Agreement entitling the holders thereof to require Exchange to purchase their Preference Shares and to satisfy the purchase price for such Preference Shares by the transfer of Units to them which Rights were assumed by Exchangeco pursuant to the Assignment Agreement.

"Special Management Incentive Program" means the bonus which each of the holders of Class A Preference Shares is entitled to receive, on a quarterly basis, equal to the amount he would have received had he been a holder of record on the record date for all distributions made on Units in respect of such quarter of a number of Units equivalent to the number of Class A Preference held by him.

"Special Resolution" means a resolution passed by a majority of not less than 66 $\frac{2}{3}$ % of the votes cast, either in person or by proxy, at a meeting of Unitholders, called for the purpose of approving such resolution, or approved in writing by the holders of not less than 66 $\frac{2}{3}$ % of the Units entitled to be voted on such resolution.

"Subsidiary" shall have the meaning ascribed thereto in the OBCA.

"Tax Act" means the *Income Tax Act* (Canada) and the regulations thereunder.

"Trustee" means Montreal Trust Company, trustee pursuant to the Declaration Trust.

"TSX" means the Toronto Stock Exchange.

"Unitholders" means the holders from time to time of Units and includes, while the Units are registered in the Book-Entry Only System, the beneficial owners of Units.

"Units" means the units of the Fund, each unit representing an equal undivided beneficial interest therein.

"US Energy Savings" means U.S. Energy Savings Corp., a corporation incorporated under the laws of the State of Delaware on December 4, 2001.

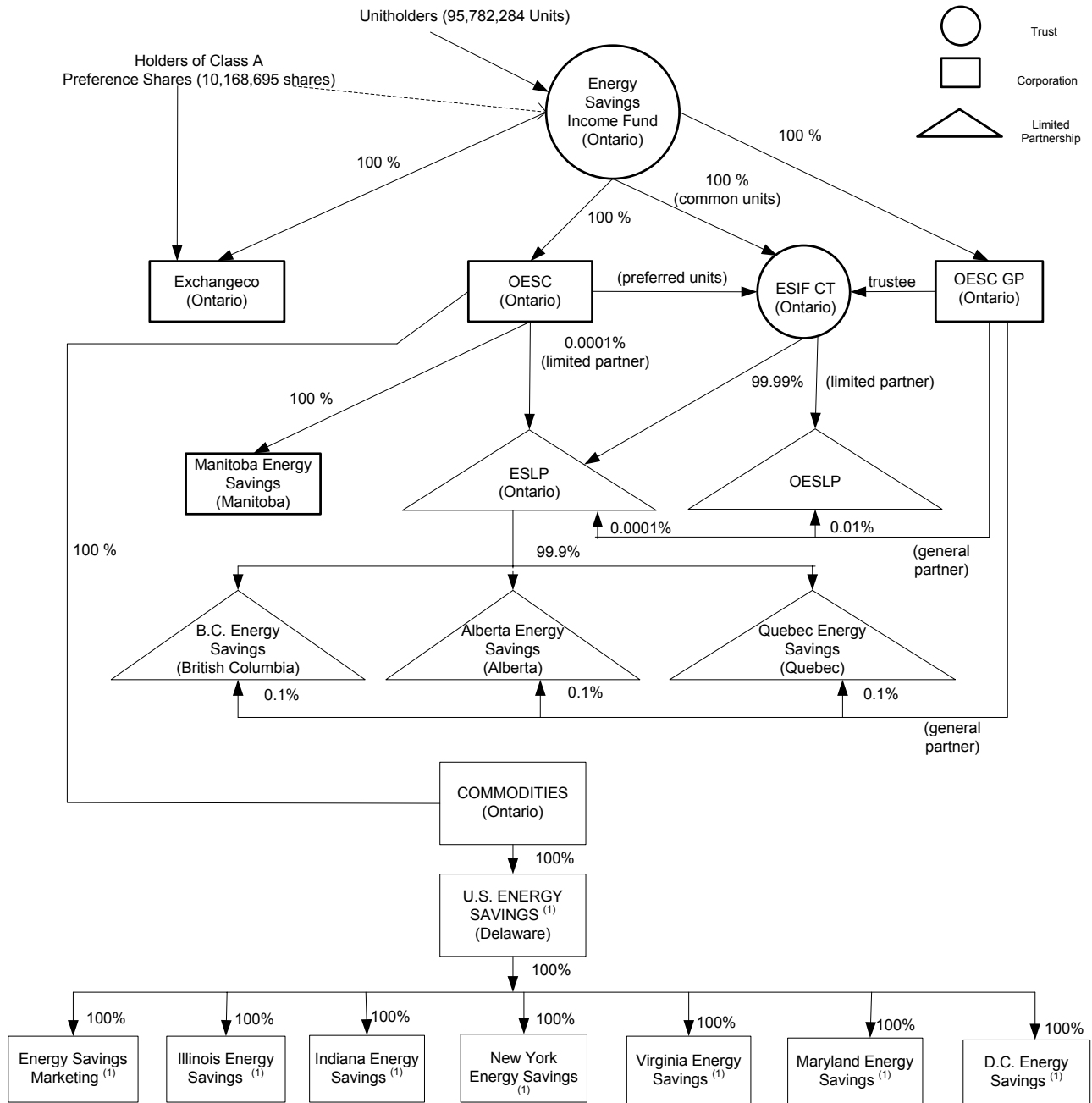
"WACOG" means, for any period, an LDC's weighted average cost of gas for such period, which is generally derived by an LDC from weighting its gas volumes by the gas prices it has had to pay under specific gas contracts to produce one average price for its gas supply portfolio.

Words importing the singular include the plural and vice versa and words importing any gender include all genders.

All dollar amounts herein are in Canadian dollars, unless otherwise stated.

All share and Unit amounts relating to Preference Shares, Common Shares and Units reflect each of the 2:1 subdivisions effective July 29, 2002 and January 30, 2004.

ORGANIZATION CHART
(Equity Ownership – June 29, 2005)



(1) All U.S. subsidiaries are incorporated under the laws of the State of Delaware

THE FUND

General

The Fund is an open-ended limited purpose trust established by the Declaration of Trust and governed by the laws of the Province of Ontario. The Fund is administered by its Administrator, OESC which is governed by its board of directors. The principal and head office of OESC is located at Suite 200, 6345 Dixie Road, Mississauga, Ontario L5T 2E6. The corporate and head office of the Fund is located at Suite 2630, First Canadian Place, 100 King Street West, Toronto, Ontario, M5X 1E1.

The Fund was established to hold, directly or indirectly, securities of its Subsidiaries and Affiliates. The Fund's principal asset is its investment in the debt and equity securities of OESC. Through OESC and ESIF CT, the Fund indirectly holds investments in its Subsidiaries and Affiliates in the Provinces of Manitoba, Quebec, British Columbia and Alberta and in several States of the United States. The Fund holds directly 100% of: (i) the Common Shares, (ii) the Exchangeco Common Shares, (iii) the common units of ESIF CT and (iv) the common shares of OESC GP. See Organization Chart.

To the maximum extent possible, the Fund makes cash distributions to Unitholders of amounts received and to be received: (i) on the redemption of, and dividends received on, the Common Shares, (ii) interest income earned from the OESC Notes, the Exchange Notes and the Exchangeco Notes and (iii) other income of the Fund (including income and royalty fees received through ESLP and ESIF CT and its Subsidiaries and Affiliates which carry on business in the Provinces of Manitoba, Quebec, British Columbia and Alberta and in the State of Illinois), after expenses of the Fund and any cash redemptions of Units. To enable it to carry on business in jurisdictions outside Ontario and Manitoba (including the United States), an additional trust, limited partnerships and Canadian and United States Subsidiaries were formed all of which are, directly or indirectly, owned as to 100% by the Fund and are described below and in the Organization Chart.

The Fund, through its Subsidiaries and Affiliates markets natural gas to residential customers, small to mid-sized commercial and small industrial businesses in Ontario, Manitoba, Alberta and Illinois and solely to commercial customers in Quebec and British Columbia. The Fund, through its Subsidiaries and Affiliates, also markets electricity to small and mid-sized commercial customers in Ontario and Alberta (including residential customers in Alberta) and plans to commence marketing both natural gas and electricity to residential customers, small to mid-sized commercial and small industrial businesses in the State of New York commencing in the fall of 2005.

Active Subsidiaries and Affiliates

Canadian Operations

To carry on its business in Canada, the Fund operates indirectly through several wholly-owned Subsidiaries and Affiliates including: (i) OESC in the Province of Ontario, (ii) Manitoba Energy Savings in the Province of Manitoba, (iii) Quebec Energy Savings in the Province of Quebec, (iv) B.C. Energy Savings in the Province of British Columbia and (v) Alberta Energy Savings in the Province of Alberta.

OESC, which is the registered holder of each of the Ontario Natural Gas Licence and the Ontario Electric Licence, was formed as a result of the Amalgamation of April 30, 2001 and was subsequently reconstituted by the Amalgamation of July 1, 2002 and the Amalgamation of March 1, 2005. OESC is the principal operating subsidiary of the Fund and carries on the natural gas and electricity marketing business in Ontario described below. Exchange was incorporated under the OBCA on February 13, 2001 and was established for the sole purpose of facilitating the exchange of Preference Shares of OESC for Units of the Fund. Exchange amalgamated with OESC on March 1,

2005 and its obligations and liabilities under the OESC Shareholders' Agreement were assumed by Exchangeco on February 23, 2005 pursuant to the Assignment Agreement. Electrico, which prior to the Amalgamation of July 1, 2002, held the Ontario Electric Licence, was established to participate in the deregulated electricity supply market in the Province of Ontario. Manitoba Energy Savings, which holds the Manitoba Licence, was established for the purpose of participating in the deregulation of the natural gas market in the Province of Manitoba. Quebec Energy Savings commenced marketing natural gas to commercial customers in the Province of Quebec in April 2004. B.C. Energy Savings was established to hold the B.C. Licence and commenced marketing natural gas to commercial customers in the Province of British Columbia in July 2004. Alberta Energy Savings was established to hold the Alberta Gas Marketing Licence and the Alberta Electricity Marketing Licence and commenced marketing natural gas and electricity to residential, commercial and small industrial customers in the Province of Alberta in March 2005 following its acquisition of the natural gas and electricity business acquired from Epcor on December 2, 2004 described in more detail under the heading "Development of the Fund".

U.S. Operations

To carry on its business in the United States, the Fund established several 100% owned Subsidiaries of U.S. Energy Savings (owned as to 100% by Commodities, a 100% subsidiary of OESC), including Illinois Energy Savings and New York Energy Savings. Each of Commodities and U.S. Energy Savings are holding companies but are otherwise inactive. U.S. Energy Savings was established as a holding company to participate in the deregulation of natural gas and electricity in the United States. Illinois Energy Savings obtained the Illinois Licence to enable it to carry on business in the State of Illinois on September 19, 2003 and commenced marketing natural gas to residential, commercial and small industrial customers in the State of Illinois in January, 2004. New York Energy Savings, a wholly owned subsidiary of U.S. Energy Savings plans to commence carrying on business in the State of New York in the fall 2005.

Energy Savings Marketing, a wholly-owned subsidiary of U.S. Energy Savings, was established for the purpose of retaining all independent commission agents to solicit energy products in those States where the Fund is authorized to carry on business in the United States.

Inactive Subsidiaries and Affiliates

Management of OESC continues to actively monitor the progress of the deregulated markets of Indiana, Virginia, District of Columbia and Maryland. The Fund has, through U.S. Energy Savings established subsidiaries in these jurisdictions to enable them to apply for retail licences and carry on business in the future when it deems it appropriate.

DEVELOPMENT OF THE FUND

General

The Fund completed its initial public offering of 44,000,000 Units on April 30, 2001 at a price of \$2.50 per Unit (post-splits) pursuant to a final prospectus dated April 20, 2001 and completed a subsequent closing of 4,400,000 Units (post-splits) pursuant to the exercise of an over-allotment option on May 16, 2001. Concurrent with the closing of its initial public offering, the Fund, through a series of related transactions, indirectly acquired 100% of the business of OESC's predecessor for a total consideration of approximately \$196,300,000, of which \$93,800,000 or 47.78% thereof was satisfied in cash and \$102,500,000 or 52.22% thereof was satisfied, as a result of the Amalgamation of April 30, 2001 by: (a) the issue of an aggregate of 27,657,620 Class A Preference Shares (post-splits) of which 10,168,695 remain outstanding and are exchangeable into Units on a 1:1 basis and 7,688,084 Class B Preference Shares (post-splits) all of which have been exchanged for Units and (b) the transfer of 5,654,296 Units (post-splits), in each case to the persons who were the former shareholders of OESC's predecessor company. After

giving effect thereto, the Fund became the sole owner of the Common Shares and the Exchange Common Shares and all OESC Notes and the Exchange Notes.

On July 18, 2002, the Unitholders and the holders of Preference Shares approved a subdivision of the Units on a 2:1 basis effective July 31, 2002 on which latter date a certificate of amendment was issued to OESC pursuant to the OBCA subdividing all of its issued and outstanding Common Shares and Preference Shares on a 2:1 basis.

On January 30, 2004 the Fund subdivided its Units on a 2:1 basis and a Certificate of Amendment was issued to OESC pursuant to the OBCA subdividing all of its issued and outstanding Common Shares and Preference Shares on a 2:1 basis.

Natural Gas Operations

Ontario

On April 30, 2002, for a consideration of \$66 million, OESC purchased approximately 120,000 Fixed Price Gas Contracts (the "Sunoco Contracts") from Sunoco (approximately 280,000 RCEs), effective April 1, 2002. The acquisition was financed by the issuance by the Fund of 12,000,000 subscription receipts (post-splits) (for gross proceeds of \$75,000,000) pursuant to a final short form prospectus dated April 25, 2002, which subscription receipts were subsequently exchanged for 12,000,000 Units (post-splits) on May 8, 2002.

On July 31, 2003, OESC purchased (effective June 1, 2003), a portfolio of approximately 100,000 RCEs of natural gas from Toronto Hydro Energy Services Inc. in the form of Fixed Price Gas Contracts and associated gas supply for approximately \$1.2 million, funded from OESC's working capital. Of the contracts purchased, approximately 80,000 RCEs represented large industrial and commercial customers that management believed are more sensitive to commodity prices and are unlikely to renew on the expiry of their contracts. These contracts generally expired within 12 months. The remaining 20,000 RCEs also expire within 12 months.

On October 16, 2003 (effective August 1, 2003), OESC acquired more than 20,000 RCE's of natural gas contracts and associated natural gas supply from Union Energy Inc., a marketing subsidiary of Epcor for \$4.1 million, funded from OESC's working capital. The average life of the customer contracts was 3.5 years.

At March 31, 2005 OESC held Fixed Price Gas Contracts representing approximately 644,000 RCEs. Except for the Sunoco acquisition, the growth and development of the business in Ontario was funded from OESC's working capital.

Other Canadian Markets

On January 14, 2003, OESC acquired gas supply and commenced the marketing of natural gas to residential, small to mid-size commercial and small industrial customers under five year, Fixed Price Gas Contracts in the Province of Manitoba from offices located in Winnipeg. Manitoba Energy Savings, an operating subsidiary of the Fund, has held a licence from the Manitoba Public Utilities Board since October 26, 2001. The Manitoba Licence is renewable on an annual basis. The target market in Manitoba represents approximately 300,000 RCEs of which OESC management estimates approximately 25,000 are currently on deregulated long term contracts.

On March 8, 2004 the Fund announced that it would commence test-marketing Fixed Price Gas Contracts in the Province of Quebec in April, 2004 through Quebec Energy Savings to small business and other commercial customers estimating that 400,000 RCE's are available for marketing.

B.C. Energy Savings obtained the B.C. Licence in June, 2004 (effective April 29, 2004) and commenced marketing natural gas to commercial customers in British Columbia in July 2004. The B.C. Licence, which expires on October 31, 2005, is renewable on an annual basis. The Fund estimates that 200,000 RCEs are available for marketing in British Columbia. .

On December 2, 2004 the Fund announced the signing of five year billing, collection and supply agreements with subsidiaries of Epcor, the Edmonton-based integrated energy services and utility holding company and the completion by Alberta Energy Savings of the acquisition in Alberta of Fixed Price Gas Contracts and Retail Electricity Contracts equating respectively to approximately 45,000 RCEs of deregulated gas customers and 90,000 RCEs of deregulated electricity customers aggregated by Epcor. The contracts had, at the acquisition date, an average term of two remaining years. The cost of the acquisition was \$10.975 million and was funded from OESC's cash resources. At the time of the acquisition OESC estimated that 50% of the acquired natural gas and electricity customers would renew their contracts following the expiration of their Epcor contracts. Reference is made to note 19 to the Consolidated Financial Statements of the Fund included in the Fund's Annual Report (page 66) for the period ended March 31, 2005 which is incorporated herein by reference. See Sedar Project #7994404 at www.sedar.com.

At the same time the Fund also announced that Alberta Energy Savings was granted the Alberta Gas Marketing Licence and the Alberta Electricity Marketing Licence to enable it to market Fixed Price Gas Contracts and Retail Electricity Contracts in Alberta. Alberta Energy Savings commenced marketing activities in Alberta in February 2005.

