



MANAGEMENT INFORMATION CIRCULAR

ANNUAL AND SPECIAL MEETING

OF

ENERGY SAVINGS INCOME FUND

TO BE HELD ON JUNE 29, 2004

TORONTO, ONTARIO



May 17, 2004

Dear Unitholder:

Please accept my personal invitation to join us at the third Annual and Special Meeting of Energy Savings Income Fund which takes place at 4:00 p.m., on June 29, 2004 at the Toronto Stock Exchange Broadcast Centre — Gallery, in Toronto which is located on the main floor of The Exchange Tower, 2 First Canadian Place, 130 King Street West.

I am very proud of the Fund's record. It has experienced significant growth since its inception on April 30, 2001, in terms of its customer base, its expansion in Canada beyond Ontario into Manitoba and Quebec and its expansion into the State of Illinois, U.S.A., increases in its level of distributions and a total return on the Fund's Units of 721% from April 30, 2001 to March 31, 2004.

The items of business to be dealt with and the details of the meeting are listed in the attached Notice of Meeting. The business will include the presentation of the Audited Consolidated Financial Statements of the Fund and the Report of the Auditors for the fiscal year ended March 31, 2004; the election of Directors of Ontario Energy Savings Corp.; the appointment of Auditors; and the approval of the three following special items of business: (i) to amend the Declaration of Trust of the Fund to permit the Fund to expand its investment powers; (ii) to approve a unit appreciation rights plan; and (iii) to approve a director's deferred unit compensation plan. Each of these items is described in some detail in the attached Information Circular.

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

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

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

Sincerely,

A handwritten signature in black ink, appearing to read 'Rebecca MacDonald', written in a cursive style.

REBECCA MACDONALD
Chair and
Chief Executive Officer



NOTICE OF ANNUAL AND SPECIAL MEETING

TO: THE UNITHOLDERS OF ENERGY SAVINGS INCOME FUND

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

TAKE NOTICE that an Annual and Special Meeting (the "Meeting") of the holders of: (i) trust units ("Units") of Energy Savings Income Fund (the "Fund") and/or (ii) Class A Preference Shares of Ontario Energy Savings Corp. ("OESC") (collectively, the "Holders") will be held at the Toronto Stock Exchange Broadcast Centre — Gallery, The Exchange Tower, 2 First Canadian Place, 130 King Street West, Toronto, Ontario, Canada M5X 1J2 on Tuesday, the 29th day of June, 2004 (the "Meeting Date"), at 4:00 p.m. (Toronto time) for the following purposes:

1. to receive and consider the audited consolidated financial statements of the Fund for the year ended March 31, 2004 and the auditors' report thereon;
2. to consider the nominees of the Fund standing for election as directors of OESC and direct Montreal Trust Company of Canada ("Trustee"), as trustee of the Fund, to vote the common shares of OESC held by the Fund in favour of the election of directors accordingly;
3. to appoint Deloitte & Touche LLP as auditors of the Fund, with remuneration to be fixed by OESC, the administrator of the Fund;
4. to consider, and if thought advisable to pass, with or without variation, a special resolution of the Fund, in the form described in the accompanying Information Circular, to amend the Fund's Declaration of Trust to expand the investment powers of the Fund;
5. to consider, and if thought advisable to pass, with or without variation, a resolution of the Fund, in the form described in the accompanying Information Circular, to approve a unit appreciation rights plan for the Fund;
6. to consider, and if thought advisable to pass, with or without variation, a resolution of the Fund, in the form described in the accompanying Information Circular, to approve a director's deferred unit compensation plan for the Fund; and
7. to transact such other business as may properly be brought before the Meeting or any adjournment or postponement thereof.

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

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

Ontario Energy Savings Corp., as administrator of the Fund has fixed the record date for the Meeting as the close of business on May 14, 2004 (the "Record Date"). Holders of record at the close of business on the Record Date will be entitled to vote at the Meeting. No person who became a Holder after the Record Date shall be entitled to vote at the Meeting.

**Dated at Toronto, Ontario
this 17th day of May, 2004.**

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

A handwritten signature in black ink, appearing to read 'Rebecca MacDonald', is written over a horizontal line.

**REBECCA MACDONALD
Chair and Chief Executive Officer
Ontario Energy Savings Corp.**

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INFORMATION CIRCULAR

SOLICITATION OF PROXY

This Information Circular is furnished in connection with the solicitation of proxies on behalf of Montreal Trust Company of Canada (the "Trustee") by Ontario Energy Savings Corp. ("OESC" or the "Administrator"), the administrator of Energy Savings Income Fund (the "Fund"), for use at the Annual and Special Meeting (the "Meeting") of the holders (the "Unitholders") of units ("Units") of the Fund and the holders (collectively the "Holders") of Class A Preference Shares of OESC (the "Preference Shares"), to be held at the Toronto Stock Exchange Broadcast Centre — Gallery, the Exchange Tower, 2 First Canadian Place, 130 King Street West, Toronto, Ontario, Canada M5X 1J2 on Tuesday, the 29th day of June, 2004 (the "Meeting Date"), at 4:00 p.m. (Toronto time) for the purposes set forth herein and in the Notice of Meeting accompanying this Information Circular. References herein to "Holder" shall mean the holder of either Units or Preference Shares, as applicable.

FOR PURPOSES OF THE MEETING AND PURSUANT TO AN AMENDED AND RESTATED DECLARATION OF TRUST BETWEEN THE TRUSTEE AND OESC DATED AS OF JUNE 27, 2003 (THE "DECLARATION OF TRUST"), THE HOLDERS OF PREFERENCE SHARES ARE ENTITLED TO BE TREATED AS IF THEY ARE THE HOLDERS OF THE NUMBER OF UNITS THAT THEY WOULD BE ENTITLED TO RECEIVE ON THE RELEVANT DATE, IF THEY EXERCISED ON SUCH DATE, THE SHAREHOLDER EXCHANGE RIGHTS WITH RESPECT TO ALL OF THE PREFERENCE SHARES HELD BY THEM. ACCORDINGLY, PURSUANT TO THE DECLARATION OF TRUST AND AN AGREEMENT AMONG THE FUND, OESC, OESC EXCHANGE INC. ("EXCHANGE CO"), THE HOLDERS OF PREFERENCE SHARES AND CERTAIN OTHER PARTIES DATED APRIL 30, 2001 (THE "OESC SHAREHOLDERS' AGREEMENT") THE ENCLOSED PROXY MAY BE COMPLETED BY ANY PERSON WHO HOLDS UNITS AND/OR WHO HOLDS PREFERENCE SHARES.

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

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

APPOINTMENT OF PROXIES

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

OESC, as administrator of the Fund, has fixed the record date for the Meeting as the close of business on May 14, 2004 (the "Record Date"). Only Holders of record as at that date are entitled to receive notice of, and to vote at, the Meeting. No person who became a Holder after the Record Date shall be entitled to vote at the Meeting.

REVOCABILITY OF PROXIES

A Holder who has submitted a proxy may revoke it at any time insofar as it has not been exercised. A proxy may be revoked, as to any matter on which a vote shall not already have been cast pursuant to the authority conferred by such proxy, by instrument in writing executed by the Holder or by his or her attorney duly authorized in writing or, if the Holder is a corporation, by an officer or attorney thereof duly authorized in writing and deposited either at the head office of the Fund located at The Exchange Tower, 130 King Street West, Suite 2830, P.O. Box 355, Toronto, Ontario, M5X 1E1, as the case may be, at any time up to and including the last business day preceding the Meeting Date or with the Chair of the Meeting on the Meeting Date and upon either of such deposits the proxy is revoked. A proxy may also be revoked if a Holder personally attends the Meeting and votes his or her Units or Preference Shares, as the case may be, or in any other manner permitted by law.

EXERCISE OF DISCRETION BY PROXYHOLDERS

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

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

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

UNITS, PREFERENCE SHARES AND THE PRINCIPAL HOLDERS THEREOF

Units and Preference Shares

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

As at May 14, 2004, the Record Date, the Fund had 92,833,132 issued and outstanding Units and OESC has 11,631,178 issued and outstanding Preference Shares so that approximately 104,464,310 votes are entitled to be cast at the Meeting.

Principal Holders of Units and Preference Shares

To the best of the knowledge of the Trustee, the Administrator and the directors and senior officers of the Administrator, there is no person or corporation which beneficially owns, directly or indirectly, or exercises

control or direction over, Units and Preference Shares, in the aggregate carrying more than 10% of the voting rights attached to all Preference Shares of OESC and all Units of the Fund, in the aggregate, entitled to vote at the Meeting. While, to the best of the knowledge of the Trustee, the Administrator and the directors and senior officers of the Administrator, there is no person or corporation which beneficially owns, directly or indirectly, or exercises control or direction over Units carrying more than 10% of the voting rights attached to all Units of the Fund entitled to vote at the meeting, there are two persons who beneficially own, directly or indirectly, or exercise control or direction over, 10% or more of the voting rights attaching to the Class A Preference Shares as a separate class of shares.