The Alberta market has a total of 1,200,000 natural gas and 1,500,000 electricity RCEs. Market penetration at March 31, 2005 is estimated by management at 6%. The Alberta electricity and gas markets are open for both residential and commercial customers making this market larger than any of the existing deregulated Manitoba, British Columbia (commercial only) or Quebec (commercial only) markets.

At March 31, 2005 Subsidiaries and Affiliates of the Fund operating in Manitoba, Quebec, British Columbia and Alberta held Fixed Price Gas Contracts representing approximately 118,000 RCEs. The growth and development of the business in the above four provinces was funded from OESC's working capital.

Illinois

On December 17, 2003 the Illinois Commerce Commission granted Illinois Energy Savings the Illinois Licence to permit Illinois Energy Savings to market Fixed Price Gas Contracts in the Nicor, North Shore and Peoples Energy Territories in the State of Illinois. At March 31, 2005, Illinois Energy Savings held Fixed Price Gas Contracts representing approximately 49,000 RCEs. See "Business of the Company" – United States". The growth and development of the business in Illinois was funded from OESC's working capital.

As at March 31, 2005 the Fund, through its Subsidiaries and Affiliates held Fixed Price Gas Contracts representing approximately 811,000 RCEs.

Electricity Operations

Ontario

On January 25, 2002 the Fund announced it would participate in the deregulated electricity market in the Province of Ontario through OESC and Electrico (which latter company, prior to the Amalgamation of July 1, 2002, became a wholly owned indirect subsidiary of the Fund on February 26, 2002). In conjunction with its participation in the Ontario electricity market, the Fund announced the hiring by Electrico of an experienced Canadian electricity supply management team.

Through Electrico and later OESC, the Fund, utilizing OESC's cash resources commenced the marketing of electricity pursuant to Retail Electricity Contracts to residential, small and mid-sized commercial and small industrial customers in Ontario in May, 2002.

By June of 2002, management of OESC concluded it was more efficient to conduct the natural gas and electricity business in one subsidiary. Accordingly, OESC and Electrico were amalgamated pursuant to the Amalgamation of July 1, 2002 under the name Ontario Energy Savings Corp. which now holds both the Ontario Natural Gas Licence and the Ontario Electric Licence.

On November 12, 2002, in response to a Provincial Action Plan regarding Hydro Bills (the "Action Plan"), OESC indefinitely suspended its marketing of Retail Electricity Contracts to Ontario residents. The Action Plan fixed the price for electricity in the Province of Ontario at \$0.043 per kWh for four years. Accordingly, as the fixed rate was substantially below the long-term wholesale price for electricity in the Province, unsubsidized public market participants like OESC could no longer offer a competitive five year offering to new customers. The Action Plan (which was subsequently implemented in the form of the *Electricity Pricing, Conservation and Supply Act*, on December 9, 2002) (the "Electricity Pricing Act") provides that all small volume electricity customers who, at November 11, 2002, were subject to existing Fixed Price Gas Contracts (including OESC's customers) received a subsidy from the Government of Ontario which had the effect of reducing their electricity prices down to \$0.043 per kWh. Accordingly, OESC's margins for its portfolio of electricity business at November 11, 2002 were maintained at the contracted levels and its customers were directly subsidized to the extent of any difference.

On March 21, 2003 the Ontario Energy Minister announced that a portion of Ontario's electricity market, the Large Volume Users, would not be eligible for the \$0.043 per kWh price freeze. Accordingly, effective March 31, 2003 OESC, using its own cash resources, recommenced the marketing of electricity to Ontario businesses utilizing in excess of 250,000 kWh annually pursuant to Retail Electricity Contracts. While the majority of such Large Volume Users are not in OESC's target market, a significant number meet OESC's criteria. 60% of the RCEs under contract to OESC at the time the Action Plan was implemented were in the Large Volume User category.

On May 21, 2003 (effective May 1, 2003), OESC acquired in excess of 113,000 RCEs and associated electricity supply from First Source Energy Corp. (owned by Veridian Corporation and Enersource Corporation), for a purchase price of \$5.3 million which was funded from OESC's working capital. The average remaining life of the First Source contracts was three years at the time and, accordingly, many residential contracts will expire prior to the anticipated transition from frozen rates to regulated rates contemplated for May 2005.

On October 31, 2003 the Premier of the Province of Ontario announced that the \$0.043 per kWh price freeze (implemented in November of 2002 and referred to above) for residential and small business customers would be increased towards market levels. As of April 1, 2004, low volume consumers who were paying the frozen commodity price of \$0.043 per kWh, began to pay \$0.047 for the first 750kWh they consume each month and \$0.055 per kWh thereafter. This pricing structure ceased as of April 1, 2005 (see below).

On December 9, 2004, Bill 100, The Electricity Restructuring Act, 2004 received Royal Assent confirming the commitment of the Province of Ontario to ensure that consumers pay the true price of power. The legislation provides the OEB with the authority to administer a market-based pricing plan for small business (approximately 1.5 million RCEs) and residential consumers (approximately 4.0 million RCEs) which should ensure that consumers pay the true cost of electricity over time. Under the new pricing plan, electricity rates will be effective for one year with subsequent re-pricings every six months to reflect the market cost of electricity. Customers who choose not to participate in the price plan can sign a contract with an electricity retailer such as OESC.

As of April 1, 2005, the pricing structure was \$0.05 per kWh for the first 750kWh of electricity consumed per month, and \$0.058 per kWh for electricity consumed beyond this threshold (with the threshold changing for residential customers to 600kWh in summer months and 1000kWh in winter months). Other rates have been put into place for

consumers with ‘smart meters’, although it is not anticipated that this will be a factor for at least another year as systems changes are required for implementation. As these rates already account for amounts referable to what is known as the “Provincial Benefit” and the government rebate, OESC is able to offer a competitive rate even to customers who are eligible for this pricing plan.

This revised pricing structure applies to residential and small business consumers previously eligible for the price cap. However, legislation remains in place that can render ineffective a contract signed with a residential customer should that customer not reaffirm the contract after a date determined by regulation. Accordingly, OESC announced plans to re-enter the Ontario small business electricity retailing market and plans to re-enter the Ontario residential electricity retailing market once this provision is rescinded or a date is determined. The addressable market in Ontario is approximately 1.5 million RCEs for small business and about 4.0 million RCEs for Ontario’s residential electricity market. When Ontario initially deregulated the wholesale electricity market in May 2002, OESC signed over 100,000 RCEs to Retail Electricity Contracts before the Ontario government instituted a price freeze six months later. Since the price freezes, OESC has continued to offer Retail Electricity Contracts to Ontario larger commercial and industrial customers. At March 31, 2005 OESC held Retail Electricity Contracts representing approximately 378,000 RCEs of electricity, all of which were funded from OESC’s working capital..

On May 18, 2005, OESC acquired Retail Electricity Contracts from Epcor Merchant and Capital L.P. representing approximately 187,000 RCEs for a purchase price of \$7 million (subject to adjustments) funded out of OESC’s working capital. As part of the acquisition arrangements OESC also secured wholesale electricity to hedge the expected consumption requirements of the acquired customers all of which are in the Province of Ontario and are primarily residential and small commercial. The average remaining term for the acquired customers contracts is 1.5 years. As part of the acquisition arrangements, wholesale electricity was secured to hedge the expected consumption requirements for the acquired customers. Currently, regulation provides that any residential customer that enters into or renews an existing Retail Electricity Contract must reaffirm such Contract or renewal after a date to be prescribed by future regulation.

As at March 31, 2005 the Fund, through its Subsidiaries and Affiliates held Retail Electricity Contracts representing approximately 424,000 RCEs.

In aggregate, as at March 31, 2005, the Fund, through its Subsidiaries and Affiliates held Fixed Price Gas Contracts and Retail Electricity Contracts representing approximately 1,235,000 RCEs.

Proposed Reorganization

Due to the success of the business and customer aggregation levels, OESC has generated significant cash flows which have resulted in taxable income. The current organizational structure of the Fund creates the potential for corporate income taxation at the OESC level, which could reduce future cash flows available for the Fund to distribute to its Unitholders. The proposed reorganization should result in tax efficiencies to the Fund on a consolidated basis.

On March 30, 2005 the Fund applied to the Canada Revenue Agency for an advance income tax ruling in respect of a proposed reorganization which requires, *inter alia*, the consent of Unitholders and the holders of Preference Shares. The proposed reorganization is described at pages 21 to 45 of the Management Information Circular for the Fund’s June 29, 2005 Annual and Special Meeting which is incorporated herein by reference. (See Sedar reference and project # 794407 at Sedar at www.sedar.com).

The proposed reorganization is intended to create a flow-through structure which effectively results in distributions received from OESC not being taxed at the corporation level. Instead, distributions received by the Fund would be taxed at the Unitholder level once the distributions are paid to the Unitholder, The proposed reorganization amends the current structure from a “trust on corporation” structure to a “trust on trust on partnership” structure.

ONTARIO ENERGY SAVINGS CORP.**Business of the Company - Canada***General*

The Fund's business which has been principally conducted in the Province of Ontario through OESC, involves the sale of: (i) natural gas to residential, small to mid-sized commercial and small industrial customers under long term, irrevocable Fixed Price Gas Contracts; and (ii) electricity to mid-sized commercial and small industrial customers under long term, irrevocable Retail Electricity Contracts. By fixing the price of natural gas under its Fixed Price Gas Contracts and by providing price protection under its Retail Electricity Contracts for a period of five years, the Fund's customers eliminate/reduce their exposure to changes in natural gas and electricity prices, as the case may be, which have been volatile over the past several years. It is the Fund's policy to match the estimated requirements of its customers by purchasing offsetting volumes of natural gas and electricity from Gas Suppliers and Electricity Suppliers.

The Fund commenced marketing Fixed Price Gas Contracts in Manitoba in January of 2003 through Manitoba Energy Savings, in Quebec in April of 2004 through Quebec Energy Savings, in British Columbia in July, 2004 through B.C. Energy Savings and Fixed Price Gas Contracts and Retail Electricity Contracts in Alberta in March of 2005 through Alberta Energy Savings following the Epcor acquisition completed in December, 2004.

The Company and its Subsidiaries and Affiliates derive their margins or gross profit from the difference between the price at which they are able to sell gas and electricity to their customers and the price at which they purchase the offsetting volumes from Gas Suppliers and Electricity Suppliers. In addition to revenues earned by OESC based upon its ability to lock in margins between the price it pays for gas and electricity supply and the price it charges its customers, OESC's cash flows are impacted by the sale of excess gas and electricity supply.

In seeking to maximize value for Unitholders, the Fund, through its Subsidiaries and Affiliates, regularly investigates opportunities for corporate or asset acquisitions or other business combinations involving the Fund. Each such opportunity is considered by the board of directors of OESC in the discharge of their duties to act in the best interest of Unitholders.

Natural Gas

The Fund, through its Subsidiaries and Affiliates, has been continuously marketing Fixed Price Gas Contracts since OESC's inception in 1997. As at March 31, 2005, the Fund, through its Subsidiaries and Affiliates, had Fixed Price Gas Contracts (residential, small to mid-sized commercial and small industrial customers all of which management intends to renew), representing approximately 811,000 RCEs.

Fixed Price Gas Contracts are primarily for a five year term after which time they are eligible for renewal. The Fund loses approximately 10% of the total number of its Fixed Price Gas Contracts on an annual basis due to LDC customer contract terminations due to customer relocation or death.

100% of the Fund's natural gas customers are charged a fixed gas price for the full term of their contracts as opposed to a variable price of gas (WACOG) which the LDCs, such as Union Gas and Enbridge Consumers Gas, are required by regulation to charge. Although customers purchase their gas supply through OESC and its Subsidiaries, the LDC is still mandated, on a regulated basis, to distribute the gas. Except in Alberta, the LDCs provide billing and collection services, including the collection and remittance to the Fund's Subsidiaries and Affiliates or their Gas Suppliers of the commodity portion of each customer's account for a small monthly fee. In Ontario, each LDC except for Union Gas assumes 100% of the credit (receivable) risk associated with default in payment by customers. Union Gas guarantees

all receivables except for the receivables attributable to Large Volume Users whose annual consumption is in excess of 700,000 m³ which account for approximately 0.6% of the total RCEs as at March 31, 2005. To date none of these Large Volume Users have defaulted on their payment obligations.

In Alberta, the Fund's Affiliate, Alberta Energy Savings, receives cash only when the customer has ultimately consumed the gas. Alberta's regulatory environment is different from the Canadian markets where Alberta Energy Savings is required to invoice and receive payments directly from its customers. To facilitate this obligation, Alberta Energy Savings has entered into a five year agreement with Epcor for the provision of billing and collection services in Alberta. Epcor will continue to be the billing agent for all of the Alberta customers purchased by Albert Energy Savings in December 2004.

Electricity – Ontario

The Fund, through OESC commenced an active marketing campaign for commercial and retail electricity customers in May 2002, in an effort to become a significant participant in the deregulated electricity supply market in the Province of Ontario. The principles relating to the marketing of natural gas equally apply to the marketing of electricity, except that rather than offering customers a completely fixed price, as is the case for natural gas, the Retail Electricity Contracts offer customers price protection for approximately 95% of their electricity requirements. These customers may experience a small balancing charge or credit due to fluctuations in prices applicable to their load requirements not covered by fixed pricing. As of March 31, 2005, OESC had signed Retail Electricity Contracts representing approximately 378,000 RCEs of electricity. For a description of OESC's electricity business after November 11, 2002, see "Development of the Fund – Electricity Operations".

– Alberta

The Fund commenced its involvement with electricity in Alberta with the purchase by Alberta Energy Savings of 90,000 RCEs of electricity (of which management expects to renew 45,000 RCEs) from Epcor in December, 2004. Alberta Energy Savings commenced marketing of Retail Electricity Contracts in Alberta in February 2005. In Ontario and Alberta, electricity accounts are automatically balanced daily. In real-time, any supply greater than consumption is immediately sold off into the open market at the spot price, while any shortfall is immediately purchased in the open market at the spot price. At March 31, 2005 Alberta Energy Savings held Retail Electricity Contracts representing 46,000 RCEs of which 1,000 RCEs were obtained through marketing efforts and 45,000 RCEs were acquired from Epcor.

Marketing

Natural Gas

The Fund's growth through its Subsidiaries and Affiliates has been achieved primarily through their own marketing initiatives. Customers are solicited primarily on a door-to-door basis by Independent Commission Agents. The gross margins from new customers begin to be realized when natural gas begins to flow to the customers two to three months after sign up due to administrative procedures carried out by the LDCs. The cost for obtaining a new residential customer and related expenses currently include commissions payable to the Independent Commission Agents, salaries paid to the marketing and customer service departments which support the independent agents, salaries paid to customer service representatives who verify the customer contracts, the costs of printing contracts, bonus awards, advertising costs and the costs of promotional materials.

Approximately 45% of residential gas customers in Ontario have taken advantage of the direct purchase fixed-price, fixed-term arrangements offered by retail marketers such as OESC. Accordingly, approximately 1.6 million Ontario

residential, small to mid-sized commercial and small industrial customers are currently available to OESC and its competitors. In addition, based upon past history, approximately 80,000 new customers are added to the gas distribution network by the LDCs each year in Ontario. As a result, the Company believes further growth in its customer base is achievable in Ontario.

The Fund's target market in Manitoba represents approximately 300,000 RCEs of which management estimates approximately 35,000 are currently subject to deregulated long term contracts.

The available natural gas market in Quebec, British Columbia and Alberta is approximately 400,000, 200,000 and 1.2 million RCEs respectively. As these markets have recently deregulated, effectively a significant number of these customers are currently available to the Fund and the competitors of its Subsidiaries and Affiliates which carry on business in these provincial jurisdictions.

Electricity

The Fund, through OESC and Alberta Energy Savings, markets Retail Electricity Contracts to small and mid-sized commercial customers in Ontario and Alberta including residential customers in Alberta in the same manner as it solicits Fixed Price Gas Contracts. Similar to natural gas, the gross margins from new electricity customers begin to be realized two to four months after sign up, when electricity begins to flow to the customers.

Ontario has approximately 8.0 million potential target electricity RCEs with approximately 15% contracted under a fixed price, fixed term arrangements. Alberta Energy Savings commenced marketing Retail Electricity Contracts in February, 2005 and estimates that the available Alberta market consists of approximately 1.7 million RCEs.

The ability of the Fund through its Subsidiaries and Affiliates to contract large numbers of customers at a reasonable cost has been a key ingredient in the success of the Fund. OESC offers longer term price protection to mid-sized commercial and small industrial consumers in Ontario through OESC's price protection Retail Electricity Contracts. The LDC's invoice OESC's customers for the price of electricity agreed upon between OESC and the customer, rather than at the OEB-regulated standard supply service price. The customer's bill from the LDC will show the price charged for electricity separately from the charges for the transmission and distribution services provided by the LDC. Should it be a requirement in future markets, OESC will have the capability of rendering its own bills to customers. Under the terms of the OEB Retail Settlement Code, the LDC's have the responsibility to collect the electricity bill as part of their service.