As at May 14, 2004, the officers and directors of OESC held beneficially, directly or indirectly, in the aggregate, approximately 6,051,058 Units and 11,631,178 Preference Shares.

Voting of Units — Advice to Beneficial Holders of Units

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

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

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

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

Quorum for Meeting

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

COMPENSATION OF THE DIRECTORS AND OFFICERS OF OESC

Compensation of Directors

For the year ended March 31, 2004 each of the Directors of OESC (other than those who are members of management), receives a \$10,000 annual retainer, a \$1,000 attendance fee for each board and committee meeting attended and is reimbursed for out-of-pocket expenses for attending Directors' and Committee meetings. Each of Messrs. Kirby and Panneton receives an additional \$500 chair fee per meeting as compensation for serving as Chair of the Audit Committee and Chair of the Compensation, Corporate Governance and Human Resources Committee, respectively. In addition, each non management director is entitled to receive, at the end of each financial year of the Fund, commencing March 31, 2004 an additional \$15,000 which amount, will, (subject to the approval of the TSX and the holders of Units and Preference Shares of the Director's Deferred Unit Compensation Plan), be credited to such director's deferred unit compensation account pursuant to such Plan. For the year ended March 31, 2004 the total compensation in the form of all fees, retainers and expenses paid to the non-management directors was \$165,000. Mr. John A. Brussa, a director of OESC, is a partner of the law firm of Burnet, Duckworth & Palmer LLP, which firm receives fees for legal services rendered to the Fund and its operating subsidiaries. Mr. John Panneton, a director of OESC, is Vice-Chairman of Dundee Securities Corporation, which has received fees from OESC as a member of an underwriting syndicate. Each of Messrs. Kirby, Segal and Brussa, as outside directors of OESC, were granted 40,000 options under the Fund's 2001 Unit Option Plan on April 30, 2001 at an exercise price of \$2.50 per Unit. Mr. Smith, who became a director on August 21, 2001 was granted 40,000 options at an exercise price of \$3.24 per Unit. On June 27, 2003 each of Messrs. Kirby, Segal, Brussa and Smith were granted an additional 10,000 options at an exercise price of \$11.25 per Unit and each of Messrs. Panneton and Krstajic was granted 50,000 options at an exercise price of \$11.25 per Unit. All options granted to the outside directors are exercisable for an equivalent number of Units for a period of five years from the grant date and vest as to one third thereof on the first, second and third anniversary of the grant date.

OESC has issued indemnities to each of its directors as permitted under applicable legislation and has purchased a directors' and officers' liability insurance policy for the directors and officers of all direct and indirect subsidiaries of the Fund. The annual aggregate premium for such insurance is currently \$60,750 and is paid in its entirety by OESC. The annual insurance coverage under the policy is limited to \$10 million (per claim and in the aggregate each policy year) and is subject to a \$25,000 self-insured retention for the corporate reimbursement section only.

Summary Compensation Table

The following table sets forth all compensation with respect to the individuals who were, at March 31, 2004, the Chief Executive Officer, the Chief Financial Officer and the three other most highly compensated executive officers of the operating subsidiaries of the Fund (the “Named Executive Officers”).

Named Executive Officers	Annual Compensation ⁽¹⁾				Long-Term Compensation Awards			All Other Compensation ⁽⁴⁾
					Awards		Payouts	
	Year Ended March 31	Salary (\$)	Bonus ⁽³⁾ (\$)	Other Annual Compensation ⁽⁴⁾⁽⁵⁾ (\$)	Units Under Options Granted ⁽⁶⁾⁽⁹⁾ (#)	Restricted Units or Restricted Share Units (\$)	LTIP Payouts ⁽⁷⁾⁽⁸⁾ (\$)	
Rebecca MacDonald ⁽²⁾ Chair and Chief Executive Officer — OESC	2004	\$340,000	\$400,000	—	—	—	—	—
	2003	\$285,000	\$200,000	—	—	—	—	—
	2002	\$250,000	\$100,000	—	800,000	—	—	—
James H. McKelvie C.A. ⁽²⁾ Chief Financial Officer — OESC (to April 5, 2004)	2004	\$340,000	\$200,000	—	—	—	—	—
	2003	\$285,000	\$200,000	—	—	—	—	—
	2002	\$250,000	\$145,000	—	1,200,000	—	—	—
Brennan R. Mulcahy ⁽²⁾ President — OESC	2004	\$340,000	\$400,000	—	—	—	—	—
	2003	\$285,000	\$200,000	—	—	—	—	—
	2002	\$250,000	\$100,000	—	800,000	—	—	—
Paul DeVries ⁽²⁾ Chief Operating Officer — OESC	2004	\$325,000	—	—	—	—	\$ 731,250 ⁽⁸⁾	—
	2003	\$325,000	—	—	—	—	\$1,605,142 ⁽⁷⁾	—
	2002	\$325,000	—	—	1,120,000	—	—	—
Debbie Wernet ⁽²⁾ President — U.S. Energy Savings Corp.	2004	\$511,000	\$230,000	—	600,000	—	—	—
	2003	—	—	—	—	—	—	—
	2002	—	—	—	—	—	—	—

Notes:

- (1) The salary for each Named Executive Officer reflects his or her salary on an annualized basis for the years ended March 31, 2002, 2003 and 2004.
- (2) Ms. MacDonald and Messrs. McKelvie and Mulcahy became officers of OESC on April 30, 2001. Prior thereto, each of them held the same or similar positions with OESC or the predecessor of OESC. Mr. DeVries joined OESC on March 1, 2002. Information for 2002 is for the period commencing April 30, 2001 to March 31, 2002. Ms. Wernet joined U.S. Energy Savings Corp., an indirect wholly-owned subsidiary of OESC, on September 1, 2003. Mr. McKelvie resigned as Chief Financial Officer on April 5, 2004 and was replaced by Mr. Ken Hartwick.
- (3) Subject to the confirmation and approval of the Compensation, Corporate Governance and Human Resources Committee, each of the Named Executive Officers (except for Mr. DeVries), is entitled to receive a discretionary bonus pursuant to each of their employment contracts based on several performance factors including, but not limited to: (i) U.S. and Canadian customer growth, (ii) margins, (iii) distribution levels, (iv) customer renewals, (v) customer attrition and other factors as determined by the Compensation, Corporate Governance and Human Resources Committee. A more detailed summary of the employment agreements for the Named Executive Officers and Mr. Hartwick is described under the heading “Employment Agreements — Named Executive Officers” on page 8 of this Information Circular.
- (4) The aggregate value of perquisites and other personal benefits did not exceed the lesser of \$50,000 and 10% of the total of the annual salary and bonus for each of the Named Executive Officer for the year ended March 31, 2004.
- (5) Pursuant to the OESC Shareholders’ Agreement, each member of management of OESC who is a holder of Class A Preference Shares in the capital of OESC i.e., Ms. MacDonald and Messrs. McKelvie and Mulcahy (each Preference Share is exchangeable at the option of the holder into one Unit of the Fund), is entitled to receive on a quarterly basis, a “special management incentive bonus” equal to the amount which he or she would have received had he or she been a holder of record on the record date for all distributions made on Units in respect of such quarter, on a number of Units equivalent to the number of Class A Preference Shares held by him or her. In view of the nature of the above payments made to three of the above Named Executive Officers, which in substance reflect the ownership of Units (based on the number of Class A Preference Shares owned by each them in OESC), the above table does not reflect the amounts paid to each of them pursuant to the special management incentive bonus.