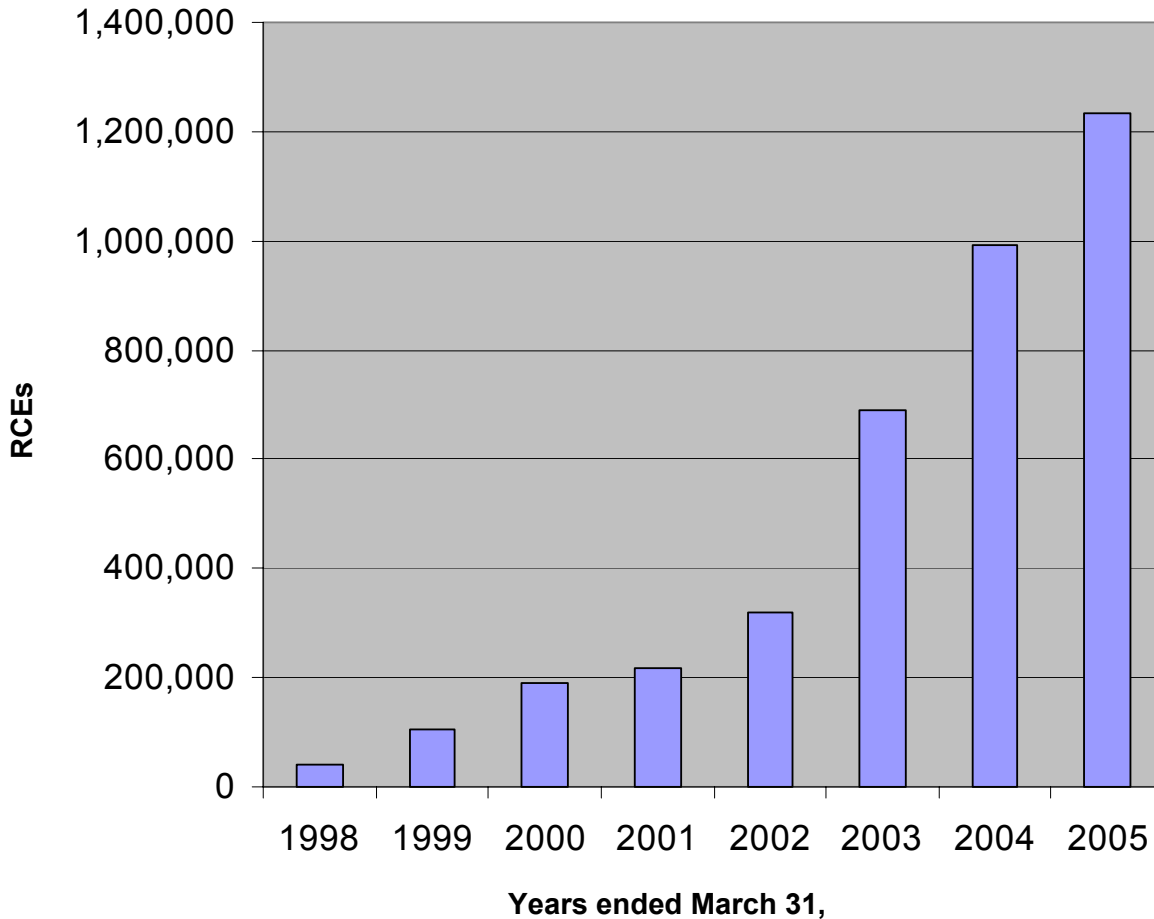
The invoicing and payment arrangements in Alberta for electricity which are described above for natural gas in Alberta are the same for electricity.

To fulfill its delivery obligations to its anticipated customer base in Ontario, OESC has entered into matching long term, fixed price supply arrangements with creditworthy Electricity Suppliers at competitive prices.

Customer Growth

The following graph has been prepared by management of OESC to indicate the approximate growth of the Fund, in all markets (including the State of Illinois), in terms of RCEs from its inception to March 31, 2005.

Customer Growth



Gas and Electricity Supply

To enable it to meet its supply obligations to its customer base and fix its margins, OESC enters into supply contracts with Gas Suppliers and Electricity Suppliers to purchase natural gas and electricity. OESC purchases gas and electricity in large volumes on a wholesale basis and is therefore able to secure favourable long term fixed price supply contracts. By following a policy of purchasing its estimated customer supply obligations in advance, the Company is able to achieve stable and predictable cash flows. Additional cash flows will be achieved through signing up new customers and renewing existing customers to new five year Fixed Price Gas Contracts and Retail Electricity Contracts.

Arrangements with Coral Energy

In excess of 95% of OESC's natural gas supply requirements and in excess of 65% of its electricity supply requirements are physically purchased from or financially hedged with Coral Energy pursuant to contractual arrangements between them. Coral Energy assists OESC in managing and balancing OESC's gas requirements for a fee pursuant to an energy management agreement and enters into specific gas supply and electricity hedging transactions (the "Transactions") pursuant to the gas purchase agreement between OESC and Coral Energy dated

October 1998 as amended dated September 26, 2001 (the “OESC/Coral Energy Gas Purchase Agreement”) and the power transaction agreement between OESC and Coral dated April 5, 2002 (the “OESC/Coral Energy Power Purchase Agreement”). Each transaction is specific as to price, volume and term. OESC's financial obligations to Coral Energy are secured by a joint security interest over all customer contracts (except for those owned by Alberta Energy Savings), pursuant to the intercreditor agreement described under the heading “Credit Facility”.

If Coral Energy defaults in its obligations to deliver gas and electricity to OESC, or if OESC defaults in its obligation to accept delivery of gas or electricity, under a Transaction, subject to force majeure, the contractual arrangements between them contain provisions requiring the payment of various amounts by the defaulting party to the non-defaulting party, including liquidated damages. To date neither Coral Energy nor OESC has failed to fulfil its obligations to the other.

Competition

Industry Competition – Natural Gas

Approximately 1.5 million residential, small to mid-sized commercial and small industrial customers in Ontario still purchase their gas from LDCs. To the extent that the Company is successful through its marketing program in educating customers, it believes that it can be successful in signing LDC customers to Fixed Price Gas Contracts. OESC offers its customers protection against price volatility through fixed price, fixed term supply arrangements. The Company does not view the LDCs as true competitors, but rather as a supplier of last resort for customers. The LDCs are currently not permitted to make a profit on the sale of the gas commodity to their supply customers.

With respect to ABMs supplying residential and small to mid-size commercial customers, OESC's largest competitors in Ontario are Direct Energy, which is owned by Centrica plc. and Superior Plus. Each market in which OESC and/or its Affiliates operates has regional competitors. OESC's principal competition in Alberta is Direct Energy (a division of Centrica plc) which entered the Alberta market in December 2002.

Management of the Fund believe that the Fund has significant competitive advantages over other ABMs in that it has: (i) a marketing and sales organization which has achieved significant success in commodity sales; (ii) an excellent customer care and customer service process; (iii) a disciplined management of commodity purchases; (iv) an offering priced to achieve stable margin growth vs. customer growth. The industry credibility of the Fund's Subsidiaries and Affiliates is based on the long term experience of its management team relating to the deregulation of natural gas and their innovations in providing consumer choices within the direct purchase market.

Industry Competition - Electricity

Competition in the target electricity market in Ontario and Alberta is currently limited. While many large well capitalized ABMs entered the market on deregulation, subsequent to the November 11, 2002 Action Plan, most have either sold their businesses or terminated marketing. Management believes the current active competitors in the electricity market to be OESC (including Alberta Energy Savings), Direct Energy and Constellation.

Energy Source Competition

Natural gas enjoys advantages over electricity and other fossil fuels, including the fact that it is readily available through vast transmission and distribution systems and has significant environmental advantages compared to other fossil fuels, which should result in consumers continuing to switch to natural gas for their energy needs. However, the price advantage which natural gas at one time enjoyed over these other forms of energy will be diminished if the price of natural gas continues to increase and, to the extent that consumers have the capacity to switch to the use of other forms of energy, such increases in the price of natural gas could result in other sources of energy providing more significant competition to OESC's natural gas offering. With regard to OESC's customer base, while some of its mid-

sized industrial and commercial customers may be in a position to select an alternate energy source, this option would normally not be available to its residential, small to mid-size commercial and small industrial customers without significant capital cost. Accordingly, while major industrial users (a market segment not served by OESC) can indeed change from one source of energy to another to take advantage of commodity price differentials, this requires installation of equipment which is generally not economic for residential or small to mid-size commercial and small industrial users.

Environment

the Fund does not view potential environmental liabilities as a significant concern. The Canadian Subsidiaries and Affiliates of the Fund never have physical custody or control of the natural gas or electricity or any facilities used to transport it and passes title to the gas and electricity sold to its customers at the same point at which it accepts title from its Gas Suppliers and Electricity Suppliers. Therefore, any potential liability to the Canadian Subsidiaries and Affiliates of the Fund for gas leaks or explosions during transmission and distribution is considered to be remote.

Employees

OESC employed 334 persons as at March 31, 2005 of which 5 constitute the executive group, 17 are employed in the finance department, 8 are employed in the legal department, 38 are employed in the information technology group, 57 are employed in the operations department, 6 are involved in the human resources and administrative department and 203 are employed in the customer service, marketing and processing group. Approximately 450 Independent Contractors were engaged at March 31, 2005 in the door-to-door marketing of Fixed Price Gas Contracts and Retail Electricity Contracts.

Properties

While the Subsidiaries and Affiliates of the Fund do not own any real property, to carry on the Fund's business, OESC leases 106,099 square feet of space consisting of 37,899 square feet of head office and administrative space, 26,002 square feet to accommodate its call centre and customer service representatives and 42,198 square feet (16 offices) as centres to train Independent Commission Agents in Canada and the United States.

The Natural Gas and Electricity Distribution Industry

The Fund, through its Subsidiaries and Affiliates operates within the highly regulated natural gas and electricity distribution industries which, in Ontario, is governed by the OEB direct purchase regulatory framework.

The direct purchase market for natural gas is divided into two principal segments: (a) large industrial and large commercial customers and (b) residential and small to mid-sized commercial consumers. The large volume customer market is highly price sensitive. These users generally either contract directly with producers or aggregators or enter into short-term price competitive contracts with wholesalers. OESC does not supply this market.

The direct purchase electricity market breaks down between large industrial and commercial customers (which OESC does not attempt to supply), residential customers (of which, approximately 4 million RCEs are now subject to a market-based pricing plan but with respect to whom OESC has chosen it will not market at this time) and Large Volume Users (over 250,000 kWh per year) involving approximately 1.5 million RCEs which are OESC's current target market. See "Development of the Fund – Electricity Operations".

The Fund's Subsidiaries and Affiliates and its competitors focus on the residential/small to mid-sized commercial market. The ability to obtain large numbers of customers at a reasonable cost is therefore a key ingredient in the success of a retailer such as the Subsidiaries and Affiliates of the Fund. A key to the success of the Fund's offerings is the attractiveness to its customers of a fixed price under its Fixed Price Gas Contracts and price protection for

approximately 95% of electricity under its Retail Electricity Contracts. Similar to a fixed rate mortgage, these contracts allow customers to fix their natural gas costs for the term of the contract.

Industry Regulation

The OEB is the primary government body responsible for the regulation of the natural gas and electricity distribution industry within Ontario. Pursuant to the *Ontario Energy Board Act*, 1998 and the *Energy Competition Act*, 1998 (Ontario) (the "ECA"), the OEB regulates virtually all aspects of the industry including transmission, distribution, storage, and supply of natural gas and electricity to Ontario consumers. [The Electricity Act 2004] gives greater jurisdiction and power to the OEB, including a greater role in market surveillance and setting regulated rates for small volume electricity consumers.

Over the past 12 years there has been significant deregulation and "unbundling" of LDC services. In 1997, the OEB approved the implementation of ABC-T Service for all utility franchises in Ontario. The introduction of ABC-T Service allows for the implementation of OESC's Fixed Price Gas Contracts and more recently OESC's Retail Electricity Contracts. Management believes that the trend toward further deregulation and "unbundling" of utility services will continue and that, by holding the second largest non-utility residential natural gas customer base in Canada and a significant number of Retail Electricity Contracts, OESC will be in a position to take advantage of opportunities from further unbundling.

Business of the Company – United States

ABMs like OESC are signing up customers in at least 30 states in the United States. Management believes that these jurisdictions may represent a further opportunity to grow OESC's customer base outside Canada. Accordingly, OESC established a corporate structure to enable it to commence carrying on business in the United States, secured the Illinois Licence and is in the process of investigating the steps required to be completed to enable it to commence marketing Energy Contracts in other states.

Illinois Energy Savings obtained the Illinois Licence on December 17, 2003 and started test marketing the sale of Fixed Price Gas Contracts in January, 2004. It is currently operating in the Nicor territory in Illinois, maintains three offices to train Independent Commission Agents (of which 125 are currently soliciting Fixed Price Gas Contracts and expects to open a fourth office before the end of September).

In Illinois, the available natural gas market is approximately three million customers. Approximately 8% of Illinois customers have switched to deregulated suppliers to date. As at March 31, 2005 Illinois Energy Savings has secured Fixed Price Gas Contracts representing approximately 49,000 RCEs of natural gas.

As in Ontario, US Energy Savings purchases gas supply on a hedged basis in advance of marketing. The utility regularly provides marketers with monthly and annual forecasts so Illinois Energy Savings can maintain its supply purchases in line with utility requirements on an ongoing basis. LDCs require Illinois Energy Savings to inject gas into storage in the summer for delivery to customers in the winter pursuant to a preset delivery schedule. Unlike Ontario, Illinois Energy Savings is not paid on deliveries to the LDC but rather upon consumption by the customers. While the LDCs in Illinois are responsible for billing customers for Illinois Energy Savings's commodity charges, Illinois Energy Savings is exposed to the risk of non-payment. The default rate in the Nicor service area has historically been in the 1.1% range. Currently, there are nine certified alternative gas suppliers in Illinois. Four of those suppliers are direct competitors of Illinois Energy Savings marketing to residential and small commercial customers although none of them currently offer a five year Fixed Price Contract. Marketers in Illinois are subject to rules and regulations promulgated by the Illinois Commerce Commission pursuant to legislation passed in December, 1997. Illinois Energy Savings has the same door-to-door approach for marketing to customers in Illinois as used in Ontario and offers similar Fixed Price Gas Contracts.

Share and Loan Capital of Ontario Energy Savings Corp.

Share Capital

The authorized share capital of OESC consists of an unlimited number of Common Shares, an unlimited number of Class A Preference Shares and an unlimited number of Class B Preference Shares of which, at March 31, 2005, 400 Common Shares and 10,168,695 Class A Preference Shares are issued and outstanding. No additional Class A Preference Shares may be issued. No Class B Preference Shares are outstanding nor may any additional Class B Preference Shares be issued. The voting rights attached to the Common Shares are subject to the terms of the OESC Shareholders' Agreement. The following is a description of the rights attached to such shares.

Common Shares

Each Common Share entitles the holder thereof to receive notice of and to attend all meetings of shareholders of OESC and to one vote per share at such meetings (other than meetings of another class of shares of OESC). The holders of Common Shares are, at the discretion of the board of directors of OESC and subject to applicable legal restrictions, entitled to receive any dividends declared by the board of directors on the Common Shares. In the event of the liquidation, dissolution or winding-up of OESC or other distribution of its assets among its shareholders, holders of the Common Shares shall be entitled to receive the amounts specified below under the heading "Liquidation, Dissolution or Winding-up".

Preference Shares

Class A Preference Shares

Except where specifically provided by the OBCA, the holders of the Class A Preference Shares shall not be entitled as such to receive notice of or to attend any meeting of the shareholders of OESC and shall not be entitled to vote at any such meeting. However, pursuant to the Declaration of Trust, the holders of the Class A Preference Shares will be entitled to vote in all votes of Unitholders (including resolutions in writing) as if they were the holders of the number of Units which they would receive if they exercised all of their Shareholder Exchange Rights as of the record dates for such votes and shall be treated in all respects as Unitholders for the purposes of any such votes.

The Class A Preference Shares shall entitle the holders thereof to receive in any year as and when declared by the board of directors of OESC cash distributions in a maximum amount per share equal to the distribution entitlement per share of the Class B Preference Share less 56% of the management bonus payable in respect of each Class A Preference Shares pursuant to the Special Management Incentive Program of OESC for such year. See "OESC Shareholders' Agreement – Special Management Incentive Program" below. Holders of Class A Preference Shares will receive, collectively from dividends divided by 56% and payments under the Special Management Incentive Program of OESC, in any period an amount not greater than the distributions they would have received if they exercised all of their Shareholder Exchange Rights at the commencement of such period.

In the event of the liquidation, dissolution or winding-up of OESC or other distribution of its assets among its shareholders, holders of Class A Preference Shares shall be entitled to receive the amount specified below under the heading "Liquidation, Dissolution or Winding-Up". Such amount will effectively be the same as, and will in no circumstances exceed, the amount per Class A Preference Share that the holder of such Class A Preference Share would have received had OESC and the Fund been liquidated, dissolved or wound-up on the same date and the Shareholder Exchange Rights relating thereto been exercised immediately prior thereto.

Class B Preference Shares

Class B Preference Shares are non-voting and exchangeable into trust units in accordance with the OESC Shareholders' Agreement. The Class B Preference Shares are redeemable at the option of OESC and retractable at the option of the holder, at a price of \$2.50 per Class B Preference Share together with all accrued and unpaid dividends subject to consent of the holder or OESC, respectively. Pursuant to the terms of the OESC Shareholders' Agreement, all shareholder exchange rights relating to Class B Preference Shares were exercised by January 1, 2004. As a result, no Class B Preference Shares were outstanding at year end. No additional Class B Preference Shares may be issued.

Liquidation, Dissolution or Winding-up

In the event of the liquidation, dissolution or winding-up of OESC or other distribution of its assets among its shareholders, the holders of the Class A Preference Shares and Common Shares shall be entitled, after payment of all liabilities of OESC, to share in all remaining assets of OESC as follows:

- (a) the holders of the Class A Preference Shares shall be entitled to share in all such assets to the extent of their *pro rata* share thereof determined by multiplying the amount of such assets by a fraction, the numerator of which is the number of Units which the holders of the Class A Preference Shares would be entitled to receive if they exercised their Shareholder Exchange Rights on the date of such liquidation, dissolution or winding-up of OESC or other distribution of its assets amongst its shareholders, and the denominator of which shall be the number of Units that would be outstanding on such date if all the Shareholder Exchange Rights had been exercised on such date; and
- (b) the holders of the Common Shares shall be entitled to share in all such assets to the extent of their *pro rata* share thereof determined by multiplying the amount of such assets by a fraction, the numerator of which is the number of Units outstanding on the date of such liquidation, dissolution or winding-up of OESC or other distribution of its assets amongst its shareholders, and the denominator of which shall be the number of Units that would be outstanding on such date if all the Shareholder Exchange Rights had been exercised on such date.

Distribution Policy

The distribution policy of OESC is to distribute all of its available cash, subject to applicable law, by way of monthly dividends on its Common Shares after; (i) satisfaction of its debt service obligations, if any; (ii) satisfaction of its interest (including interest on the OESC Notes, the Exchange Notes and the Exchangeco Notes (if any)) and other expense obligations; (iii) making any principal repayments in respect of the OESC Notes, the Exchange Notes and the Exchangeco Notes (if any) considered advisable by the board of directors of OESC, with the consent of the Fund and the holders of the OESC Notes, the Exchange Notes and the Exchangeco Notes (if any) by Extraordinary Resolution, Exchange Extraordinary Resolution and Exchangeco Extraordinary Resolution respectively; and (iv) setting aside the amounts necessary to pay the bonuses to the Class A Preference Shares under the Special Management Incentive Program (which will in no circumstances amount to a payment in any year in respect of each Class A Preference Share in excess of the distributions paid on a Unit in such year), and subject to OESC retaining such reasonable working capital reserves as may be considered appropriate by the board of directors of OESC. OESC does not intend to pay dividends on its Preference Shares.

OESC does not anticipate that significant capital expenditures will be required in connection with its business other than to finance future growth. Capital expenditures or other expenditures may be financed with borrowings or additional issuances of Units, from the working capital and cash flow of the Subsidiaries and Affiliates of the Fund and/or pursuant to the Credit Facility.

OESC Notes

The following is a summary of the material attributes and characteristics of the OESC Notes, and is qualified in its entirety by reference to the provisions of the Note Indenture which contains a complete statement of such attributes and characteristics.

The OESC Notes authorized are unlimited and will mature on April 30, 2031, subject to prepayment from time to time as considered advisable by the board of directors of OESC, with the consent of the Fund and the holder of the OESC Notes by Extraordinary Resolution, and subject to extension for an additional ten year term with the consent of the holders of the OESC Notes by Extraordinary Resolution. The OESC Notes bear interest at the rate of 13% per annum, payable monthly to the holders of record on the last day of each calendar month. The interest on the OESC Notes is payable in lawful money of Canada at any branch in Canada of the bank to be specified in the Note Indenture.

The OESC Notes are issuable only as fully registered Notes in minimum denominations of \$10 and for amounts above such minimum only integral multiples of \$1.

The principal of the OESC Notes is payable in lawful money of Canada. All OESC Notes are registered in the name of the Fund and have been pledged to one of the lenders in its capacity as collateral agent pursuant to the Credit Facility.

Payment upon Maturity

On maturity, OESC will repay the indebtedness represented by the OESC Notes by paying to the Note Trustee in lawful money of Canada an amount equal to the principal amount of the outstanding OESC Notes, together with accrued and unpaid interest thereon.

Redemption

From time to time the board of directors of OESC will review the status of OESC's assets and the economic condition relating to OESC's business and the industry within which it operates. If this review, in the opinion of the board of directors of OESC, indicates that it is unlikely that the indebtedness of OESC evidenced by the OESC Notes could be refinanced on the same terms and conditions upon maturity of such notes, then OESC may, subject to the consent of the Trustee and the holders of the Notes by Extraordinary Resolution, commence principal repayments on the OESC Notes such that in the opinion of the board of directors of OESC, the OESC Notes will be fully repaid upon maturity. In that event, the available cash of OESC will be utilized to the extent required to fund such repayments in lieu of dividends on the Common Shares. In addition, if OESC has available cash, but is prohibited from declaring or paying a dividend or reducing its stated capital under applicable corporate laws, the board of directors of OESC may make principal repayments on the OESC Notes to the extent of such available cash. Except as aforesaid, the OESC Notes will not be redeemable at the option of OESC or by the holders thereof prior to maturity.

Ranking

The OESC Notes are unsecured debt obligations of OESC and are subordinate in right of payment to other direct unsecured indebtedness of OESC and all secured debt of OESC.

Default

The Note Indenture provides that any of the following shall constitute an Event of Default (as defined in the Note Indenture): (i) default in payment of the principal of the Notes when the same becomes due; (ii) the failure to pay the interest obligations of the Notes when the same becomes due, for a period of 12 months; (iii) default on any

indebtedness exceeding \$5,000,000; (iv) certain events of winding-up, liquidation, bankruptcy, insolvency or receivership; (v) the taking of possession by an encumbrancer of all or substantially all of the property of OESC; (vi) OESC ceasing to carry on its business, or a substantial or significant part thereof, in the ordinary course; or (vii) 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 OESC specifying such default and requiring OESC to rectify the same.

The Note Indenture also provides that the Note Trustee shall not take steps or actions with respect to an Event of Default without the prior consent of the Fund provided the Fund holds, directly or indirectly, at least 25% of the aggregate principal amount of the outstanding OESC Notes. Certain other provisions under the Note Indenture require the prior consent or authorization of the Fund if the Fund holds, directly or indirectly, at least 25% of the aggregate principal amount of the outstanding OESC Notes.

SHARE AND LOAN CAPITAL OF OESC EXCHANGE CO INC.

Internal Reorganization

Exchangeco was incorporated to replace Exchange as the agent to facilitate the exchange of Preference Shares for Units pursuant to, and to assume its obligations under, the Shareholder Exchange Rights described under the heading "OESC Shareholders' Agreement". At the same time: (i) Exchangeco entered into the Exchangeco Note Indenture, (ii) the Fund transferred the Exchange Common Shares to OESC, (iii) Exchange and Exchangeco entered into the Assignment Agreement and (iv) on March 1, 2005 OESC and Exchange amalgamated under the OBCA to form Ontario Energy Savings Corp. As a result of this internal reorganization, OESC assumed all of the obligations of Exchange under the Exchange Note Indenture and all of the subordinated 13% promissory notes of OESC held by Exchange pursuant to OESC Note Indenture were cancelled. The material attributes and characteristics of the Exchange Notes are similar to the material attributes and characteristics of the OESC Notes issued under the Note Indenture (described above under the heading "OESC Notes") and are qualified in their entirety by reference to the Exchange First Supplemental Note Indenture which contains a complete statement of such attributes and characteristics.

Share Capital of Exchangeco

The authorized share capital of Exchangeco consists of an unlimited number of Common Shares, of which 100 Common Shares are issued and outstanding and owned by the Fund. The voting rights attached to the Common Shares are subject to the terms of the OESC Shareholders' Agreement. The following is a description of the rights attached to such shares.

Common Shares

Each Common Share entitles the holder thereof to receive notice of and to attend all meetings of shareholders of Exchangeco and to one vote per share at such meetings (other than meetings of a class of shares of Exchangeco). The holders of Common Shares are, at the discretion of the board of directors of Exchangeco and subject to applicable legal restrictions, entitled to receive any dividends declared by the board of directors on the Common Shares. In the event of the liquidation, dissolution or winding-up of Exchangeco or other distribution of its assets among its shareholders, holders of the Common Shares, after payment of all of the liabilities of Exchangeco, are entitled to share ratably in all remaining assets of Exchangeco.

Exchangeco Notes

The terms and conditions of the Exchangeco Notes are similar to the terms and conditions of the OESC Notes. The Exchangeco Notes will be issued in connection with the exercise of the Exchangeco Exchange Rights designed to

facilitate the exchange of Preference Shares for Units pursuant to the Shareholder Exchange Rights. See "OESC Shareholders' Agreement" below.

OESC SHAREHOLDERS' AGREEMENT

On April 30, 2001 the Fund, OESC, the shareholders of OESC (including former shareholders who were issued Units in lieu of Preference Shares), Exchange, Electrico and the shareholders of Electrico entered into the OESC Shareholders' Agreement which Agreement was amended and restated by the Clarification and Restatement Agreement. The following is a summary of the material provisions of the OESC Shareholders' Agreement as amended and restated which does not purport to be complete. Reference is made to the Amended and Restated OESC Shareholders' Agreement for a complete text of its provisions.

Directors of OESC

The OESC Shareholders' Agreement provides that the board of directors of OESC shall consist of a minimum of three and a maximum of ten directors, with the initial number of directors set at eight. The OESC Shareholders' Agreement provides that at least a majority of the directors shall be persons who are not officers or employees of OESC or any of its affiliates (as defined in the OBCA) 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 or directors or officers of any such person or any of its affiliates.

Transfer of Common Shares and Preference Shares

Until the Fund is liquidated, the Preference Shares may only be sold or otherwise disposed of pursuant to the Shareholder Exchange Rights and the related purchase for cancellation of such shares by OESC or in the event of:

- (a) a successful takeover bid for all of the Units, in which case the holders of Preference Shares are obligated to sell their Preference Shares to:
 - (i) the successful bidder; or
 - (ii) the Fund, if that takeover bid is not also made to the holders of the Preference Shares or if the price of the bid for the Preference Shares is less than the price per Preference Share described below, in which case the Fund is obligated to purchase the Preference Shares;

in the case of (i) the Class A Preference Shares, at a cash price per share equal to the price paid per Unit pursuant to the successful takeover bid multiplied by the number of Units which the holders of the Class A Preference Shares would be entitled to receive if they exercised the Shareholder Exchange Rights relating to the Class A Preference Shares on the date of purchase divided by the number of Class A Preference Shares outstanding, and (ii) in the case of the Class B Preference Shares at a cash price per share equal to the price paid per Unit pursuant to the successful takeover bid multiplied by the number of Units the holders of the Class B Preference Shares would be entitled to receive if they exercised the Shareholder Exchange Rights relating to the Class B Preference Shares on the date of purchase divided by the number of Class B Preference Shares outstanding; or

- (b) a takeover bid, amalgamation, plan of arrangement or other business combination involving all of the shares of OESC.

If a takeover bid is made for all of the Units and not less than 90% of the Units on a fully-diluted basis (other than Units held at the date of the takeover bid by or on behalf of the offeror or associates or affiliates of the offeror) are taken up and paid for by the offeror, the Fund shall have the option, exercisable within 60 days of the termination of

the takeover bid, to require the holders of the Preference Shares to sell their Preference Shares to the Fund at a price per Preference Share determined on the same basis as set forth in paragraph (a) above.

The Class B Preference Shares may not be redeemed by the Company or retracted by the holder thereof without the prior written consent of the holder or the Company, respectively.

Shareholder Exchange Rights

Pursuant to the OESC Shareholders' Agreement, Exchange granted to the holders of Preference Shares rights (the "Shareholder Exchange Rights") to require Exchange (and now Exchangeco pursuant to the Assignment Agreement) to acquire Class A Preference Shares and Class B Preference Shares in exchange for Units. The Shareholder Exchange Rights may be exercised with respect to such number of Preference Shares up to the number of Preference Shares held by the relevant holder at such time on the last day of any calendar quarter upon 10 days written notice to the Fund, OESC and Exchangeco.

In the case of the Class A Preference Shares, the Shareholder Exchange Rights entitle the holder of such shares to receive a number of Units equivalent to the number of Class A Preference Shares in respect of which the Shareholder Exchange Rights have been exercised.

In the case of the Class B Preference Shares, the Shareholder Exchange Rights entitle the holder of such shares to receive one Unit in exchange for each Class B Preference Share in respect of which the Shareholder Exchange Rights have been exercised plus the number of Units determined in accordance with the following. The number of Units to be received on the exercise of the Shareholder Exchange Rights with respect to any Class B Preference Share will, commencing on the later of (i) the date of the closing of the offering contemplated by the Prospectus, and (ii) the date of the issuance of such Class B Preference Share, be increased on each date that a distribution is paid by the Fund on the Units, less any dividends that have been declared and paid on the Class B Preference Shares for such period, by (a) that number of Units which have a market price as of the date of such distribution (determined on the basis set forth under "Declaration of Trust and Description of Units – Redemption Right") equal to 56% of the distribution paid by the Fund on each Unit, and (b) the number of Units which would have been issued if the Shareholder Exchange Rights had been exercised in respect of such Class B Preference Share during the month in which the distribution date falls minus one, increased at a rate per annum equal to 56% of the prime rate of interest charged by the Company's bankers on Canadian dollar loans made in Canada during such month plus 1%. There are no Class B Preference Shares currently outstanding.

Exchangeco Exchange Rights

To enable Exchangeco to honour its obligations pursuant to the Shareholder Exchange Rights, the Fund has granted to Exchangeco pursuant to the OESC Shareholders' Agreement rights (the "Exchangeco Exchange Rights") to purchase from treasury, that number of Units required by Exchangeco from time to time to fulfill its obligations under the Shareholder Exchange Rights. The purchase price for such Units is the market price of the Units to be purchased as at the date of exercise by the Shareholder of the Shareholder Exchange Rights which they are being issued in respect of (determined on the basis set forth under "Declaration of Trust and Description of Units – Redemption Right") and shall be satisfied by the issuance by Exchangeco to the Fund of Exchangeco Notes with a principal amount equal to such market price.

OESC is required, subject to applicable law, to purchase from Exchangeco for cancellation all Class A Preference Shares and Class B Preference Shares acquired by Exchangeco from time to time pursuant to the exercise of the Shareholder Exchange Rights for an amount equal to (the "Preference Share Purchase Price") which as regards: (i) Class A Preference Shares is equal to the market price of the Units exchanged by Exchangeco for such Preference Shares and (ii) Class B Preference Shares is equal to the redemption price, ie., \$2.50 per Share, together with all accrued and unpaid dividends thereon, if any, and OESC will satisfy the purchase price by the issue to Exchangeco of

additional OESC Notes in a principal amount equal to the total Preference Share Purchase Price. Once all of the Shareholder Exchange Rights have been exercised and all of the Preference Shares have been purchased for cancellation, OESC and Exchangeco will amalgamate.

Pursuant to the terms of the OESC Shareholders' Agreement, on the earlier of (i) March 31, 2016, (ii) the date of the termination of the employment or consulting arrangement with OESC and a holder of Class A Preference Shares for any reason, (iii) the date of death of a holder of Class A Preference Shares, and (iv) the date upon which a holder of Class A Preference Shares becomes a non-resident of Canada within the meaning of the Tax Act, all of the Shareholder Exchange Rights held by such holders relating to Class A Preference Shares which have not been exercised by such date shall be deemed to have been exercised.

All of the Shareholder Exchange Rights relating to Class B Preference Shares were exercised on or before January 1, 2004.

Special Management Incentive Program

Each of the holders of the Class A Preference Shares is entitled to receive, on a quarterly basis, a management bonus equal to the amount that such holder would have received had he been a holder of record on the record date for all distributions made on Units in respect of such quarter of a number of Units equivalent to the number of Class A Preference Shares held by the individual.

Other Matters

The OESC Shareholders' Agreement also provides that no additional Preference Shares may be issued and that the Fund will not accept an offer or agree to support any proposal involving its Common Shares or Preference Shares unless the same offer or proposal is made to the holders of Preference Shares for their Preference Shares for a consideration based on the consideration for the Common Shares which reflects the percentage indirect interest of the holders of the Preference Shares in OESC through the Fund on the basis that they had exercised all of the Shareholder Exchange Rights.

DECLARATION OF TRUST AND DESCRIPTION OF UNITS

Declaration of Trust

The Fund is an open-ended, limited purpose trust established under the laws of the Province of Ontario and is governed by the Declaration of Trust. The Fund qualifies as a mutual fund trust for the purposes of the Tax Act. The following is a summary of the material attributes and characteristics of the Units and certain provisions of the Declaration of Trust which does not purport to be complete. Reference is made to the Declaration of Trust for a complete description of the Units and the full text of its provisions.

Activities of the Fund

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

- (a) investing in securities, including those issued by OESC and Exchangeco;
- (b) temporarily holding cash in interest-bearing accounts or short-term government debt for the purposes of paying the expenses of the Fund, paying amounts payable by the Fund in connection with the redemption of any Units and making distributions to Unitholders; and

- (c) issuing Units (i) for cash or in order to acquire securities including those issued by OESC and (ii) upon the exercise of the Exchangeco Exchange Rights granted by the Fund to Exchangeco pursuant to the OESC Shareholders' Agreement.