- (6) Reflects the number of unexercised and unvested options held at March 31 in each of the indicated years. No options were granted to any of the Named Executive Officers for the year ended March 31, 2004 except for Ms. Wernet who received 600,000 options (70% of all options granted during the year) at an exercise price of \$12.17 per Unit (equal to the closing market price on the day preceding the grant date), as part of her employment agreement. One third of the options vest on each of the first, second and third anniversary of the grant date and expire on the 10th anniversary thereof. The number of options in the Table reflect the 2:1 subdivision of Units on July 29, 2002 and the subsequent 2:1 subdivision of Units on January 30, 2004.
- (7) Pursuant to an agreement among OESC, the Fund, Mr. DeVries and certain other persons dated January 22, 2002 (the “Electricity Agreement”), each of Mr. DeVries and the other parties thereto became entitled to a specified annual commission based on \$40 for each flowing residential customer equivalent of electricity secured by OESC. No amounts were paid for the year ended March 31, 2002. For the year ended March 31, 2003, Mr. DeVries received \$1,605,142. The details of the agreement, the names of persons entitled to participate in the commissions, their relationship to OESC and the amounts paid to each of them for the years ended March 31, 2003 and March 31, 2004 are described under the heading “Report on Executive Compensation — Commissions and Fees — the Electricity and Marketing Fee Agreements” on page 11 of this Information Circular. On February 19, 2002 Mr. DeVries received a loan of \$300,000 from OESC to finance the purchase of Units of the Fund described in more detail under the heading “Table of Indebtedness of the Trustees and Directors, Executive Officers and Senior Offices of the Subsidiaries of the Fund” on page 16 of this Information Circular. The loan was repaid during the month of September, 2003. Mr. DeVries ceased to be entitled to receive commissions under the Electricity Agreement on March 31, 2003 after which date he became entitled to receive fees or commissions pursuant to the Marketing Fee Agreement described in Note (8) below.
- (8) On April 1, 2003 the Fund and OESC entered into an agreement with Mr. DeVries (the “Marketing Fee Agreement”) and certain other individuals to provide an incentive to maximize gross margins and to better align his interests with the holders of Units and Preference Shares thereby increasing Unitholder value. The Agreement, along with four similar agreements, were approved by OESC’s board of directors. Under the terms of the Marketing Fee Agreement Mr. DeVries: (i) repaid in full the loan of \$301,044 from OESC (see “Table of Indebtedness of the Trustees and Directors, Executive Officer and Senior Officers of the Subsidiaries of the Fund” on page 16 of this Information Circular) and all Units held as security therefore were released, (ii) for so long as he is an employee of OESC (and in the event he is terminated without cause), is entitled to fees or commissions based upon a fixed percentage of year over year incremental gross margins of OESC and its subsidiaries from April 1, 2003 to March 31, 2007 and thereafter unless terminated by OESC (See “Report on Executive Compensation — Marketing Fee or Commission Payments” on page 11 of the this Information Circular) and (iii) in the event of a change of control of the Fund or OESC, is entitled to a change of control fee or commission after which he is no longer entitled to receive any further fees or commissions based on incremental gross revenues. The Marketing Fee Agreements entered into by the Fund, OESC and Mr. DeVries and four other persons and the commissions or fees (including unit appreciation rights (“UARs”)), paid or to which such persons have been are entitled are discussed in greater detail under the heading “Report on Executive Compensation” on page 11 of this Information Circular.
- (9) A general description of the Fund’s Unit Option Plan is described below under the heading “Fund Unit Option Plan”. Of the 2,800,000 options granted to four officers of Ontario Electric Savings Corp. (now OESC) (including Paul DeVries as to 1,120,000 options) on January 29, 2002 at an exercise price of \$5.01 per Unit, 28.6% thereof or 800,000 options (including Paul DeVries as to 320,000 thereof) were granted subject to the terms and conditions described below under the heading Fund Unit Option Plan. The remaining 71.4% thereof or 2,000,000 options (including Paul DeVries as to 800,000 thereof) became exercisable only on the achievement of specific performance targets of which (a) 800,000 options (including Paul DeVries as to 320,000 thereof) vest as to 33⅓% thereof on each of the first, second and third anniversary of September 30, 2002 the day when OESC achieved an aggregated contracted flowing customer base of 100 megawatts of electricity (the “First Target Date”) and (b) 1,200,000 options (including Paul DeVries as to 480,000 thereof) vest as to 33⅓% thereof on each of the first, second and third anniversary of January 20, 2003 the day when OESC achieved an aggregated contracted flowing customer base of 200 megawatts of electricity (the “Second Target Date”). All options granted on the basis described in (a) and (b) above are, subject to vesting, exercisable on a cumulative basis, and expire, to the extent unexercised, on the fifth anniversary of the First Target Date and the Second Target Date, respectively, and are otherwise subject to the terms and conditions thereof, the Fund Unit Option Plan described below and Mr. DeVries employment agreement described under the heading “Employment Agreements — Named Executive Officers” on page 8 of this Information Circular. In the event that the TSX or the Holders of Units and Preference Shares do not approve the Unit Appreciation Rights Plan, all bonuses and other entitlements, otherwise payable in UARs thereunder, are payable in full in cash.
- (10) Each of Ms. MacDonald and Ms. Wernet and Mr. Mulcahy are required to take a certain percentage of their bonus entitlements in UARs and Mr. DeVries is required to take a certain percentage of his commission or marketing fee entitlement under his Marketing Fee Agreement in UARs as described in more detail under “Employment Agreements — Named Executive Officers” on page 8 of this Information Circular and under the headings “Report on Executive Compensation — UARs and Marketing Fee or Commission Payments” commencing on page 11 of this Information Circular.

Fund Unit Option Plan

The directors, officers, full-time employees and service providers of and to the Fund and OESC are eligible to participate in the Fund’s 2001 Unit Option Plan (the “Option Plan”). The purpose of the Option Plan is to provide such eligible participants with compensation opportunities that will encourage ownership of Units, enhance OESC’s and the Fund’s ability to attract, retain and motivate key personnel and reward directors, officers, employees and service providers for significant performance and cash flow growth of the Fund. The

Option Plan is administered by the Compensation, Corporate Governance and Human Resources Committee of OESC in its capacity as administrator of the Fund. The Compensation and Corporate Governance Committee has the power to, among other things: (i) determine those directors, officers, employees and service providers eligible to be granted options; (ii) determine the number of Units covered by each option; (iii) determine the exercise price for each option; and (iv) determine the time or times when options will be granted and when they are exercisable and expire. The exercise price for any option granted may not be less than the closing market price of the Units on the Toronto Stock Exchange on the business day immediately preceding the day upon which the option is granted. Except as described in Note (7) to the Summary Compensation Table on page 5 of this Information Circular or otherwise provided in individual option agreements approved by the Compensation, Corporate Governance and Human Resources Committee. Holders of options may exercise them at the applicable exercise price, subject to cancellation or acceleration in the event of termination of employment or death of the optionholder. Except as otherwise provided in individual option agreements approved by the Compensation, Corporate Governance and Human Resources Committee, options granted under the Option Plan are non-transferable, non-assignable and, except as described in Note (9) to the Summary Compensation Table on page 5 of this Information Circular expire five or ten years from their grant date.

Under the Option Plan, all options will automatically vest immediately prior to the occurrence of a “Change of Control” of the Fund as defined under the heading “Employment Agreements — Named Executive Officers” on page 8 of this Information Circular.

Options Granted for Year Ended March 31, 2004

A total of 859,000 options have been granted to directors, officers, employees and service providers of OESC to acquire in the aggregate 859,000 Units on the dates, in the numbers, and at the exercise prices per Unit as set forth below.

<u>Date of Option Grant</u>	<u>Exercise Price Per Unit</u>	<u># of Options Granted</u>
May 5, 2003	\$ 8.75	44,000
June 6, 2003	\$10.68	50,000
June 27, 2003	\$11.25	140,000
June 29, 2003	\$12.01	10,000
August 13, 2003	\$12.17	600,000
November 9, 2003	\$14.25	10,000
February 4, 2004	\$15.45	5,000

The following table sets forth information regarding the grant of options to one of the Named Executive Officers made under the Option Plan during the year ended March 31, 2004

<u>Name</u>	<u>Securities Under Options Granted⁽¹⁾</u> <u>#</u>	<u>% of Total Options/SARs Granted to Employees in Financial Year</u>	<u>Exercise of Base Price (\$/security)</u>	<u>Market Value of Securities Underlying Options on the Date of Grant (\$/security)</u>	<u>Expiration Date</u>
Debbie Wernet . . .	600,000	70%	\$12.17	\$12.17	August 12, 2013

Note:

(1) The above options are exercisable as to 1/3rd thereof on the first, second and third anniversaries of the grant date (August 13, 2003) at the above exercise price and expire on the 10th anniversary of the grant date (August 12, 2003) and are otherwise subject to the terms and conditions of the Fund’s Unit Option Plan described under the heading “Fund Unit Option Plan” on page 6 of this Information Circular.

Option Exercises and Financial Year End Value of Options

The following table sets forth the number of Units acquired pursuant to the exercise, if any, of unit options during the fiscal year ended March 31, 2004, the aggregate value realized upon any such exercise, and the number of Units covered by unexercised options under the Option Plan as at March 31, 2004. The value of the

unexercised in-the-money options is the difference between the exercise price of the options and the fair market value of the Units on March 31, 2004 which was \$16.65 per Unit.

Name	Units of the Fund Acquired on Exercise	Aggregate Value Realized ⁽¹⁾	Unexercised Options at March 31, 2004		Value of Unexercised in-the-Money Options at March 31, 2004 ⁽¹⁾⁽²⁾	
			Vested	Not Vested	Vested	Not Vested
Rebecca MacDonald	266,668	\$1,753,329	Nil	266,666	Nil	\$3,773,324
James H. McKelvie C.A	400,000	\$3,030,000	Nil	400,000	Nil	\$5,660,000
Brennan R. Mulcahy	266,668	\$1,753,329	Nil	266,666	Nil	\$3,773,324
Paul DeVries	479,998	\$1,145,060	Nil	640,002	Nil	\$7,449,623
Debbie Wernet	—	—	Nil	600,000	Nil	\$2,688,000

Note:

- (1) The aggregate realized value is equal to the number of units acquired on exercise times the difference between the amount realized on the sale thereof less the exercise price.
- (2) The in-the-money value of the unexercised Unit options has been calculated using the closing price of \$16.65 for the Units of the Fund on the TSX on March 31, 2004, less the applicable exercise price of underlying Unit options.