Units

An unlimited number of Units may be issued pursuant to the Declaration of Trust. Each Unit is transferable and represents an equal undivided beneficial interest in any distributions from the Fund whether of net income, net realized capital gains or other amounts, and in the net assets of the Fund in the event of termination or winding-up of the Fund. All Units are of the same class with equal rights and privileges. The Units are not subject to future calls or assessments, and entitle the holder thereof to one vote for each whole Unit held at all meetings of Unitholders. Pursuant to the Declaration of Trust, the holders of the Preference Shares will be entitled to vote in all votes of Unitholders (including resolutions in writing) as if they are the holders of the number of Units which they would receive if they exercised their Shareholder Exchange Rights as of the record dates for such votes and will be treated in all respects as Unitholders for the purposes of any such vote. Except as set out under "Redemption Right" below, the Units have no conversion, retraction, redemption or pre-emptive rights.

Issuance of Units

The Declaration of Trust provides that Units or rights to acquire Units may be issued at the times, to the persons, for the consideration and on the terms and conditions that the Administrator determines. Units may be issued in satisfaction of any non-cash distribution of the Fund to Unitholders on a *pro rata* basis. The Declaration of Trust also provides that immediately after any *pro rata* distribution of Units to all Unitholders in satisfaction of any non-cash distribution, the number of outstanding Units will be consolidated such that each Unitholder will hold after the consolidation the same number of Units as the Unitholder held before the non-cash distribution. In this case, each certificate representing a number of Units prior to the non-cash distribution is deemed to represent the same number of Units after the non-cash distribution and the consolidation.

Trustee

The Trustee of the Fund is Montreal Trust Company of Canada, 100 University Avenue, 11th Floor, Toronto, Ontario, M5J 2Y1.

The Declaration of Trust provides that, subject to the terms and conditions thereof, the Trustee may, in respect of the trust assets, exercise any and all rights, powers and privileges that could be exercised by a legal and beneficial owner thereof and shall supervise the investments and conduct the affairs of the Fund. The Declaration of Trust prohibits a non-resident of Canada (as that term is defined in the Tax Act) from acting as the Trustee. The Trustee is responsible for, among other things: (i) acting for, voting on behalf of and representing the Fund as a shareholder and noteholder of OESC and Exchangeco; (ii) maintaining records and providing reports to Unitholders; (iii) supervising the activities of the Fund; (iv) effecting payments of distributable cash from the Fund to Unitholders; and (v) voting in favour of the Fund's nominees to serve as directors of OESC.

The Trustee may resign upon 60 days' written notice to the Fund and may be removed by an ordinary resolution of the Unitholders and the vacancy created by such removal or resignation must be filled at the same meeting, failing which it may be filled by the former Trustee.

The Declaration of Trust provides that the Trustee shall act honestly and in good faith with a view to the best interests of the Fund and in connection therewith shall exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. The Declaration of Trust provides that the Trustee shall be

entitled to indemnification from the Fund in respect of the exercise of its powers, and the discharge of its duties provided that it acted honestly and in good faith with a view to the best interests of all the Unitholders.

Administration of the Fund

The Fund entered into the Administration Agreement with OESC on April 30, 2001 pursuant to which OESC has agreed to act as Administrator of the Fund. The Administrator will provide or arrange for the provision of services required in the administration of the Fund. These services may include arranging and paying for annual audit and regulatory public reporting services and costs, arranging for, and paying the cost of, legal counsel, monitoring and coordinating the activities of, and paying the fees of, the transfer agent and registrar for the Units, arranging for distributions to Unitholders, and providing reports to Unitholders. All such costs, other than the amounts of the distributions to the Unitholders, are the responsibility of the Administrator. Unitholders may terminate the Administration Agreement by Special Resolution.

Cash Distributions

The amount of cash to be distributed monthly per Unit shall be equal to a *pro rata* share of interest and principal repayments on the OESC Notes, the Exchange Notes and Exchangeco Notes and distributions, if any, on or in respect of the Common Shares of OESC and the common units of ESIF-CT owned by the Fund, received by the Fund less: (i) administrative expenses and other obligations of the Fund; (ii) amounts which may be paid by the Fund in connection with any cash redemptions of Units; and (iii) any other interest expense incurred by the Fund between distributions. Any income of the Fund which is applied to any such cash redemptions of Units or is otherwise unavailable for cash distribution will be distributed to Unitholders in the form of additional Units. Such additional Units will be used pursuant to applicable exemptions under applicable securities laws, discretionary exemptions granted by applicable securities regulatory authorities or a prospectus or similar filing.

The Fund derives interest income from its holding of OESC Notes, the Exchange Notes and Exchangeco Notes. The OESC Notes, the Exchange Notes and the Exchangeco Notes bear interest at 13% per annum, payable monthly, and will mature on April 30, 2031, subject to prepayment from time to time as considered advisable by the board of directors of OESC with the consent of the Fund and the holders of the OESC Notes by an Extraordinary Resolution and the holders of the Exchange Notes by an Exchange Extraordinary Resolution. The Exchangeco Notes bear interest at 13% per annum payable monthly and will mature on April 30, 2031, subject to prepayment from time to time as considered advisable by the board of directors of Exchangeco with the consent of the Fund and the holders of the Exchangeco Notes by Exchangeco Extraordinary Resolution. The Fund also receives proceeds from dividends on the Common Shares and may receive distributions on the common units of ESIF-CT owned by the Fund.

Redemption Right

Units are redeemable at any time on demand by the holders thereof. As the Units are issued in book entry form, a Trust Unitholder who wishes to exercise the redemption right will be required to obtain a redemption notice form from his or her investment dealer who will be required to deliver the completed redemption notice form to CDS. Upon receipt of the redemption notice by the Fund, all rights to and under the Units tendered for redemption shall be surrendered and the holder thereof shall be entitled to receive a price per Unit (the "Redemption Price") equal to the lesser of: (i) 90% of the "market price" of the Units on the principal market on which the Units are quoted for trading during the 10 trading day period commencing immediately subsequent to the date on which the Units were surrendered for redemption (the "Redemption Date"); and (ii) the "closing market price" on the principal market on which the Units are quoted for trading on the Redemption Date.

For the purposes of this calculation, "market price" will be an amount equal to the simple average of the closing price of the Units for each of the trading days on which there was a closing price; provided that if the applicable exchange or market does not provide a closing price, but only provides the highest and lowest prices of the Units traded on a

particular day, the "market price" shall be an amount equal to the simple average of the highest and lowest prices for each of the trading days on which there was a trade; and provided further that if there was trading on the applicable exchange or market for fewer than five of the 10 trading days, the "market price" shall be the simple average of the following prices established for each of the 10 trading days: the average of the last bid and last asking prices of the Units for each day there was no trading; the closing price of the Units for each day that there was trading if the exchange or market provides a closing price; and the average of the highest and lowest prices of the Units for each day that there was trading if the market provides only the highest and lowest prices of Units traded on a particular day. The "closing market price" shall be an amount equal to the closing price of the Units if there was a trade on the date and the exchange or market provides a closing price; an amount equal to the average of the highest and lowest prices of the Units if there was trading and the exchange as other market provides only the highest and lowest prices of Units traded on a particular day; the average of the last bid and last asking prices of the Units if there was no trading on that date.

The aggregate Redemption Price payable by the Fund in respect of any Units surrendered for redemption during any calendar month shall be satisfied by way of a cash payment on the last day of the month following the quarter in which the Units were tendered for redemption, provided that the entitlement of Unitholders to receive cash upon the redemption of their Units is subject to the limitations that: (i) the total amount payable by the Fund in respect of such Units and all other Units tendered for redemption in the same calendar month shall not exceed \$50,000.00; (ii) at the time such Units are tendered for redemption, the outstanding Units shall be listed for trading on a stock exchange or traded or quoted on another market which the Administrator considers, in its sole discretion, provides representative fair market value prices for the Units; and (iii) the normal trading of Units is not suspended or halted on any stock exchange on which the Units are listed (or, if not listed on a stock exchange, on any market on which the Units are quoted for trading) on the Redemption Date or for more than five trading days during the 10-day trading period commencing immediately after the Redemption Date.

If a Unitholder is not entitled to receive cash upon the redemption of Units as a result of the foregoing limitations, then each Unit tendered for redemption shall, subject to any applicable regulatory approvals, be redeemed by way of a distribution *in specie* of a *pro rata* number of securities of OESC and Exchangeco held by the Fund. No fractional Common Shares or OESC Notes, Exchange Notes or Exchangeco Notes in integral multiples of less than \$10 will be distributed and, where the number of securities of OESC to be received by a Unitholder includes a fraction or a multiple less than \$10, such number shall be rounded to the next lowest whole number or integral of \$10. The Fund shall be entitled to all interest paid on the OESC Notes, the Exchange Notes and the Exchangeco Notes and the distributions paid on the Common Shares on or before the date of the distribution *in specie*.

It is anticipated that the redemption right described above will not be the primary mechanism for holders of Units to dispose of their Units. Securities of OESC and Exchangeco which may be distributed *in specie* to Unitholders in connection with a redemption will not be listed on any stock exchange and no market is expected to develop in securities of OESC or Exchangeco and they may be subject to resale restrictions under applicable securities laws.

Securities of OESC or Exchangeco so distributed may not be qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds and deferred profit sharing plans and registered education savings plans, each as defined in the Tax Act, depending upon the circumstances at the time.

Meetings of Unitholders

The Declaration of Trust provides that meetings of Unitholders must be called and held for the election or removal of nominees of the Fund to serve as directors of OESC (except filling casual vacancies), the removal of the Trustee, the appointment or removal of the auditors of the Fund, the appointment of an inspector to investigate the performance by the Trustee or Administrator in respect of their respective responsibilities and duties in respect of the Fund, the approval of amendments to the Declaration of Trust (except as described under "Amendments to the Declaration of Trust" below), the sale of all or substantially all of the assets of the Fund, the exercise of certain voting rights attached

to securities of OESC and Exchangeco held by the Fund (see "Exercise of Certain Voting Rights Attached to Securities of OESC and Exchangeco" below) and the dissolution of the Fund prior to the end of its term. A resolution electing or removing nominees of the Fund to serve as directors of OESC and a resolution appointing or removing the Trustee or the auditors of the Fund must be passed by a simple majority of the votes cast by Unitholders. The balance of the foregoing matters must be passed by a Special Resolution. Meetings of Unitholders will be called and held annually for the election of the nominees of the Fund to serve as directors of OESC and the appointment of auditors of the Fund.

A meeting of Unitholders may be convened at any time and for any purpose by the Administrator or the Trustee and must be convened, except in certain circumstances, if requisitioned by the holders of not less than 5% of the Units then outstanding by a written requisition. A requisition must state in reasonable detail the business proposed to be transacted at the meeting.

Unitholders may attend and vote at all meetings of the Unitholders either in person or by proxy and a proxy-holder need not be a Unitholder. Two persons present in person or represented by proxy and representing in the aggregate at least 25% of the votes attached to all outstanding Units shall constitute a quorum for the transaction of business at all such meetings.

Pursuant to the Declaration of Trust, the holders of the Preference Shares will be entitled to vote in all votes of Unitholders (including resolutions in writing) as if they are the holders of the number of Units which they would receive if they exercised their Shareholder Exchange Rights as of the record dates for such votes and shall be treated in all respects as Unitholders for the purposes of any such vote.

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

Limitation on Non-Resident Ownership

In order for the Fund to maintain its status as a mutual fund trust under the Tax Act, the Fund must not be established or maintained primarily for the benefit of non-residents of Canada within the meaning of the Tax Act. Accordingly, the Declaration of Trust provides that at no time may non-residents of Canada be the beneficial owners of a majority of the Units. The Trustee or the Administrator may require declarations as to the jurisdictions in which beneficial owners of Units are resident. If the Trustee or the Administrator becomes aware as a result of requiring such that the beneficial owners of 49% of the Units then outstanding are, or may be, non-residents or that such a situation is imminent, the transfer agent and registrar shall make a public announcement thereof and shall not accept a subscription for Units from or issue or register a transfer of Units to a person unless the person provides a declaration that he or she is not a non-resident. If, notwithstanding the foregoing, the Trustee or the Administrator determines that a majority of the Units are held by non-residents, the Trustee may send a notice to non-resident holders of Units, chosen in inverse order to the order of acquisition or registration or in such manner as the Trustee or the Administrator may consider equitable and practicable, requiring them to sell their Units or a portion thereof within a specified period of not less than 60 days. If the Unitholders receiving such notice have not sold the specified number of Units or provided the Trustee or the Administrator with satisfactory evidence that they are not non-residents within such period, the Trustee or the Administrator may, on behalf of such Unitholders, sell such Units and, in the interim, shall suspend the voting and distribution rights attached to such Units. Upon such sale, the affected holders shall cease to be holders of the Units and their rights shall be limited to receiving the net proceeds of such sale.

Amendments to the Declaration of Trust

The Declaration of Trust may be amended or altered from time to time by Special Resolution of the Unitholders.

The Trustee may, without the approval of the Unitholders, make certain amendments to the Declaration of Trust, including amendments:

- (a) for the purpose of ensuring continuing compliance with applicable laws, regulations, requirements or policies of any governmental authority having jurisdiction over the Trustee or over the Fund;
- (b) which, in the opinion of counsel to the Fund, provide additional protection for Unitholders;
- (c) to remove any conflicts or inconsistencies in the Declaration of Trust or to make minor corrections which, in the opinion of the Trustee, are necessary or desirable and not prejudicial to the Unitholders; and,
- (d) which, in the opinion of the Trustee, are necessary or desirable as a result of changes in Canadian taxation laws.

On June 27, 2003, the Unitholders and holders of Preference Shares approved a Special Resolution amending the Declaration of Trust to permit the Fund to borrow money and guarantee the obligations of any subsidiary to provide security therefore. On June 29, 2004, the Unitholders and holders of Preference Shares approved a Special Resolution to further amend the Declaration of Trust to expand the investment powers of the Fund as set forth on pages 19 to 21 of the Fund's Management Proxy Circular for its meeting held on June 29, 2004 under the heading "Special Items of Business (a) Proposed Amendment to the Fund's Declaration of Trust" which is incorporated herein by reference. (See Sedar reference and project # 794407 at Sedar at www.sedar.com)

Term of the Fund

The Fund has been established for a term ending 21 years after the date of death of the last surviving issue of Her Majesty, Queen Elizabeth II, alive on February 14, 2001. On a date selected by a Trustee which is not more than two years prior to the expiry of the term of the Fund, the Trustee is obligated to commence to wind up the affairs of the Fund so that it will terminate on the expiration of the term. In addition, at any time prior to the expiry of the term of the Fund, the Unitholders may by Special Resolution require the Trustee to commence to wind up the affairs of the Fund.

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

Takeover Bids

The Declaration of Trust contains provisions to the effect that if a takeover bid is made for the Units and not less than 90% of the Units (other than Units held at the date of the takeover bid by or on behalf of the offeror or associates or affiliates of the offeror) are taken up and paid for by the offeror, the offeror will be entitled to acquire the Units held by Unitholders who did not accept the takeover bid on the terms offered by the offeror.

Exercise of Certain Voting Rights Attached to Securities of OESC and Exchangeco

The Declaration of Trust provides that the Fund shall not vote its Common Shares, OESC Notes, Exchangeco Common Shares or Exchangeco Notes to authorize, among other things:

- (a) any sale, lease or other disposition of all or substantially all of the assets of OESC or Exchangeco, except in conjunction with an internal reorganization;
- (b) any amalgamation (other than the Amalgamation or the amalgamation of OESC and Exchangeco as may be contemplated by the OESC Shareholders' Agreement), arrangement or other merger of OESC with any other company, except in conjunction with an internal reorganization;
- (c) any material amendment to the Note Indenture;
- (d) any material amendment to the Exchangeco Note Indenture;
- (e) any material amendment to the articles of OESC to change the authorized share capital in a manner which may be prejudicial to the Fund or amend the rights, privileges and conditions attached to the Common Shares or the Preference Shares;
- (f) any material amendment to the articles of Exchangeco to change the authorize share capital in a manner which may be prejudicial to the Fund or amend the rights, privileges and conditions attached to the Exchangeco Common Shares; or
- (g) the removal of the Administrator,

without the authorization of the Unitholders by Special Resolution.

Information and Reports

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

Prior to each meeting of Unitholders, the Trustee will provide the Unitholders (along with notice of such meeting) all such information as is required by applicable law to be provided to such holders.

OESC has undertaken to provide the Fund with (i) a report of any material change that occurs in the affairs of OESC in form and content that it would file with applicable regulatory authorities as if it were a reporting issuer; and (ii) all financial statements that it would be required to file with applicable regulatory authorities as if it were a reporting issuer under applicable securities laws. All such reports and statements will be provided to the Fund in a timely manner so as to permit the Fund to comply with the continuous disclosure requirements relating to reports of material changes in its affairs and the delivery of financial statements as required under applicable securities laws.

Book-Entry Only System

Registration of interests in and transfers of the Units will be made only through a book-based system administered by The Canadian Depository for Securities Limited ("CDS") (the "Book-Entry Only System"). On April 30, 2001 the Trustee delivered to CDS certificates evidencing the aggregate number of Units subscribed for pursuant to a final prospectus for the Fund dated April 20, 2001. Similar deliveries were made with respect to exercise of the over allotment option on May 16, 2001 and upon the exchange of the subscription receipts for Units on May 8, 2002 and were and will continue to be made in connection with the issue by the Fund of Units pursuant to the exercise of Exchangeco Exchange Rights and the issue by the Fund of Units on the exercise of options pursuant to the Fund's Unit Option Plan. Units must be purchased, transferred and surrendered for redemption through a participant in the CDS depository service (a "CDS Participant"). All rights of Unitholders must be exercised through, and all payments or other property to which such Unitholder is entitled will be made or delivered by, CDS or the CDS Participant through which the Unitholder holds such Units. Upon purchase of any Units, the Unitholders will receive only a customer confirmation from the registered dealer which is a CDS Participant and from or through which the Units are purchased.

The ability of a beneficial owner of Units to pledge such Units or otherwise take action with respect to such Unitholder's interest in such Units (other than through a CDS Participant) may be limited due to the lack of a physical certificate.

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

ESIF CT TRUST AND LIMITED PARTNERSHIPS

Background

When the Fund became a reporting issuer in April 2001, a simple structure was in place, utilizing only one Ontario corporation, OESC to carry on the business which, at the time, involved the marketing of Fixed Price Gas Contracts to residential, mid-sized commercial and small industrial customers solely in the Province of Ontario. In early 2002, a decision was made to expand OESC's business beyond Ontario into other provinces of Canada through greenfield operations and acquisitions. See "Development of the Fund". To expand the business in the Province of Quebec, British Columbia and Alberta, separate limited partnerships were created. Subsidiary corporations were established in several States in the United States (Illinois, Indiana, New York, Maryland, Virginia and the District of Columbia), to market Fixed Price Gas Contracts and Retail Electricity Contracts commencing with the marketing of Fixed Price Gas Contracts in Illinois in early 2004. See Organization Chart.

March 2004 Reorganization

With a view to conserving future cash flow to enable the Fund to further expand its business, especially into the United States, the Fund, as the initial limited unitholder established and interposed ESIF CT between the Fund and ESLP and created limited partnerships in each of Quebec (Quebec Energy Savings), British Columbia (B.C. Energy Savings) and Alberta (Alberta Energy Savings) to carry on the business in those Provinces. See the Organization Chart.

To enable each of the Quebec, British Columbia and Alberta limited partnerships and the United States subsidiaries of US Energy Savings to carry on business, OESC transferred its Energy Savings System to ESLP pursuant to the Acquisition Agreement in return for 100 Class A units of ESLP at \$20 per unit (\$2,000) and 3,100 Class B units of ESLP at \$10,000 per unit (\$31 million). Contemporaneously, ESLP entered into separate licence and royalty agreements with each of Quebec Energy Savings on March 19, 2004, B.C. Energy Savings on March 19, 2004 and Alberta Energy

Savings on March 19, 2004 to enable each of Quebec Energy Savings, B.C. Energy Savings and Alberta Energy Savings to use the Energy Savings System to carry on business in each of their respective jurisdictions. On March 18, 2004 ESLP entered into a similar licence and royalty agreement with U.S. Energy Savings to authorize it to enter into agreements to sublicense the Energy Savings System to its subsidiaries in the United States and, in furtherance thereof, on March 18, 2004 U.S. Energy Savings entered into a sublicense agreement with Illinois Energy Savings to authorize it to use the Energy Savings System to carry on business in the State of Illinois.

The following is a summary of the material provisions of the ESIF Trust Indenture, the ESLP Limited Partnership Agreement, the three provincial limited partnerships, OESC GP, the Energy Savings System Acquisition Agreement and the licence and royalty and sublicense agreements referred to above.

ESIF CT

ESIF CT is an open-ended, unincorporated investment trust, established pursuant to the ESIF Trust Indenture for the purpose of investing in the Class A partnership units of ESLP, issuing common trust units to the Fund and issuing preferred trust units to OESC to finance the acquisition of Epcor. See “Development of the Fund – Natural Gas Operations” ESIF CT has two authorized classes of units: (i) common units, 100% of which (200,000 units at \$1 per unit) are owned by the Fund and (ii) preferred units 100% of which (11 million units at \$10,000 per unit) are owned by OESC. See Organization Chart.

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 (as trustee of ESIF CT) 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 OESC GP may determine. All income of ESIF CT in an amount not less than the income of ESIF CT for any taxation year of ESIF CT shall be payable for such year. ESIF CT has the same termination date as the Fund. See “Declaration of Trust and Description of Units – Term of the Fund”. After paying, retiring or discharging all liabilities and obligations of ESIF CT, OESC GP must distribute the remaining part of any sale proceeds, together with any cash forming part of ESIF CT fund, among the unitholders. 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 was established as a Canadian limited partnership pursuant to the ESLP Partnership Agreement. ESLP is owned as to 100 Class A units and 3,100 Class B units by OESC as a limited partner, one Class A unit by OESC GP as general partner and 559,899 Class A units by ESIF CT, a limited partner. Class A unitholders of ESLP are entitled to distributions once the Class A preferred return has been paid.

The ESLP Partnership Agreement provides the partnership is limited to not more than 50 partners, the transfer of its units is restricted and persons who are non residents of Canada may not purchase or acquire units. The fiscal year end of ESLP is March 31 in each year. The ESLP 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 a 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 including the Energy Savings System; (b) to enter into separate limited partnership agreements, as limited partner with OESC GP, as general partner to carry on the

Fund's business in each of British Columbia (B.C. Energy Savings), Alberta (Alberta Energy Savings) and Quebec (Quebec Energy Savings); (c) to grant licences to the Energy Savings System to each of the limited partnerships referred in (b) above and to U.S. Energy Savings, in each case in return for royalty payments; and (d) to carry on any business in any jurisdiction related to the Fund's business.

ESLP holds a 99.9% equity interest as a limited partner in each of the three limited partnerships. OESC GP, the general partner, holds a 0.0001% equity interest in each of B.C. Energy Savings and Quebec Energy Savings and a 0.00004% equity interest in Alberta Energy Savings.

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

Provincial Limited Partnerships

The material terms and conditions of the limited partnership agreements which govern each of Quebec Energy Savings, Alberta Energy Savings and B.C. Energy Savings are similar. Each limited partnership has an authorized capital of an unlimited number of units. In each case, ESLP is the limited partner and OESC GP is the general partner. Each were formed for the purpose of obtaining a licence from ESLP to use the Energy Savings System in exchange for royalty payments and to carry on the Fund's business in any jurisdiction as determined by the general partner. Each limited partnership is limited to not more than 50 partners, the transfer of units is restricted to persons who are residents of Canada and the fiscal year end is March 31 in each year. Each partnership is managed by OESC GP as the general partner. The net income or net loss, if any, for a particular fiscal year, will be allocated to the partners as follows: (i) to the extent there is a net loss for any fiscal period, such net loss shall be allocated as follows: (a) first among the unitholders *pro rata* up to the amount of the capital account for each unitholder, then (b) to the general partner and (ii) to the extent there is net income in a fiscal year, such net income shall be allocated to the unitholders *pro rata* in accordance with the aggregate number of units held by each unitholder.

Quebec Energy Savings was funded by ESLP, its limited partner by \$49,980 (2,499 units at \$20 per unit) and by OESC GP, its general partner by \$20 (one Unit at \$20). BC Energy Savings was funded by ESLP, a limited partner by \$49,980 (2,499 units at \$20 per unit) and by OESC GP, its general partner by \$20 (one unit at \$20 per unit). Alberta Energy Savings was initially funded by ESLP, its limited partner by \$49,980 (2,499 Units at \$20 per unit) and by OESC GP, its general partner by \$20 (one Unit at \$20 per unit) and on December 2, 2004 by ESLP to finance its acquisition of a portfolio of energy contracts from Epcor by \$11 million (550,000 Class A units at \$20 per Unit).

OESC GP

OESC GP which is owned as to 100% by the Fund serves as the trustee of ESIF CT and as the general partner of each of ESLP, Quebec Energy Savings, Alberta Energy Savings and Manitoba Energy Savings. See Organization Chart.

Energy Savings System – Acquisition Agreement

On March 18, 2004 OESC sold its Energy Savings System for use in the Provinces of Quebec, British Columbia and Alberta and in the United States to ESLP in return for Class A and Class B units of ESLP having a paid in capital of approximately \$31 million, subject to adjustment, at which time OESC became a limited partner of ESLP as described above. The Acquisition Agreement contained the usual representations and warranties from both OESC and OESC GP as general partner of ESLP including as regards title to the assets, no material adverse change, options or litigation and the usual covenants.

Licence and Royalty and Sub Licence Agreements

On March 18 and 19, 2004 OESC GP as general partner of ESLP licenced the Energy Savings System pursuant to separate licence and royalty agreements to each of Energy Savings Quebec, B.C. Energy Savings and Energy Savings Alberta to enable each such limited partnership to use in perpetuity the System for purposes of the Fund's business in each such jurisdiction in return for royalty payments to ESLP in an amount per year equal to 4% of gross revenues of licensee providing no royalties are payable until licensee has earned positive cash flow during each royalty period of at least \$200,000.. Each licence and royalty agreement contains terms and conditions relating to support services, obligations of the licensee including business standards and non-competition, confidentiality, royalty payment terms and default. Contemporaneously, on March 18, 2004 OESC GP as general partner of ESLP licenced the Energy Savings System to U.S. Energy Savings pursuant to a licence and royalty agreement to enable it to sublicense the System in perpetuity to its subsidiaries and contemporaneously U.S. Energy Savings sublicenced the Energy Savings System to Illinois Energy Savings to enable it to use the System in perpetuity to carry on its business in the State of Illinois. Royalty payments payable by U.S. Energy Savings to ESLP and by Illinois Energy Savings to U.S. Energy Savings are also based on 4% of annual gross revenues of licensee except that no royalties are payable until the licensee has earned positive cash flow during each royalty period of at least U.S. \$5 million. The terms and conditions of each of the above referenced licence and royalty and sublicense agreements are otherwise similar and include provisions dealing with non-competition, confidentiality, support services, business standards, ownership of intellectual property rights, representations and warranties and covenants usual and normal for such agreements.

CREDIT FACILITY

OESC and U.S. Energy Savings entered into the Credit Facility pursuant to which a group of financial institutions made a \$60 million operating facility available to OESC and U.S. Energy Savings. Securities (including notes issued pursuant to the OESC, Exchange and Exchangeco Note Indentures), owned directly or indirectly by the Fund in "restricted" entities (including OESC, ESIF CT, OESC GP, Exchangeco, ESLP, B.C. Energy Savings, Quebec Energy Savings, Commodities, Manitoba Energy Savings, US Energy Savings, Illinois Energy Savings and New York Energy Savings) have been pledged to CIBC, as the collateral agent, as security for the line credit. CIBC, as collateral agent, also holds as security for the Credit Facility all customer contracts owned directly or indirectly by the Fund – except for those customer contracts owned by Alberta Energy Savings. To complement the Credit Facility, Coral

Energy and the lenders entered into an intercreditor agreement pursuant to which Coral Energy and the lenders jointly hold security over a majority of the assets of the Fund and its active Subsidiaries and Affiliates (other than Alberta Energy Savings). All LDC receipts are directed to CIBC as collateral agent, one of the financial institutions in the syndicate. The collateral agent holds the monies in trust in a lock box account for the lenders. All commodity suppliers invoice the Affiliates and Subsidiaries of the Fund directly who, on a monthly basis direct the collateral agent to deduct the cost of commodity and related administration fees, from the lock box account and remit the remaining proceeds to the Affiliates and Subsidiaries of the Fund.

RISK FACTORS

Availability of Supply

A key risk to the business model is a sudden and significant drop in the market price of gas or electricity resulting in customers leaving their contracts. OESC and its Subsidiaries and Affiliates may encounter difficulty or political resistance for enforcement of liquidated damages and/or enactment of force majeure provisions in such a situation and be exposed to spot prices with a material adverse impact to cash flow. Continual monitoring of margin and exposure allows management time to adjust strategies, pricing and communications to mitigate. The risk of supply default is mitigated through credit and supply diversity arrangements. The business model is based on contracting for supply to lock in margin. There is a risk that counterparties could not deliver due to business failure, not deliver due to supply shortage or that OESC and its Subsidiaries and Affiliates could not find alternatives to their major energy supplier, Coral Energy. OESC and its Subsidiaries and Affiliates continue to investigate opportunities to identify additional Gas Suppliers and Electricity Suppliers.

Availability of Credit

The Fund operates in the Illinois market that requires it to inject inventory resulting in working capital requirements (particularly in the summer and fall), that necessitate credit availability. In addition, some of OESC's Subsidiaries and Affiliates have collateral posting requirements for their supply contracts, license obligations and some LDCs that utilize available credit. Cash flow and distributions could be impacted by the ability of OESC and its Subsidiaries and Affiliates to fund such requirements. To mitigate credit availability risk and its potential impact to cash flows, OESC and its Subsidiaries and Affiliates have security arrangements in place with Coral Energy and lenders under the Credit Facility wherein receivables are forwarded directly to them for application to the supply payable. Other suppliers' security requirements are met through cash margining and letters of credit. To date, the Company's credit facility has met the collateral posting requirements of the business and effective monitoring has been maintained.

Legislative and Regulatory Environment

OESC and its Subsidiaries and Affiliates operate in the highly regulated natural gas and electricity retail sales industry in the Provinces of Ontario, Manitoba, Quebec, British Columbia and Alberta and in the State of Illinois. They must comply with the legislation and regulations in these jurisdictions in order to maintain their licensed status and continue their operations. There is potential for changes to these legislation and regulatory measures that may, favourably or unfavourably, impact the Fund's business model (such as the Electricity Pricing Act which precluded OESC from further marketing of electricity to certain customers in Ontario and The Electricity Restructuring Act, 2004 (See "Development of the Fund – Electricity Operations")). The Fund has a dedicated team of in-house regulatory advisors to ensure adequate knowledge of the legislation and regulations in order that operations may advise of regulations pursuant to which procedures are required to be implemented and monitored to maintain licence status. When new markets are entered, the in-house team assesses the market and determines if additional expertise is required.

As part of ABC-T Service, the LDCs in Ontario continue to perform certain services on behalf of ABMs, including collection services and assuming the risk of any bad debts owing from OESC's customers. The provision of certain of these services may be mandated pursuant to rules enacted by the OEB. However in the absence of such rules or other requirements, there can be no assurance that the LDCs will continue to provide these services.

Information Technology Systems

OESC and its Subsidiaries and Affiliates operate in a high volume business with an extensive array of data interchanges and market requirements. Appropriate systems are necessary to track, monitor and correct or otherwise verify a high volume of data to ensure the reported financial results are accurate.

Customer Credit Risk

Not all LDC's assume the collection risk of customer accounts, particularly in United States and the Alberta markets. Subsidiaries and Affiliates of the Fund assume direct billing responsibility in such situations and are exposed to risk of creditworthiness of such customers. Credit review processes have been put in place for those markets where Subsidiaries and Affiliates of the Fund have credit risk. If a significant number of customers were to default on their payments, it could have a material adverse affect on the operations and cash flow of the Fund and its Subsidiaries and Affiliates.

For the remaining markets in which Subsidiaries and Affiliates of the Fund operate, the LDC provide collection services and assume the risk of any bad debts owing from customers. Therefore, Subsidiaries and Affiliates of the Fund receive the collection customer account balances directly from the LDCs. Management believes that the risk of the LDCs failing to deliver payment to Subsidiaries and Affiliates of the Fund is minimal.

Competition

Although OESC believes it is currently either the largest or the second largest ABM of natural gas and electricity contracts in Canada based on the number of contracted customers, management estimates that approximately four other companies compete with it in the residential, small to mid-size commercial and small industrial market two of whom have a very small number of customers. It is possible that new entrants may enter the market as ABMs and compete directly for the customer base that OESC and its Subsidiaries and Affiliates target, slowing or reducing their market share. If the LDCs are permitted by changes in the current regulatory framework to sell natural gas at prices other than WACOG, their existing customer bases could provide them with a significant competitive advantage. This may limit the number of customers available for ABM's including OESC and its Subsidiaries and Affiliates.

Dependence on Independent Commission Agents

The continued growth of the Fund through its Subsidiaries and Affiliates is reliant on the services of approximately 450 Independent Commission Agents to sign up new customers. There can be no assurance that competitive conditions will allow these independent sales agents to achieve these customer additions. Although commission expenses are only incurred in connection with new flowing contracts which are secured by its independent sales force, lack of success in these marketing programs would limit future growth of the cash flow of the Fund's Subsidiaries and Affiliates and future distributions to Unitholders.

Dependence on Coral Energy and LDCs

While OESC and its Subsidiaries and Affiliates have the ability to select alternate Gas Suppliers and Electricity Suppliers, subject to certain limitations contained in OESC's agreement with Coral Energy, approximately 95% of their gas and 65% of its electricity supply contracts are currently with Coral Energy, an affiliate of Shell Oil Company, which is a member of the Royal Dutch/Shell Group. Should Coral Energy experience financial difficulties

or be otherwise unable to perform its obligations under its natural gas and electricity agreements with OESC, the ability of the Company and its Subsidiaries and Affiliates to meet their obligations to their customers and, therefore, their ability to earn margins on gas and electricity sales could be adversely affected.