Employment Agreements — Named Executive Officers

OESC entered into employment agreements with each of Ms. Rebecca MacDonald (February 1, 2001), as Chair, President and Chief Executive Officer of OESC (now Chair and Chief Executive Officer of OESC), Mr. James McKelvie C.A. (November 1, 2000), as Senior Executive Vice-President and Chief Financial Officer of OESC (Chief Financial Officer to April 4, 2004 and now a Vice President of OESC) and Mr. Brennan Mulcahy (February 1, 2001), as Senior Executive Vice-President of OESC (now President of OESC). On March 1, 2002, Mr. Paul DeVries entered into an employment agreement with Ontario Electric Savings Corp. (now OESC), as President and Chief Executive Officer (now Chief Operating Officer of OESC). On September 1, 2003, U.S. Energy Savings Corp., an indirect 100% subsidiary of OESC, entered into an employment agreement with Ms. Debbie Wernet as its President. On April 4, 2004 OESC, entered into an employment agreement with Mr. Ken Hartwick as Chief Financial Officer of OESC. Each of Ms. MacDonald's and Mr. Mulcahy's employment agreements were amended on February 12, 2004.

Under the terms of the employment agreements referred to above and described below in greater detail, each executive is retained for a definite period ranging between four and five years subject to various termination rights described below. In consideration for their services each executive is entitled to a base salary, various fringe benefits, options to acquire Units of the Fund and, except for Mr. DeVries, various bonus and UAR entitlements described below and under the heading "Summary Compensation Table" on page 5 of this Information Circular. Mr. DeVries: (i) was, until March 31, 2003, entitled to commissions pursuant to the Electricity Agreement described in Note (7) to the Summary Compensation Table on page 5 of this Information Circular and under the heading "Report on Executive Compensation — Electricity Commissions" on page 11 of this Information Circular and (ii) is now entitled to fees or commissions pursuant to the Marketing Fee Agreement described in Note (8) to the Summary Compensation Table on page 5 of this Information Circular and under the heading "Report on Executive Compensation-Marketing Fee or Commission Payments" on page 11 of this Information Circular.

Each of the above employment agreements contains (i) confidentiality and non disclosure provisions which apply for periods ranging between three and four years after termination, (ii) non-competition and non-solicitation covenants which apply for periods ranging from one to three years after termination, provided the period is abridged or eliminated in the case of (a) termination without cause or constructive dismissal, (b) failure to renew upon completion of the term thereof and (c) a change of control and (iii) termination provisions which, generally speaking, provide benefits as described below. In the event of termination without cause, constructive dismissal or the failure to renew upon expiry of the term, an employee is entitled, *inter alia*, to one years base salary and regular benefits and an automatic vesting of up to 100% of all of an employees unvested options to acquire Units of the Fund and in the case of Mr. DeVries to the automatic vesting of 100%

of all unvested UARs. In the event of an indirect or direct “change of control” of OESC, each of the above officers has the right, within 60 to 120 days thereof, to terminate his or her employment agreement and to receive on such termination, *inter alia*, the same benefits to which he or she would have been entitled in the event of wrongful dismissal or constructive dismissal and an automatic vesting of all unvested options and in the case of Mr. DeVries, all unvested UARs.

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

On February 12, 2004 the Compensation, Corporate Governance and Human Resources Committee and the Board of Directors of OESC approved amendments to the term and compensation provisions for the employment agreements for each of Ms. MacDonald and Mr. Mulcahy. Ms. MacDonald’s term as Chief Executive Officer was extended to at least June 30, 2005. Effective April 1, 2004, she is entitled to an annual base salary of \$500,000 (and an additional \$125,000 for the three month period ending June 30, 2005) and a discretionary short term bonus of up to \$500,000 payable as to 50% in UARs (described under the heading “Unit Appreciation Rights Plan” on page 22 of this Information Circular) and as to 50% in cash or UARs, or some combination thereof at her election. All UARs to which Ms. MacDonald becomes entitled on March 31, 2005 will vest as to 33 $\frac{1}{3}$ % thereof on each of March 31, 2005, 2006 and 2007 so long as she remains an employee of OESC on the relevant vesting date. In addition, so long as Ms. MacDonald remains as Chief Executive Officer of OESC on June 30, 2005 she will be entitled to a Unit performance bonus, if any, on June 30, 2005 in one of the amounts set forth below based on the simple average of the closing market prices of Units for the 30 trading days on the TSX preceding that date.

Simple Average Closing Market Price of Units for the 30 TSX trading days preceding June 30, 2005	Unit Performance Bonus
\$20.00	\$ 400,000
\$21.00	\$ 500,000
\$22.00	\$ 600,000
\$23.00	\$ 700,000
\$24.00	\$ 900,000
\$25.00 or more	\$1,200,000

The amount, if any, of Ms. MacDonald’s entitlement to the above Unit performance bonus, is payable as to 50% in UARs (described under the heading “Unit Appreciation Rights Plan” on page 22 of this Information Circular) and as to 50% in cash or UARs, or some combination thereof at Ms. MacDonald’s election. All UARs to which Ms. MacDonald becomes entitled as part of a Unit performance bonus will vest as to 50% thereof on June 30, 2005 and 50% on June 30, 2006, so long as Ms. MacDonald remains Chief Executive Officer and/or Chair of the Board of OESC on the relevant vesting date.

Mr. Mulcahy’s term as President of OESC is extended to March 31, 2006 and effective April 1, 2004, he is entitled to an annual base salary of \$500,000 and a discretionary short term bonus of up to \$500,000 payable as to 50% in UARs (described under the heading “Unit Appreciation Rights Plan” on page 22 of this Information Circular) and as to 50% in cash or UARs, or some combination thereof at his election. All UARs to which

Mr. Mulcahy becomes entitled will vest as to 50% on each of (i) March 31, 2005 and 2006 for the UARs to which he is entitled for the year ended March 31, 2005 and on each of (ii) March 31, 2006 and 2007 for the UARs to which he is entitled for the year ended March 31, 2006 so long as he remains an employee of OESC on the relevant vesting date. In addition, so long as Mr. Mulcahy remains in the employ of OESC at March 31, 2006 as President or in a more senior position, he will be entitled to a Unit performance bonus, if any, on March 31, 2006 in one of the amounts set forth below based on the simple average of the closing market prices of Units for the 30 trading days on the TSX preceding that date.

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

The amount, if any, of Mr. Mulcahy's entitlement to the above Unit performance bonus, will be payable as to 50% in UARs (described under the heading "Unit Appreciation Rights Plan" on page 22 of this Information Circular) and as to 50% in cash or UARs, or some combination thereof at Mr. Mulcahy's election. All UARs to which Mr. Mulcahy becomes entitled as part of his Unit performance bonus will vest as to 50% on March 31, 2006 and as to 50% March 31, 2007 so long as Mr. Mulcahy remains in the employment of OESC as President or in a more senior position, on the relevant vesting date.

Ms. Debbie Wernet commenced employment as President of U.S. Energy Savings Corp., a 100% indirect subsidiary of OESC ("US Energy Corp.") for a five year period ending August 31, 2008 pursuant to an employment agreement dated September 1, 2003. Ms. Wernet's compensation consists of: (i) a base salary of \$US 390,000 (Cdn. \$511,000), (ii) a guaranteed annual bonus (the "Guaranteed Bonus") of \$US 300,000 (Cdn. \$393,000) for each of the first two completed years of her employment, (iii) a base performance bonus (the "Base Performance Bonus") of \$US 300,000 (Cdn. \$393,000) for each completed year of her employment during the term if the operations of US Energy Corp attain certain specified performance targets, (iv) an additional performance bonus (the "Additional Performance Bonus") if the performance targets in (iii) above are exceeded based on certain specified guidelines and (v) 600,000 options granted effective August 13, 2003 (the "Grant Date") exercisable into an equivalent number of Units on a 10 year cumulative basis as to 33 $\frac{1}{3}$ % thereof on the first, second and third anniversary of the Grant Date at a price of \$12.17 per Unit. Each of the Guaranteed Bonus, the Base Performance Bonus and the Additional Performance Bonus, is payable as to 50% in UARs (described under the heading "Unit Appreciation Rights Plan" on page 22 of this Information Circular) and as to 50% in cash or UAR's, or some combination thereof at Ms. Wernet's election

Mr. Hartwick commenced employment as Chief Financial Officer of OESC for a five year period ending April 5, 2009 pursuant to an employment agreement dated April 5, 2004. Mr. Hartwick's compensation consists of: (i) a base salary of \$350,000 per annum, (ii) a five year annual performance bonus for the years ending March 31, 2005 through 2009, of up to 50% of base salary payable as to 50% in UARs and as to 50% in cash or UARs (described under the heading "Units Appreciation Rights Plan" on page 22 of this Information Circular), or some combination thereof at Mr. Hartwick's election and (iii) 50,000 options granted effective April 5, 2004 (the "Grant Date") exercisable into an equivalent number of Units on a five year cumulative basis as to 20% thereof on each of the first five anniversaries of the Grant Date at a price of \$17.48 per Unit. The UARs, if any, to which Mr. Hartwick is entitled at March 31 (the "Entitlement Date") in each of the years 2005 through March 31, 2009 shall vest, for as long as Mr. Hartwick remains as Chief Financial Officer of OESC as to 50% thereof on each of the first and second anniversary of each Entitlement Date.

In the event that the TSX or the holders of Units and Preference Shares do not approve the Unit Appreciation Rights Plan, the portion of all bonuses payable in UARs, will be payable in full in cash.

Report on Executive Compensation

The compensation of the Named Executive Officers is set by the Compensation, Corporate Governance and Human Resources Committee of the Board of OESC (the "Committee"). The Committee's executive compensation philosophy is guided by its objective to obtain and retain executives critical to the success of OESC and the enhancement of Unitholder value. To this end, executive compensation includes a base salary and, in the case of Ms. MacDonald and Ms. Wernet and Messrs. McKelvie, Hartwick and Mulcahy, a discretionary performance bonus based on achieving operating performance targets including U.S. and Canadian growth, distributions, margins, renewals, attrition and other performance factors and, as regards to Mr. DeVries: (i) for the year ending March 31, 2003 an entitlement to commissions based on the number of new flowing residential customer equivalents of electricity as described in more detail under the heading "Electricity Commissions" below and (ii) for the year ending March 31, 2004 a fee or commission payment described in more detail under the heading "Marketing Fee or Commission Payments" below. Unit options provide a longer-term incentive for executives to enhance Unitholder value. Each officer's performance and related salary level, bonus, commissions, fee or commission payments and amount of Unit options is reviewed annually by the Committee in conjunction with the Chair and Chief Executive Officer of OESC whose compensation package is subject to the approval of the Committee and the full Board of Directors. Each of Ms. MacDonald and Mr. Mulcahy may become entitled to a Unit performance bonus for the periods ending June 30, 2005 and March 31, 2006, respectively, based upon the simple average of the closing market price of the Fund's Units for the 30 trading days on the TSX preceding those dates as described under the heading "Employment Agreements — Named Executive Officers" on page 8 of this Information Circular. Ms. Wernet is entitled to a guaranteed bonus as described under the heading "Employment Agreements — Named Executive Officers" on page 8 of this Information Circular. Subject to the approval of the TSX and the Holders of Units and Preference Shares as described under the heading "Unit Appreciation Rights" on page 22 of this Information Circular, the requirement that the Named Executive Officers and Mr. Hartwick receive UARs as a component of their respective bonus and other entitlements aligns the interests of senior management with those of Unitholders and the Holders of Preference Shares.

A description of the executive compensation components is as follows:

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

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

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

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

Fund Option Grants: The Committee is responsible for awarding options to directors and employees pursuant to the Fund's 2001 Unit Option Plan. The option grants provide longer-term incentive to pursue significant performance for OESC and cash flow growth for the Fund. The Fund has 1,188,333 remaining options available for grant under the Plan. Except for options to be made available to middle level employees,

the Committee has no plans to award further options to Named Executive Officers and has no plans to increase the number of options under the Plan.

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

UARs: The Committee has awarded UARs to the Named Executive Officers pursuant to their employment agreements (and in the case of Mr. DeVries, pursuant to his Marketing Fee Agreement), and the Unit Appreciation Rights Plan (described under the heading “Unit Appreciation Rights Plan” on page 22 in this Information Circular). Subject to the approval of the Unit Appreciation Rights Plan by the TSX and holders of Units and Preference Shares, the Committee has used and will continue to use UARs to provide the Fund with a mechanism of capitalizing cash payments which senior executives of the Fund would otherwise receive in the form of cash as part of their bonus, marketing fees or commissions and other compensation entitlements into Units thereby encouraging such persons to continue in the long term service of the Fund and aligning the interests of all Named Executive Officers with holders of Units of the Fund.

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

Based on approximately 154,000 flowing RCE’s of electricity as at March 31, 2003 OESC earned aggregate gross margins of approximately \$9,248,000, for the year then ended which represented approximately nine months of operations of the 60 month contracts. The total revenue pool with respect to the 154,000 RCE’s and related contracts involved a one time payment of commissions to the Electricity Executives and several other persons of \$6,369,612 for the year ended March 31, 2003 (\$650,805 for the year ended March 31, 2004) and was divided, as required by the Electricity Agreement, as set forth in the Schedule on page 14 of this Information Circular.

On February 20, 2003 the Committee (and subsequently the board of Directors of OESC), approved Marketing Fee Agreements for each of the Electricity Executives and a consultant to OESC, which, commencing April 1, 2003 replaced their commission entitlements under the Electricity Agreement. Three other persons who were also parties to the Electricity Agreement continued to receive commissions thereunder after March 31, 2003 as set forth in the Schedule on page 14 of this Information Circular. No further commissions will be paid under the Electricity Agreement with respect to periods after May 31, 2004.

Marketing Fee or Commission Payments.

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

upon his specified percentage entitlement in OESC's incremental gross margin, is entitled to a minimum cash payment and a guaranteed marketing fee or commission as follows:

Name of Participant	% Entitlement of OESC's Incremental Gross Margin	Minimum Cash Amount	Marketing Fee or Commission Amount
Paul De Vries	3.36%	\$675,000	\$900,000
Chris Gaffney	2.24%	\$450,000	\$600,000
Jeff Borg ⁽¹⁾	2.24%	\$450,000	\$600,000
David Ellis	1.5%	\$300,000	\$400,000
Owen Mitchell	3.07%	\$616,071	\$732,951

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

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

Occurrence of Change of Control Event During the Quarter Ending	Change of Control Marketing Fee or Commission Cash Payment ⁽¹⁾			
	De Vries	Gaffney	Ellis	Totals
June 30, 2004	\$1,905,750	\$1,270,500	\$847,000	\$4,023,250
September 30, 2004	\$1,732,500	\$1,155,000	\$770,000	\$3,657,500
December 31, 2004	\$1,559,250	\$1,039,500	\$693,000	\$3,291,750
March 31, 2005	\$1,386,000	\$ 924,000	\$616,000	\$2,926,000
June 30, 2005	\$1,212,750	\$ 808,500	\$539,000	\$2,560,250
September 30, 2005	\$1,039,500	\$ 693,000	\$462,000	\$2,194,500
December 31, 2005	\$ 866,250	\$ 577,500	\$385,000	\$1,828,750
March 31, 2006	\$ 693,000	\$ 462,000	\$308,000	\$1,463,000
June 30, 2006	\$ 519,750	\$ 346,500	\$231,000	\$1,097,250
September 30, 2006	\$ 346,500	\$ 231,000	\$154,000	\$ 731,500
December 31, 2006	\$ 173,250	\$ 115,500	\$ 77,000	\$ 365,750
March 31, 2007 and thereafter	—	—	—	—

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

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

Commissions and Fees — the Electricity Agreements and Marketing Fee Agreements

The following table lists each of the persons (including one Named Executive Officer), who received fees or commissions pursuant to the Electricity Agreement and the Marketing Fee Agreements for the years ending March 31, 2003 and March 31, 2004 including the amounts received by each of them and each of their percentage entitlements in such commissions and fees.

Name of Participant	Position with or Relationship to OESC	Electricity Commissions				Marketing Fee Commissions		
		Year Ended March 31, 2003		Year Ended March 31, 2004		Year Ended March 31, 2004		
		% Entitlement	Cash	% Entitlement	Cash	% Entitlement	Cash	UARs ⁽⁵⁾
Paul DeVries	Chief Operating Officer	25.20%	\$1,605,142	Nil	Nil	3.36%	\$675,000	13,089 (\$225,000)
Christopher Gaffney	Vice President and General Counsel	14.50%	\$ 923,594	Nil	Nil	2.24%	\$450,000	8,726 (\$150,000)
Jeff Borg ⁽¹⁾	Vice President, Marketing	14.50%	\$ 923,594	Nil	Nil	2.24%	\$225,000	NIL
David Ellis	Vice President, Operations	8.80%	\$ 560,256	Nil	Nil	1.5%	\$300,000	5,818 (\$100,000)
Owen Mitchell ⁽²⁾	Consultant	23.00%	\$1,465,011	Nil	Nil	3.07%	\$616,071	6,799 (\$116,880)
David McFadden ⁽²⁾	Consultant	5.00%	\$ 318,481	5%	\$239,628	NIL	NIL	NIL
James Hamilton ⁽²⁾	Vice President, Regulatory Affairs	2.00%	\$ 127,392	2%	\$ 91,373	NIL	NIL	NIL
Raymond A. Samuels ⁽³⁾ . .	Service Provider	7.00%	\$ 445,873	7%	\$319,805	NIL	NIL	NIL

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

(2) Each of Messrs. McFadden, Mitchell and Hamilton became entitled to participate in commissions pursuant to the Electricity Agreement as consideration for the transfer of their shares in Electrico to OESC for a nil consideration. None of them participate in marketing fee commissions. Each of Mitchell and McFadden have consulting agreements with OESC. Mr. Hamilton's employment agreement terminates on May 31, 2004 after which date he will cease receiving commissions under the Electricity Agreement except for a \$25,000 settlement and termination payment. Mr. McFadden's consulting agreement terminated effective February 29, 2004 after which date he ceased receiving commissions under the Electricity Agreement. Mr. Mitchell ceased receiving commissions pursuant to the Electricity Agreement effective March 31, 2003 and since that date he has received marketing fee payments under a Marketing Fee Agreement in the amounts set forth above.