Electricity Contract Renewals

As at March 31, 2005, OESC and its Subsidiaries and Affiliates held long term Retail Electricity Contracts reflecting approximately 424,000 long term electricity RCEs, of which 21% renew in the year ending March 31, 2006, 8% renew in 2007 37% renew in 2008, 24% renew in 2009 and 10% in 2010. Since the vast majority of the Retail Electricity Contracts owned by OESC and its Subsidiaries and Affiliates are for either three or five year terms, OESC and its Subsidiaries and Affiliates have virtually no Retail Electricity Contract renewals to date. Legislation remains in place which could render a renewal of a residential Retail Electricity Contract ineffective should the customer not reaffirm the Contract after a date determined by regulation.

Gas Contract Renewals

As at March 31, 2005, the Subsidiaries and Affiliates of the Fund had long term Fixed Price Gas Contracts reflecting approximately 811,000 long term gas RCEs, of which 8% renew in the year ending March 31, 2006, 14% renew in 2007, 15% renew in 2008, 20% renew in 2009, 38% in 2010 and 5% renew in 2011. The experience of the Subsidiaries and Affiliates of the Fund and the expectation of management is that approximately 80% of customers renew at the expiry of the term of their Fixed Price Contract.

Changes in customer behaviours, government regulation or increased competition may alter (potentially adversely) renewal rates in the future and these changes could adversely impact the future cash flow of the Subsidiaries and Affiliates of the Fund

Cash Distributions Are Not Guaranteed and Will Fluctuate with the Performance of the Fund's Subsidiaries and Affiliates

Although the Fund intends to distribute the interest and dividend income and other income earned by the Fund less expenses and amounts, if any, paid by the Fund in connection with the redemption of Units, there can be no assurance regarding the amounts of income to be generated by OESC and its Subsidiaries and Affiliates and paid, directly or indirectly to the Fund. The actual amount distributed in respect of the Units will depend upon numerous factors, including profitability, fluctuations in working capital, the sustainability of margins, the ability of OESC and its Subsidiaries and Affiliates to match, at favourable prices, its commitment to supply natural gas and electricity to its customers, the ability of OESC and its Subsidiaries and Affiliates to secure additional Fixed Price Gas Contracts and Retail Electricity Contracts and other factors beyond the control of the Fund, OESC and its Subsidiaries and Affiliates. Management of OESC cannot make any assurances that OESC and its Subsidiaries and Affiliates will be able to pass any additional costs arising from legislative changes (or any amendments thereto), on to the customers. Cash distributions are not guaranteed and will fluctuate with the performance of OESC and its Subsidiaries and Affiliates and other factors.

Commodity Alternatives

To the extent that natural gas and electricity enjoys a price advantage over other forms of energy, such price advantage may be transitory and consumers may switch to the use of another form of energy. The recent increases and volatility in natural gas and electricity prices could result in these other sources of energy providing more significant competition to OESC and its Subsidiaries and Affiliates.

Investment Eligibility

The Fund will endeavor to ensure that the Units continue to be qualified investments for registered retirement savings plans, deferred profit sharing plans and registered retirement income funds and registered education savings plans. The Tax Act imposes penalties for the acquisition or holding of non-qualified or ineligible investments and there is no assurance that the conditions prescribed for such qualified or eligible investments will be adhered to at any particular time.

Nature of Units

Securities such as the Units are hybrids in that they share certain attributes common to both equity securities and debt instruments. The Units do not represent a direct investment in the natural gas wholesale business and should not be viewed by investors as shares in OESC or in any of its Subsidiaries and Affiliates. As holders of Units, subject to the Trust Beneficiaries Act, 2004 referred to below, Unitholders do not have the statutory rights normally associated with ownership of shares of a company including, for example, the right to bring "oppression" or "derivative" actions. The Units represent a fractional interest in the Fund. The Fund's primary assets are the OESC Notes, Common Shares, the Exchangeco Notes and the Exchangeco Common Shares and its equity interests in its other Subsidiaries and Affiliates. The price per Unit is, among other things, a function of anticipated distributable income.

Redemption Right

It is anticipated that the redemption right will not be the primary mechanism for Unitholders to liquidate their investments. Common Shares, OESC Notes, Exchange Notes and Exchangeco Notes which may be distributed *in specie* to Unitholders in connection with a redemption will not be listed on any stock exchange and no established market is expected to develop for such Common Shares, OESC Notes, Exchange Notes or Exchangeco Notes. Cash redemptions are subject to limitations. See "Declaration of Trust and Description of Units – Redemption Right".

Unitholder Limited Liability

The Declaration of Trust provides that no Unitholder will be subject to any liability in connection with the Fund or its assets or obligations and, in the event that a court determines that Unitholders are subject to any such liabilities, the liabilities will be enforceable only against, and will be satisfied only out of, the Unitholder's share of the Fund's assets.

The Declaration of Trust further provides that the Trustee and the Fund shall make all reasonable efforts to include as a specific term of any obligations or liabilities being incurred by the Fund or the Trustee on behalf of the Fund a contractual provision to the effect that neither the Unitholders nor the Trustee have any personal liability or obligations in respect thereof. The Administration Agreement contains such provisions. Personal liability may also arise in respect of claims against the Fund that do not arise under contracts, including claims in tort, claims for taxes and possibly certain other statutory liabilities. As the Fund's activities are generally limited to investing in securities issued by OESC and Exchangeco, the possibility of any personal liability of this nature arising is considered remote.

On December 16, 2004 the Government of Ontario passed the *Trust Beneficiaries' Liability Act*, 2004 which limits the liability of holders of trust units, in a manner similar to that afforded to holders of shares of Ontario incorporated limited liability corporations. The legislation provides that the beneficiaries of a trust are not as beneficiaries, liable for any act, default, obligation or liability of the trust or any of its trustees that arises after the Act became law if, when the act or default occurs or the obligation or liability arises: (a) the trust is a reporting issuer under the *Securities Act* (Ontario); and (b) the trust is governed by the laws of Ontario. The Fund is a reporting issuer under the *Securities Act* (Ontario) and is governed by the laws of Ontario. However, the courts have not yet had an opportunity to consider this legislation.

The operations of the Fund will be conducted, upon the advice of counsel, in such a way and in such jurisdictions as to avoid as far as possible any material risk of liability on the Unitholders for claims against the Fund.

Distribution of Common Shares and Notes on Termination of the Fund

Upon termination of the Fund, the Trustee may distribute the Common Shares, OESC Notes, Exchange Notes, Exchangeco Common Shares and Exchangeco Notes directly to the Unitholders, subject to obtaining all required regulatory approvals. There is currently no market for the Common Shares, OESC Notes, Exchange Notes, Exchangeco Common Shares or Exchangeco Notes. In addition, the Common Shares, OESC Notes, Exchange Notes, Exchangeco Common Shares and Exchangeco Notes are not freely tradeable and are not currently listed on any stock exchange. See "Declaration of Trust and Description of the Fund – Term of the Fund".

The Fund May Issue Additional Units Diluting Existing Unitholders' Interests

The Declaration of Trust authorizes the Administrator to cause the Fund to issue an unlimited number of Units for such consideration and on such terms and conditions as shall be established by the Administrator without the approval of any Unitholders. Additional Units have been and will be issued by the Fund on the exercise of the Exchangeco Exchange Rights relating to the Preference Shares. See "OESC Shareholders' Agreement – Exchangeco Exchange Rights", upon the exercise of options to acquire Units under the Fund's 2001 Unit Option Plan, the exchange of fully paid unit appreciation rights for Units under the Fund's Unit Appreciation Rights Plan and the issue of Units to directors of OESC under the Directors' Deferred Unit Compensation Plan.

Restrictions on Potential Growth

The payout by OESC of the vast majority of all of its operating cash flow will make additional capital and operating expenditures dependent on increased cash flow or additional financing in the future. Lack of such funds could limit the future growth of OESC and its cash flow.

Changes in Legislation

There can be no assurance that the treatment of mutual fund trusts will not be changed in a manner which adversely affects Unitholders. If the Fund ceases to qualify as a "mutual fund trust" under the Tax Act, the Units will cease to be qualified investments for registered retirement savings plans, deferred profit sharing plans and registered retirement income funds and registered education savings plans.

Foreign Exchange Risk

Subsidiaries and Affiliates of the Fund have an exposure to foreign currency exchange rates, as a result of their investments in U.S. operations. Changes in the applicable exchange rate may result in a decrease or increase in income.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Reference is made to Management's Discussion and Analysis of Financial Condition and Results from Operations included in the Fund's Annual Report (pages 19 to 40) for the period ended March 31, 2005 which is incorporated herein by reference. See Sedar project # 794404 at www.sedar.com.

DISTRIBUTIONS ⁽¹⁾

The following table sets forth the month of payment and the distributions per Unit paid by the Fund on the Units from inception:

<u>Record of Cash Distributions⁽¹⁾</u>	<u>Fiscal 2006</u> <u>\$ Per Unit</u>	<u>Fiscal 2005</u> <u>\$ Per Unit</u>	<u>Fiscal 2004</u> <u>\$ Per Unit</u>	<u>Fiscal 2003</u> <u>\$ Per Unit</u>	<u>Fiscal 2002</u> <u>\$ Per Unit</u>
April.....	0.0737	0.067	0.056	0.034	—
May.....	0.0737	0.067	0.058	0.039	—
June.....	0.0737 ⁽²⁾	0.067	0.058	0.039	0.025
July.....	0.0737 ⁽³⁾	0.070	0.060	0.042	0.025
August.....		0.070	0.060	0.044	0.025
September.....		0.070	0.063	0.044	0.028
October.....		0.072	0.063	0.048	0.030
November.....		0.072	0.063	0.048	0.030
December.....		0.072	0.065	0.052	0.030
January.....		0.072	0.065	0.054	0.032
February.....		0.072	0.065	0.054	0.032
March.....		0.072	0.065	0.054	0.032

Notes:

- (1) All amounts reflect cash distributions for the Units on a post-split basis, in respect of each of: (a) the 2:1 subdivision of Units effective on July 29, 2002 and (b) the 2:1 subdivision of Units effective on January 30, 2004. All distributions are paid on the last day of the month to Unitholders of record the 15th day of the month.
- (2) Declared May 19, 2005 payable June 30, 2005 to Unitholders of record June 15, 2005.
- (3) Declared June 29, 2005 payable July 31, 2005 to Unitholders of record July 15, 2005.
- (4) The Fund's current distribution policy is described under the heading "Distributions Policy", "Cash Distributions" and under the heading "Cash Distributions Are Not Guaranteed and Will Fluctuate with the Performance of the Fund's Subsidiaries and Affiliates."

MARKET FOR SECURITIES ⁽¹⁾

The Units of the Fund are listed for trading on the TSX under the symbol SIF.UN. The following table sets forth the price range and trading volume of Units traded on the TSX for the most recently completed financial year of the Fund ended March 31, 2005 and for the months of April and May and to June 28, 2005:

MONTH	HIGH	LOW	CLOSE	VOLUME
June 1 to 28, 2005	18.10	16.85	17.07	3,161,094
May 2005	\$17.37	\$15.52	\$17.15	5,553,511
April 2005	\$16.74	\$15.02	\$15.80	2,395,982
March 2005	\$17.50	\$15.47	\$16.45	8,628,053
February 2005	\$18.40	\$16.40	\$16.63	7,089,895
January 2005	\$19.25	\$17.00	\$17.48	4,175,149
December 2004	\$19.28	\$17.26	\$19.25	3,448,180
November 2004	\$19.25	\$16.33	\$18.75	3,974,569
October 2004	\$16.93	\$15.15	\$16.34	3,099,474
September 2004	\$15.90	\$14.51	\$15.20	5,312,166
August 2004	\$16.25	\$15.52	\$15.56	2,954,416
July 2004	\$16.73	\$15.10	\$16.05	2,342,326
June 2004	\$15.50	\$13.55	\$15.50	3,440,990
May 2004	\$17.04	\$14.25	\$14.30	5,882,128
April 2004	\$17.50	\$16.12	\$17.00	3,999,885

(1) All amounts in the above table reflect each of the 2:1 subdivision of Units effective July 29, 2002 and the 2:1 subdivision of Units effective January 30, 2004.

DIRECTORS AND OFFICERS OF OESC

The Fund is administered by OESC pursuant to the Administration Agreement. The names and municipalities of residence of the persons who are the directors (including their year of appointment), and executive officers of OESC and their principal occupations during the five preceding years are as follows:

Name and Municipality of Residence and Year of Appointment for Directors ⁽⁴⁾	Position with the Company	Principal Occupation
John A. Brussa ⁽²⁾ Calgary, Alberta 2001	Director	Partner, Burnet, Duckworth & Palmer LLP (law firm)
The Hon. Michael Kirby ⁽¹⁾ Ottawa, Ontario 2001	Director	Member of the Senate of Canada and Corporate Director
The Hon. S. Donald Macdonald, P.C., CC ⁽²⁾⁽³⁾⁽⁶⁾ Uxbridge, Ontario 2005	Director	Corporate Director

Name and Municipality of Residence and Year of Appointment for Directors ⁽⁴⁾	Position with the Company	Principal Occupation
Rebecca MacDonald Toronto, Ontario 2001	Executive Chair and Director	Executive Chair of the Company
Brennan R. Mulcahy Caledon, Ontario 2001	Chief Executive Officer and Director	Chief Executive Officer of the Company
John E. Panneton ⁽²⁾⁽⁴⁾ Toronto, Ontario	Director	President, Goodman Private Wealth Management
Hugh D. Segal ⁽¹⁾⁽³⁾⁽⁵⁾ Kingston, Ontario 2001	Lead Director	President, Institute For Research on Public Policy
Brian R.D. Smith ⁽¹⁾ Vancouver, British Columbia 2001	Director	Federal Chief Treaty Negotiator and Energy Consultant
Paul DeVries Mississauga, Ontario	President – Canadian Operations	President – Canadian Operations of the Company
David Ellis Toronto, Ontario	Vice-President, Operations	Vice-President, Operations of the Company
Christopher J. Gaffney Toronto, Ontario	Vice-President and General Counsel	Vice-President and General Counsel of the Company
Ken Hartwick, C.A. Milton, Ontario	Chief Financial Officer	Chief Financial Officer of the Company
Mary Meffe Toronto, Ontario	Vice President Finance	Vice President Finance of the Company
Andrew E. Schneider Oakville, Ontario	Vice President and Chief Information Officer	Vice President and Chief Information Officer of the Company
Gord Potter Richmond Hill, Ontario	Vice President, Regulatory Affairs	Vice President, Regulatory Affairs of the Company
Debbie Wernet Houston, Texas	Executive Vice President	President , U.S. Energy Savings Corp.
Richard Early Markham, Ontario	Vice President, Human Resources	Vice President, Human Resources of the Company
Jason Wong Markham, Ontario	Vice President, Customer Service	Vice President, Customer Service of the Company

Notes:

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

- (2) Member of the Compensation and Human Resources Committee. Mr. Panneton is the Chair of the Committee.
- (3) Member of the Nominating and Corporate Governance Committee. Mr. Macdonald is the Chair of the Committee.
- (4) Each of the persons, who are directors of OESC, became a director on the Amalgamation of April 30, 2001 except for Brian Smith who was appointed to the board of OESC on August 21, 2001, John Panneton who was elected to the board on June 27, 2003 and Donald Macdonald who was appointed to the board on January 17, 2005. Each of the persons who is listed above as a director has continued as a director of OESC since their initial appointment. The present term of office of each director will expire immediately prior to the election of directors at the next annual meeting of Unitholders.
- (5) Appointed lead director by the Board of Directors on January 17, 2005.
- (6) In September 1996, Mr. Macdonald became a director of CanEnerco Ltd. which became Bankrupt on or about November 17, 2000 and remains in bankruptcy pending the outcome of litigation commenced against Encana Corporation

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, who has been involved in the deregulation of natural gas for 13 years, became an officer of the Company in January 2000. Prior to January 2000, Ms. MacDonald was the President of Energy Marketing Inc. (gas marketing company). Prior to April 1, 2005 Ms. MacDonald was the Chief Executive Officer of the 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. Ken Hartwick became Chief Financial Officer of the Company on April 5, 2004 prior to which he served as Senior Vice President, Finance (October 2000 to September 2001) and Chief Financial Officer and Senior Vice President, Finance (October 2001 to April 2004) of Hydro One (electric utility). Prior to joining Hydro One, Mr. Hartwick was Vice President, Cap Gemini Ernst & Young consulting business) (May to October 2000) and a partner of Ernst & Young LLP (auditors) from July 1994 to April 2000. John Panneton joined Dundee Securities Company in May 1998 as Vice Chairman and President and has held the position of Vice Chairman from January 1, 2003. In July, 2003 Mr. Panneton was appointed President of Goodman Private Wealth Management (wealth management). Mr. Panneton's terms as a director will end on June 29, 2005. Brennan Mulcahy, who has been involved in the deregulation of natural gas for 11 years, joined the Company in July 1997. From January 1997 to July 1997, he served as a marketer for Consolidated Gas Limited (gas marketing company). He was President of the Company until March 31, 2005 when he became Chief Executive Officer. From May 1993, Hugh Segal has been a Senior Fellow, School of Policy Studies, Queen's University and, prior to November 1998, he was an Associate of Gluskin Sheff & Associates Inc. (investment counsel). 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) and prior to that was counsel with McCarthy Tetrault (law firm). 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. Prior to becoming Federal Chief Treaty Negotiator and Energy Consultant in June of 2001, Mr. Smith was Chair of British Columbia Hydro from 1996 to June 2001. Before joining OESC in August 2003, Debbie Wernet held various positions with Coral Energy/Shell Trading (natural gas and power marketing) as President, Shell Trading Gas and Power, North America commencing in August 2001 and as President, Coral Energy commencing in August 1999 and before then as President of Coral Power. Before joining OESC in April 2002, Paul DeVries was employed by Enron Canada Corp. (wholesale and retail energy marketers) from January 1997 – April 2002, most recently as Vice President in charge of its Eastern Canadian operations. Before that time, Mr. DeVries was associated with McKinsey & Company (consulting) from September 1990 to October 1996 specializing in energy. Mr. DeVries became President – Canadian Operations of the Company on April 1, 2005. Before joining OESC in February 2002, David Ellis was a Manager with Enron Canada Corp. (wholesale and retail energy marketer) and Enron Direct Canada Corp. (retail energy marketing) from July 2000 to January 2002. Before that time he was an International Capital Markets Group Manager with Ernst & Young (chartered accountants) (July 1998 – June 2000) and an Audit Senior with Ernst & Young in London, Ontario. Before joining OESC in February, 2002 Christopher Gaffney was Senior Counsel with Enron Canada Corp. (wholesale and retail energy marketers) from May 1998 to January 2002. Before that time Mr. Gaffney was a member of the firm of Blake, Cassels & Graydon (lawyers) (July 1993 – April 1996, December 1996 – April 1998) and the firm of Blain & Company (lawyers) (May 1996- December 1996). Before joining OESC in June of 2001 as Director of Finance, Mary Meffe was employed as

the manager financial reporting (theatre division) of Imax Company (entertainment) from June 2000 to June 2001 and from November 1997 to June 2000 and December 1994 to November 1997 as a senior accountant and accountant respectively with Rosenberg Smith & Partners (public accounting) and Wainman & Kydd (public accounting). Ms. Meffe became Vice President – Finance on November 4, 2004. Andrew Schneider joined OESC in December 2000. Prior to that time he was the Director, Information Technology of Giffels Associates Limited (engineering company). He served as an information services consultant to OESC from its inception in 1997 until he joined OESC. Before joining OESC in April, 2004 as Vice President, Human Resources, Richard Early was employed at WebHelp Inc. (global business process outsourcers) as V.P. Human Resources from July 2001 to April 2004 and Director of Human Resources from July 2000 to July 2001. Prior to that time he was Senior Manager, Human Resources Electronic Banking at Scotiabank (chartered bank) from December 1999 to July 2000. Before joining the Company as Director, Customer Service in March 2002 Jason Wong served as the Director, Call Centre and Communications at the Canadian College of Massage and Hydrotherapy from October 1999 to January 2001 (educational institution). He was Senior Director, Customer Service at the Company from April 2003 to March 2004 when he was appointed to his present position. Gord Potter joined OESC in June 2003 as Director, Regulatory and Utility Management and was appointed to his current position as Vice-President – Regulatory Affairs in April 2005. Before joining OESC he was Director, Utility Relations at Direct Energy Marketing Ltd. (retailer of energy contracts) from November 2002 to May 2003. Prior to that time he was the sole proprietor of GP Consulting (telecommunications and energy).

As at March 31, 2005 the above directors and senior officers of OESC, as a group, beneficially owned, directly or indirectly, or exercised control or direction over approximately 3,440,787 Units of the Fund and approximately 8,706,212 (86%) of the Class A Preference Shares of OESC which Units and Preference Shares together constitute 12,146,999 (11.5%) of the Units of the Fund (diluted).

LEGAL PROCEEDINGS

There are no outstanding legal proceedings which, individually, are for claims in excess of 10% of the current asset value of the Fund to which the Fund or any of its Affiliate is a party or in respect of which any of their respective properties are subject, nor are there any such proceedings known to be contemplated.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

There were no material interests, direct or indirect, of directors and senior officers of the Fund, any Unitholder who directly or indirectly beneficially owns, or exercises control or direction over, more than 10% of the Trust Units or any known associate or affiliate of such persons in any transaction within the three most recently completed financial years or during the current financial year which has materially affected or will materially affect the Fund.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The auditors of the Fund are Deloitte & Touche LLP, Chartered Accountants, Toronto, Ontario. Following the receipt of proposals from several auditing firms and compliance with National Instrument 51-102, the Audit Committee unanimously recommended to the board of directors of OESC that KPMG LLP be proposed as the Fund's auditors. The board of directors of OESC accepted the Audit Committee's recommendation which was supported by management of OESC. On June 29, 2005 the holders of Units of the Fund and the holders of Class A Preference Shares of OESC voted, by the required majority, to appoint KPMG LLP as the independent auditors for the Fund for the fiscal year ending March 31, 2006.

Computershare Trust Company of Canada at its offices in Toronto, Ontario acts as the transfer agent and registrar for the Trust Units.

MATERIAL CONTRACTS

Except for contracts entered into by the Fund in the ordinary course of business or otherwise disclosed herein, the only material contracts entered into by the Fund and/or its Affiliates and Subsidiaries are: the Declaration of Trust, the ESIF Trust Indenture and the ESLP Partnership Agreement each of which is described herein. Copies of the Declaration of Trust, the ESIF Trust Indenture and the ESLP Partnership Agreement are available on the Fund's SEDAR profile at www.sedar.com.

AUDIT COMMITTEE INFORMATION

Multilateral Instrument 52-110 of the Canadian Securities Administrators requires the Company to disclose annually in its AIF certain information relating to OESC's Audit Committee and its relationship with its independent auditors. Schedule "A" contains additional information contemplated by Form 52-110F1 – "Audit Committee Information required in an AIF", including information with respect to the financial literacy of each member of the Audit Committee. The text of the mandate for the Audit Committee is included at Schedule "B".

ADDITIONAL INFORMATION

Additional information relating to the Fund may be found on SEDAR at www.sedar.com. Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Fund's securities and securities authorized for issuance under equity compensation plans, if applicable, is contained in the Information Circular of the Fund for its most recent annual meeting of unitholders that involved the election of directors of OESC. Additional financial information is contained in the Fund's audited consolidated financial statements and management's discussion and analysis for the year ended March 31, 2005.

For additional copies of this Renewal Annual Information Form and the material listed in the preceding paragraphs please contact:

Energy Savings Income Fund
First Canadian Place
100 King Street West
Suite 2630, P.O. Box 355
Toronto, Ontario
M5X 1E1

Attention: Corporate Secretary

SCHEDULE "A"

FORM 52-110F1

AUDIT COMMITTEE INFORMATION REQUIRED IN AN AIF

1. **The Audit Committee's Charter.** The text of OESC's audit committee's charter is attached hereto as Schedule "B".

2. **Composition of the Audit Committee and Relevant Education and Experience.** OESC's audit committee consists Michael J.L. Kirby (Chair), Hugh D. Segal and Brian R.D. Smith. All members of the audit committee are independent and financially literate (as those terms are defined in Multilateral Instrument 52-110 – *Audit Committees*). Mr. Kirby, Chair of the Committee, has a PhD in applied mathematics. He has been a member of the faculty of several business schools, including the University of Chicago. For several years in the 1990's he was chair of the Standing Senate Committee on Banking, Trade and Commerce, the Senate Committee which is responsible for all legislation and regulations affecting business. For the past three years, Mr. Kirby has been Vice-Chair of the Accounting Standards Oversight board. Currently, he is chair of the Audit Committee of two other Canadian publicly traded companies: The Bank of Nova Scotia and Indigo Books and Music Inc. Mr. Smith became a director of OESC on August 21st, 2001 and a member of the Audit Committee on August 13th, 2003. Mr. Smith has had significant business experience including serving as Chair of BC Hydro from February 1996 to June 2001 and Chair of Canadian National Railways from 1989 to 1994 where, in both positions he was inextricably involved in strategic financial planning and reporting. In his role as Minister of Education, Minister of Energy and Mines and Attorney General in the government of the Province of British Columbia between 1979 to 1994, Mr. Smith developed an acute understanding of public and private finance matters. Mr. Segal is President of the Institute for Research on Public Policy and has been a member of the OESC Audit Committee since 2003. Mr. Segal serves as a director of several TSX listed companies including: CPI Plastics Group Limited, St. Lawrence Cement, SNC Lavalin and Vincor International. He serves as a member of the audit committee of two other TSX listed companies. He is a senior fellow at the Queen's School of Policy Studies and an Adjunct Professor at the Queen's School of Business. Mr. Segal developed the ability to assess the general application of accounting principles in connection with the accounting for estimates, accruals and reserves as President, between 1982 and 1991 of a company with \$100 million in sales. Beyond his undergraduate degree and business experience, Mr. Segal studied trade economics at the graduate level and between 1982 and 1991, advised clients on takeovers and merger activity. Between 1996 and 1998 he also served on the staff of a major Bay Street investment firm.

3. **Pre-Approval Policies and Procedures.** Recommendations are made from time to time from management to the Audit Committee for the engagement of all non-audit services. The Audit Committee considers such recommendations for pre-approved at its quarterly meetings or sooner, if necessary providing that where necessary, this function may be delegated to the Chair of the Audit

Committee for approval on the basis that the Chair reports all such approvals to the Audit Committee at its next regularly scheduled meeting.

4. **External Auditor Service Fees (By Category).** For fiscal 2005, fees charged by Deloitte & Touche LLP for the audit and related services to the Fund and its affiliates were \$532,965 (2004 - \$310,156). Additional audit related fees 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 Corporation and its subsidiaries by Deloitte & Touche LLP.

SCHEDULE 'B'

ONTARIO ENERGY SAVINGS CORP. (the "Company") *

AUDIT COMMITTEE

TERMS OF REFERENCE

*** (as attorney and administrator for Energy Savings Income Fund (the "Fund"))**

1. COMPOSITION

- (a) Applicable Canadian corporate and provincial securities legislation, regulation and policies and the Toronto Stock Exchange by-laws rules, regulation and policies ("Applicable Legislation") require that an audit committee (the "Committee") be comprised of a minimum of three directors, a majority of whom will be Canadian citizens ordinarily resident in Canada, and none of whom (other than a non-executive Chair), may be officers or employees of the Company or any of its affiliates and each of whom shall not have any material relationship with the Fund or Company, ie., a relationship that could, in the view of the Company's board of directors, reasonably interfere with the exercise of a member's independent judgment. Applicable Legislation also requires that all members of the Committee should be "financially literate".
- (b) The Board of Directors of the Company (the "Board") will appoint the members of the Committee annually at the first meeting of the Board after the annual meeting of unitholders of the Fund and shall ensure that the members of the Committee meet the qualifications and other requirements outlined in (a) above.
- (c) Committee members will be appointed for a one year term and may be reappointed subject to the discretion of the Board having regard: (i) to Applicable Legislation and, (ii) the desire for continuity and for periodic rotation of Committee members.
- (d) One of the members of the Committee who is not an executive officer or full-time employee (other than a non-executive Chair) and who is otherwise qualified under Applicable Legislation shall be appointed Committee Chair by the Board.

2. AUTHORITY

- (a) The Board may authorize the Committee to investigate any activity of the Fund or the Company and their affiliates for which the Committee has responsibility or with respect to those responsibilities imposed on audit committees herein and by Applicable Legislation. All employees are to co-operate as requested by the Committee.
- (b) The Committee may retain persons having special expertise to assist the Committee in fulfilling its responsibilities, including outside counsel or financial experts and provide for their remuneration.
- (c) The external auditor shall report to the Committee.

3. MEETINGS

- (a) The Committee is to meet at least four times per year. The meetings will be scheduled to permit the review of the scope of the audit as presented by the Fund's auditor before commencement of the audit and the timely review of the quarterly and annual financial statements and such other annual filings required to be made by the Fund or the Company containing financial information about the Fund or the Company including the AIF, MD&A (quarterly and annual), quarterly press releases, the management proxy circular and such other disclosure documents applicable to the Fund or the Company which contain financial data based upon, derived from or to form part of the financial statements of the Fund and contemplated by Applicable Legislation.
- (b) Meetings of the Committee shall be validly constituted if a majority of members of the Committee who are Canadian citizens ordinarily resident in Canada are present in person or by telephone conference. Additional meetings may be held as deemed necessary by the Committee Chair or as requested by any member or the external auditors or any director of the Company not a member of the Committee.
- (c) Any member of the external auditors of the Fund is entitled to receive notice of every meeting of the Committee and at the Company's expense, to attend and be heard thereat and, if requested by a member of the Committee, to attend any meeting of the Committee.
- (d) The Committee should require the attendance of the Fund's auditors at least once each year, and at such other times as the Committee deems appropriate in the context of Applicable Legislation and its responsibilities as outlined below. The Fund's external auditor shall be requested to review and comment on all disclosure documents issued by the Fund or the Company containing financial statements or information derived therefrom.

4. REPORTING

- (a) The minutes of all meetings of the Committee are to be provided to the Board and to the Fund's auditor. Oral reports by the Chair on recent matters not yet minuted will be provided to the Board at its next meeting. Minutes of all Committee meetings will be subsequently reviewed and approved by the Committee.
- (b) Supporting schedules and information reviewed by the Committee will be available for examination by any director or the Fund's auditor upon request to the Secretary of the Committee.

5. RESPONSIBILITIES

- The responsibilities of the Committee shall be as follows:
 - (a) to review the Fund's quarterly and annual financial statements and any other financial statements of the Fund and its affiliates required to be prepared by Applicable Legislation or otherwise for dissemination to the public, so as to be satisfied they are fairly presented in accordance with generally accepted accounting principles and in accordance with Applicable Legislation and to recommend to the Board whether the quarterly and the annual financial statements and any such other financial statements should be approved by the Board;
 - (b) prior to the dissemination to the public, to review the financial information and financial data contained in the Fund's quarterly financial statements, Annual Report to Unitholders and other financial publications of the Fund or the Company (including the Fund's interim and year end management discussions and analysis of financial condition and results of operation, annual information form, proxy information circular, quarterly press releases and material and timely disclosure reports containing any financial data) and the financial information contained in a prospectus of the Fund or the Company or any affiliate thereof or other document filed with any regulatory authority so as to be satisfied that the financial information and financial data is not significantly erroneous, misleading or incomplete and contains full, true and plain disclosure of all material facts or as otherwise required by Applicable Legislation;
 - (c) to be satisfied that management of the Fund and the Company have implemented appropriate

systems of capture of financial information and internal control over financial reporting and that these are operating effectively;

(d) to be satisfied that management of the Fund and the Company have implemented appropriate systems of internal control to ensure compliance with Applicable Legislation and ethical requirements and particularly to be satisfied that internal controls over financial reporting and disclosure controls and procedures are in place and that internal controls have been designed and implemented to provide reasonable assurance that the Fund's financial statements and other documents required to be mailed to unitholders or filed with regulatory authorities are fairly presented so as to enable the Chief Financial Officer and the Chief Executive Officer (and any other officer or director of the Company as may be required by Applicable Legislation) to personally certify the Fund's financial statements as required by Applicable Legislation;

(e) to be satisfied that management of the Fund, the Company and each affiliate thereof have implemented effective systems to identify significant financial and other risks of the business and changes to these risks. The Committee will review reports from management related to these risks.

(f) to recommend to Board the appointment of external auditors nominated at each annual meeting of unitholders and provide oversight with respect to the external audit engagement. The Committee will also recommend to the Board the re-appointment or appointment of the external auditors and the compensation payable to them. The Committee will pre-approve all non audit services to be provided to the Fund and its subsidiaries by the Fund's external auditors providing that where necessary, this function may be delegated to the Chair of the Committee for approval on the basis that the Chair reports all such approvals to the Committee at its next regularly scheduled meeting;

(g) to be satisfied that any significant or material matter brought to the attention of the Committee by the Fund's external auditors or matters where there is significant disagreement between the Fund's external auditors and Company officers (including the resolution or proposed resolution thereof) are communicated to the Board;

(h) to be satisfied that all significant matters raised in any report to management by the external auditors are being addressed and dealt with by management in a satisfactory manner and, to the extent they are not, to make a report to the Board;

(i) to be satisfied that the declaration and payment of dividends by the Company to the Fund and the declaration and payment of distributions by the Fund to its unitholders, meet applicable legal requirements and Applicable Legislation;

(j) as and when required by Applicable Legislation, to establish procedures (A) for the receipt, retention and treatment of complaints received by the Fund or the Company regarding accounting, internal accounting controls or auditing matters, and (B) for the confidential communication of anonymous submissions to the Fund or the Company and a member of the Committee of concerns regarding questionable accounting or auditing matters from employees;

(k) as and when required by Applicable Legislation, to be satisfied that disclosure controls and procedures are in place to ensure that material information required to be disclosed by Applicable Legislation is recorded, processed and summarized and reported within the time periods specified in Applicable Legislation;

(l) to ensure that the external auditors report annually on matters of independence;

(m) to ensure that the external auditors prepare an external audit plan which, with any changes thereto, is reviewed by and acceptable to the Committee; and

to review and approve the hiring policies of the Fund and the Company regarding partners, employees (past or current) of the present and former external auditors of the Fund

- The Chair of the Compensation, Corporate Governance and Human Resources Committee, in consultation with the Chair of the Committee, will periodically review the effectiveness of the Committee and the performance of each Committee member and report to the Board on their conclusions.