(3) Mr. Samuels became entitled to participate in commissions pursuant to the Electricity Agreement in his capacity as the manager of a group of independent commission agents who marketed retail electricity contracts for OESC. He terminated his relationship with OESC as of March 31, 2004 and will cease receiving commissions pursuant to the Electricity Agreement following the period ending June 30, 2004.

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

(5) In the event that the TSX or the Holders of Units and Preference Shares do not approve the Unit Appreciation Rights Plan, the portion of all marketing fees or commissions payable in UAR's, are payable in full in cash. The number of UARs are based upon a price of \$17.19.

Compensation matters relating to the Chair and Chief Executive Officer are approved by the Board of Directors on the recommendation of the Committee. Ms. MacDonald entered into an employment agreement with OESC on February 1, 2001 which was amended on February 12, 2004. See "Employment Agreements — Names Executive Officers" on page 8 of this Information Circular. In consideration for her services, Ms. MacDonald receives a base salary, various fringe benefits, an annual bonus based on the factors set forth elsewhere in this Information Circular, a bonus related to the market price of Units of the Fund for the period

ending on June 30, 2005 and such other remuneration including options to purchase Units of the Fund as may be determined by the Board.

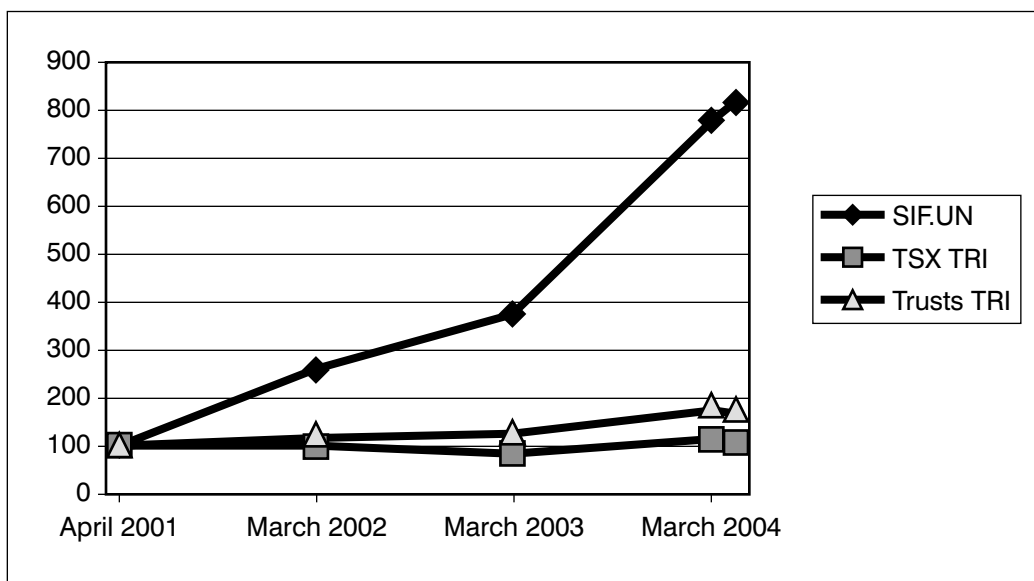
For the year ended March 31, 2004, Ms. MacDonald's base salary was \$340,000 and was based on the Board's assessment of the salaries payable to the CEO of comparable entities. Ms. MacDonald's discretionary bonus for the year ended March 31, 2004 was \$400,000 and was directly attributable to OESC's organic growth in customers (285%), margins (21%) and distributable cash flow (17%) for the year ended March 31, 2004. Ms. MacDonald was granted 800,000 (8.2%) of the Unit options granted during the year ended March 31, 2002 to all employees of OESC in order to provide a longer-term incentive for performance and growth in Unit value. No Unit options were granted to Ms. MacDonald during the years ended March 31, 2003 or 2004.

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

Mr. John Panneton (Chair), Mr. John Brussa and Mr. Alek Krstajic

FUND PERFORMANCE GRAPH

The following graph illustrates the Fund's cumulative Unitholder return, as measured by the closing price of the Units at the end of the financial year following the Fund's initial public offering on April 30, 2001 and at April 30, 2004, assuming an initial investment of \$100 and reinvestment of distributions, compared to the TSX Total Return Index and the S&P TSX Income Trust Return Index.



<u>Fiscal Year</u>	<u>April 30, 2001</u>	<u>March 31, 2002</u>	<u>March 31, 2003</u>	<u>March 31, 2004</u>	<u>April 30, 2004</u>
SIF.UN	100	261	375	782	821
TSX Total Return Index	100	100	83	114	109
S&P TSX Income Trust Return Index	100	116	125	174	167

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

Except as set forth below in the Table, neither the Trustee, nor any director or senior officer of subsidiaries of the Fund, is, or has at any time during the period in which the Fund has, been established, been indebted to the Fund, the Administrator or their associates or affiliates, or whose indebtedness to another entity is, or has been, the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Fund, the Administrator or their associates or affiliates.

During the months of February and March, 2002, OESC loaned \$750,000 to the officers of Electrico (now OESC), whose names are listed below, to enable them, with \$250,000 of additional funds of their own, to purchase \$1,000,000 of Units of the Fund through the TSX.

Name of Borrower and Principal Position	Involvement of OESC	Largest Amount of Indebtedness (Principal and Interest) Outstanding During the Year Ended March 31, 2004	Amount Outstanding (Principal and Interest) as at May 17, 2004	Security for Indebtedness
Paul DeVries, Chief Operating Officer — OESC	Lender	\$301,044	Nil	Promissory Note and Pledge of 66,800 Units of the Fund
Christopher Gaffney, Vice-President and General Counsel — OESC	Lender	\$173,034	Nil	Promissory Note and Pledge of 38,660 Units of the Fund
Jeff Borg,⁽³⁾ Vice-President, Marketing — OESC	Lender	\$174,162	Nil	Promissory Note and Pledge of 38,660 Units of the Fund
David Ellis, Vice-President, Operations — OESC	Lender	\$105,339	Nil	Promissory Note and Pledge of 23,480 Units of the Fund

Notes:

- (1) Excluding routine indebtedness which includes indebtedness arising by reason of purchases made on usual trade terms or of ordinary travel or expense advances for similar reasons.
- (2) Each of the loans were evidenced by promissory notes, carried interest at the prime rate charged by OESC's banker, were repayable in full no later than February 15, 2007 and were secured by a pledge in favour of OESC of 66,800 Units by DeVries, 38,660 Units by Gaffney, 38,660 Units by Borg and 23,480 Units by Ellis pursuant to a loan, security and pledge agreement dated July 2, 2002 between OESC, DeVries, Gaffney, Borg, Ellis and Computershare Trust Company of Canada as escrow agent. The agreement also provided that distributions on the Units owned by each of the four electricity executives were applied firstly in reduction of interest on each of their loans and secondly to reduce the outstanding principal of each of their loans. On February 15, 2007 or earlier upon a "Change of Control" of the Fund as described under the heading "Employment Agreements — Named Executive Officers" on page 8 of this Information Circular, each of the borrowers were entitled to repay all or a portion of their subject loans, in which case a proportionate number of their Units will be released from the loan, security and pledge agreement. Distributions on the Units are applied firstly in repayment of interest and secondly in repayment of principal. All amounts of principal and interest were repaid by each of Messrs. De Vries, Gaffney, Borg and Ellis and their Units were released in August and September of 2003 as part of the consideration for the termination of their participation in the Electricity Agreement and the execution by each of them of a Marketing Fee Agreement.
- (3) Resigned on September 30, 2003 at which time 100% of his shareholder's loan and all outstanding interest thereon were forgiven as part of a termination and settlement agreement.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS AND OTHERS

The table below sets forth the aggregate indebtedness to the Fund and its subsidiaries or any other entity (if the indebtedness to the other entity is the subject of a guarantee, support agreement, letter of credit or other similar arrangement of understanding provided by the Fund or any of its subsidiaries) of all executive officers, directors, employees and former executive officers, directors and employees of the Fund and its subsidiaries as at May 14, 2004.

<u>Purpose</u>	<u>To the Fund or its Subsidiaries</u>	<u>To Another Entity</u>
Share Purchases	Nil	Nil
Other	\$75,000 ⁽¹⁾	Nil

(1) On April 28, 2002, \$75,000 was loaned to an employee of OESC, on an interest free basis, to enable him to purchase a residence. The loan is evidenced by a promissory note dated August 28, 2002 and contains a covenant that the employee will not execute or permit to exist a charge, mortgage or other encumbrance on the residence other than an existing first mortgage or increase the principal outstanding thereunder.

MATTERS TO BE ACTED UPON AT THE MEETING

Election of Directors of Ontario Energy Savings Corp.

OESC has a Board of Directors (the “Board”) which presently consists of nine members, eight of whom are being elected by the Trustee as directed, as the holder of all the common shares of OESC and by the Holders of Preference Shares.

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

which each became a director of OESC and the number of Units of the Fund and Preference Shares beneficially owned or over which control or direction is exercised by such persons, are as follows:

Name and Year first became a Director	Position with OESC	Principal Occupation	Units Beneficially Owned or Over which Control or Direction is Exercised ⁽³⁾
John A. Brussa ⁽²⁾ 2001	Director	Partner, Burnet, Duckworth & Palmer LLP	20,000
The Hon. Michael Kirby ⁽¹⁾ 2001	Director	Member of the Senate of Canada and Corporate Director	8,800
Alek Krstajic ⁽²⁾ 2003	Director	Chief Marketing Officer — Consumer Markets, Bell Canada and Corporate Director	NIL
Rebecca MacDonald 2001	Chair and Chief Executive Officer and Director	Chair and Chief Executive Officer of the Corporation	6,249,460
Brennan R. Mulcahy 2001	President and Director	President of the Corporation	4,664,484
John Panneton ⁽²⁾⁽⁴⁾ 2003	Lead Director	President, Goodman Private Wealth Management	2,348,822
Hugh D. Segal ⁽¹⁾ 2001	Director	President, Institute for Research on Public Policy	14,332
Brian R.D. Smith ⁽¹⁾ 2001	Director	Federal Chief Treaty Negotiator and Energy Consultant	10,878

Notes:

(1) Member of the Audit Committee.

(2) Member of the Compensation, Corporate Governance and Human Resources Committee.

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

(4) Appointed lead director by the Board of Directors on May 17, 2004.

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

Rebecca MacDonald became an officer of the Corporation in January 2000. Prior to January 2000, Ms. MacDonald was the President of Energy Marketing Inc. (gas marketing company). A member of the Senate of Canada since 1984, The Honourable Michael Kirby served as Chair of the Standing Senate Committee on Banking, Trade and Commerce from 1994 to 1999 and presently serves as Chair of the Standing Senate Committee on Social Affairs, Science and Technology. Alek Krstajic was appointed Chief Marketing Officer — Consumer Markets, Bell Canada (telecommunications) on July 7, 2003. Prior to that time he served as Senior Vice-President, Sales, Marketing & Product Development of Rogers Cable Inc. (telecommunications) from January 1999 to January 2003. Prior to January 1999 he has held various senior management roles within the Rogers organization including Vice President & General Manager, Rogers @ Home from February 1998 to December 1998 and Vice President and General Manager, Rogers Canguard Inc. from February 1995 to February 1998. Brennan Mulcahy, who has been involved in the deregulation of natural gas for 12 years, joined the Corporation in July 1997. From January 1997 to July 1997, he served as a marketer for Consolidated Gas Limited (gas marketing company). Mr. Panneton joined Dundee Securities Corporation in May 1998 as Vice Chairman and President and has held the position of Vice Chairman from January 1, 2003. Mr. Panneton was appointed President, Goodman Private Wealth Management in June of 2003. From November 1998 to July 1999, Hugh Segal was 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). Prior to becoming the Federal Chief Treaty Negotiator and Energy Consultant in June of 2001, Brian Smith was the Chair of B.C. Hydro from 1996 to June, 2001.

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

Appointment of Auditors of the Fund

The Directors and executive management propose that the firm of Deloitte & Touche LLP be appointed as auditors for the 2004 fiscal year and that their remuneration be fixed by the Directors for such fiscal year.

Unless otherwise directed, the persons named in the form of proxy solicited by the Administrator will vote the Units and Preference Shares represented by proxy for the appointment of Deloitte & Touche LLP as the independent auditors of the Fund, to hold office until the next annual meeting of the Unitholders at remuneration to be fixed by the Administrator. Deloitte & Touche LLP have been the auditors of the Fund since February 14, 2001 and of OESC since December, 2000.

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

The Board of Directors of OESC recommends a vote “FOR” the appointment of Deloitte & Touche LLP as independent auditors for the Fund for the fiscal year ending March 31, 2005 and “FOR” authorizing the Board of Directors of OESC to fix the auditor’s remuneration.

For fiscal 2004, fees charged by Deloitte & Touche LLP for audit and related services to the Fund and its subsidiaries were \$310,156 (2003 — \$339,550). Additional fees for audit related services were \$144,131 (2003 — \$182,750), fees for tax related services amounted to \$40,830 (2003 — \$13,375) and other fees were \$9,200 (2003 — \$27,930). Total fees for fiscal 2004 were \$504,317 (2003 — \$563,605). No other services were provided to the Fund and its subsidiaries by Deloitte & Touche.

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

SPECIAL ITEMS OF BUSINESS

(a) PROPOSED AMENDMENT TO THE FUND’S DECLARATION OF TRUST

Approval is being sought for a special resolution (the “Special Resolution”), to amend the Declaration of Trust of the Fund to expand the investment powers of the Fund which are unduly and unnecessarily restrictive and not in the best interest of the Holders of Units and Preference Shares. Over the past several years there has been a recognition that income trusts are in reality a more efficient structure to invest in certain operating businesses, rather than unique entities that need to be subject to numerous restrictions and limitations on their activities. Trust documentation has accordingly evolved over the past several years to give the trustees or directors of the operating entity the same powers that directors of corporations would have and not restrict their ability to develop and grow the underlying business. In this context, the purpose and effect of the proposed amendments to Section 4.1 of the Declaration of Trust is to modernize the constating document which governs the Fund.

When the Fund and OESC were established in 2001, its activities involved the sale of fixed price, fixed term contracts to supply natural gas to customers in the Province of Ontario. Since then, OESC’s business has expanded to include: (i) the sale of electricity under price protected, fixed term contracts to customers in the Province of Ontario, (ii) the sale of fixed price, fixed term natural gas contracts to customers in the Province of Manitoba, (iii) the sale of fixed term natural gas contracts in the State of Illinois, U.S.A. and (iv) the sale fixed price, fixed term natural gas contracts in the Province of Quebec. OESC has plans to sell fixed term contracts to supply energy in Alberta, British Columbia and, over the next several years, beyond the State of Illinois into the States of Indiana, Washington, D.C., New York, Virginia and Maryland. The proposed amendment to Section 4.1 of the Declaration of Trust will accommodate this expansion and will enable the Fund to make other investments all related to the growth and expansion of OESC’s business and businesses related thereto,

providing that under no circumstances shall the Fund purchase or authorize the purchase of any investment: (i) which is defined as “foreign property”, under the Income Tax Act, (ii) which would prejudice the status of the Fund as a “mutual fund trust” under the Income Tax Act or (iii) that would not be allowed for a “mutual fund trust” or prevent the fund from carrying on a business contrary to the provisions of the Income Tax Act relating to a “mutual fund trust and “foreign property”.

To accommodate the above objectives, it is proposed that the Holders of Units and Preference Shares approve the Special Resolution referred to below.

On May 17, 2004, the Board of Directors of OESC, as administrator of the Fund, approved the Special Resolution to amend the Fund’s Declaration of Trust as set forth below.

Approval of the Holders of Units and Preference Shares

The Fund’s Declaration of Trust requires that an amendment thereto for the purposes outlined above be approved by persons entitled to vote at a meeting of the Unitholders by way of a special resolution. The text of the Special Resolution approving the amendment is described below. In order to be passed, this Special Resolution must be approved by at least a 66⅔% of the votes cast by Unitholders and the Holders of Preference Shares represented in person or by proxy at the Meeting.

Directors’ Recommendation

The Board of Directors of OESC has determined that the amendment to the Declaration of Trust is in the best interests of the Fund, OESC and their respective Unitholders and the Holders of Preference Shares and recommends that the Holders of Units and Preference Shares vote “FOR” the following Special Resolution approving the proposed amendment:

“BE IT RESOLVED AS A SPECIAL RESOLUTION THAT:

- “1. Section 4.10 of the Amended and Restated Declaration of Trust of Energy Savings Income Fund (the “Fund”) dated June 27, 2003 be amended to read as follows:

“4.1 Purpose of Trust*

The Trust is a limited purpose trust and its operations and activities shall be restricted to:

- (a) acquiring, investing in transferring, disposing of and otherwise dealing with securities of any person including, without limitation, securities issued by the Company and Exchangeco, including, without limitation, the Notes to be issued in connection with the Offering, the Common Shares, the Exchangeco Common Shares and the Exchangeco Notes, and borrowing funds for that purpose;
- (b) temporarily holding cash and short term investments in accordance with a policy from time to time determined by the Trustee or, if no such policy is in place, in accordance with Section 4.3, and other investments (including investments in the Company) for the purposes of paying expenses and Trust Liabilities including those associated with the Offering, paying amounts payable by the Trust in connection with the redemption of any Trust Units, and making distributions to Trust Unitholders;
- (c) issuing Trust Units or securities convertible or exchangeable into Trust Units for cash in order to acquire securities of any person, including Common Shares, Notes, Exchangeco Common Shares and Exchangeco Notes, issued by the Company or Exchangeco; and
- (d) undertaking such other activities or taking such actions, including investing in securities, as shall be approved by the Trustee or Administrator from time to time;

provided that the Trust shall not undertake any activity, take any action, or make or retain any investment that would result in the Trust not being considered a “mutual fund trust” for purposes of the Tax Act or in the Trust Units constituted “foreign property” for purposes of Part XI of the Tax Act.”

*The underscored language indicates the changes from Section 4.1 as presently constituted.

2. Any director or officer of Ontario Energy Savings Corp. (“OESC”), as Administrator of the Fund, is hereby authorized and directed, for and on behalf of and in the name of the Fund, to do all such acts and things and to execute and deliver all such documents and instruments as may be considered necessary.
3. Notwithstanding the foregoing, OESC, as Administrator of the Fund may, without further approval of Unitholders and/or Holders of Preference Shares revoke the special resolution at any time before it is acted upon.”

(b) DIRECTOR’S DEFERRED UNIT COMPENSATION PLAN

As indicated under the heading “Compensation of the Directors and the Officers of OESC” on page 4 of this Information Circular, the non management directors of OESC are entitled to: (i) an annual retainer of \$10,000 (the “Base Retainer”), (ii) an attendance fee of \$1,000 for each board and committee meeting attended (the “Attendance Fees”) and (iii) an additional meeting fee of \$500 for the chair of each committee of the board (the “Chair Fee”) to compensate them for their services as independent directors of OESC. On May 21, 2003 the Board of Directors of OESC increased the annual compensation payable to non management directors by \$15,000 (the “Deferred Unit Amount”), payable at the end of each financial year of the Fund commencing with the year ended March 31, 2004, on the understanding that the Board of Directors approve a form of a Director’s Deferred Unit Compensation Plan (the “Director’s Plan”). The purpose of the Director’s Plan is to provide effective incentives for the independent directors to promote the business and success of the Fund by encouraging the ownership of Units.

On February 11, 2004, on the recommendation of the Compensation, Corporate Governance and Human Resources Committee, the Board of Directors approved the Director’s Plan which requires that 100% of the Deferred Unit Amount and a minimum of 20% (the “Minimum Amount”) of the total of the Base Retainer, Attendance Fee and Chair Fee to which each director is entitled annually, be paid in the form of deferred Units. The remaining fees to which the non management directors are entitled are payable in cash, subject to an election at such director’s option, to increase the Minimum Amount up to 100% of the balance of fees to which such director is entitled. The deferred Units, which are credited to each directors deferred Unit account at the end of each fiscal year of the Fund (the “Grant Date”), based upon the weighted average trading price of Units for 10 trading days on the TSX preceding the end of the Fund’s fiscal year, will not be issued to such director until the earlier of: (i) the termination of three years from the Grant Date, (ii) the day such director ceases to be a director of OESC and (iii) a change of control, providing that no Units will be issued after the expiry of 10 years from the Grant Date.

The price to be used in determining the number of notional Units to be granted to a director pursuant to the Plan at March 31 in each year will be the weighted average closing price of Units on the TSX for the 10 trading days preceding April 1 in the applicable financial year of the Fund in respect of the Deferred Unit Amount and the applicable percentage of the Base Retainer, Attendance Fee and Chair Fee which are to be paid in the form of a deferred grant of Units.

The total number of Units issuable pursuant to the Director’s Plan, a copy of which is included as Schedule A to this Information Circular, may not exceed 100,000. If the TSX or the Holders of Units and Preference Shares do not approve the Director’s Plan, all directors fees will be payable in cash.

Approval of Holders of Units and Preference Shares

The TSX requires that the Director’s Plan be approved by in excess of 51% of the votes cast by the Holders of Units and Preference Shares represented in person or by proxy at the Meeting, excluding the 2,402,832 votes attached to Units and Preference Shares held by the non management directors.

Directors’ Recommendation

The Board of Directors of OESC approved the Plan on February 11, 2004 on the basis that the issue of Deferred Units to the non management directors as part of their compensation package, aligns their interests

with those of the Holders of Units and Preference Shares and recommends that the Holders of Units and Preference Shares vote “FOR” the following resolution approving the Director’s Plan.

BE IT RESOLVED AS A RESOLUTION THAT:

- “1. Subject to the approval of the TSX, the Director’s Deferred Compensation Plan in the form of Schedule A hereto be and it is hereby approved.
2. Any director or officer of Ontario Energy Savings Corp. (“OESC”), as Administrator of the Fund, is hereby authorized and directed, for and on behalf of and in the name of the Fund, to do all such acts and things and to execute and deliver all such documents and instruments as may be considered necessary including the filing of an application to list an additional 100,000 Units on the TSX.
3. Notwithstanding the foregoing, OESC, as Administrator of the Fund may, without further approval of Unitholders and/or Holders of Preference Shares revoke this resolution at any time before it is acted upon.”

(c) UNIT APPRECIATION RIGHTS PLAN

As described under the headings “Employment Agreements — Named Executive Officers” and “Report on Executive Compensation” on pages 8 and 11 of this Information Circular, in lieu of granting options under the Fund’s 2001 Unit Option Plan, a specified minimum percentage of the performance and guaranteed bonuses and marketing fees or commissions to which the Named Executive Officers and certain other employees of, and consultants to, OESC are entitled (individually an “UAR Grantee”), are payable in fully paid UARs which vest at various dates (the “Vesting Dates”), ranging from one to five years from the grant date (the “Grant Date”), providing that on the applicable Vesting Date the UAR Grantee continues as an employee with or consultant to OESC or a subsidiary thereof. The proposed Unit Appreciation Rights Plan (the “UAR Plan”) provides an umbrella agreement to govern: (a) UARs previously granted to a UAR Grantee under employment agreements and marketing fee agreements referred to under the heading “Employment Agreements — Named Executive Officers” on page 8 of this Information Circular and under the heading “Report on Executive Compensation — Marketing Fee Agreements on page 11 of this Information Circular and (b) the grant of UARs in the future to employees of and consultants to OESC and its subsidiaries which UARs will vest, subject to the discretion of the board of directors, on a cumulative basis over a period of five years from the Grant Date as to 20% at the end of each year. The UAR’s are, subject to vesting, exchangeable into Units of the Fund on a cumulative basis for terms ranging up to 10 years, on the basis of one Unit for each UAR. The number of UARs to which an UAR Grantee is entitled is determined on the relevant Grant Date by dividing the amount of the performance or guaranteed bonus or the marketing fee or commission to which such Grantee is entitled and/or elects to receive, and which is payable in UARs, by the simple or weighted average of the closing market price of Units on the TSX for periods ranging between 10 and 30 days for UARs previously granted, and 30 days for all other UARs, in each case, prior to the Grant Date. Pending the exchange of UARs for Units, the Grantee of UARs is entitled to receive cash payments from OESC equal to the monthly distributions such holder would otherwise be entitled to receive if the UARs were Units, less any applicable withholdings or other tax.

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

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

The UAR Plan is subject to the acceptance thereof by the TSX. All UARs granted prior to such approval are subject to TSX approval of the UAR Plan and the approval of the Holders of Units and Preference Shares as provided below. In the event that either the TSX or the Holders of Units and Preference Shares do not approve

the UAR Plan, the portion of all bonuses and marketing fees and commissions otherwise payable in UARs, are payable in full in cash.

Approval of Holders of Units and Preference Shares

The TSX requires that the UAR Plan be approved by in excess of 51% of the votes cast by the Holders of Units and Preference Shares represented in person or by proxy at the meeting excluding the votes attached to the Units and Preference Shares held by the insiders of the Fund who are members of management of OESC including those employees to whom UARs have already been granted.

Directors' Recommendation

The Board of Directors of OESC approved the UAR Plan on May 17, 2004 on the basis that the issue of UARs to employees as part of their compensation package, aligns their interests with those of the Holder of Units and Preference Shares and provides the Fund with a mechanism to encourage such persons to continue in the long term service of the Corporation and recommends that the Holders of Units and Preference Shares vote "FOR" the following resolution approving the UAR Plan.

BE IT RESOLVED AS A RESOLUTION THAT:

1. Subject to the approval of the TSX, the Unit Appreciation Rights Plan in the form of Schedule B hereto be and it is hereby approved.
2. Any director or officer of Ontario Energy Savings Corp. ("OESC"), as Administrator of the Fund, is hereby authorized and directed, for and on behalf of and in the name of the Fund, to do all such acts and things and to execute and deliver all such documents and instruments as may be considered necessary including the filing of an application to list an additional one million Units on the TSX.
3. Notwithstanding the foregoing, OESC, as Administrator of the Fund may, without further approval of Unitholders and/or Holders of Preference Shares revoke the special resolution at any time before it is acted upon."

COMPENSATION OF THE TRUSTEE AND THE ADMINISTRATOR

Compensation of Trustee

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

Administration of the Fund

On April 30, 2001, the Fund entered into an administration agreement (the "Administration Agreement") with OESC, pursuant to which OESC agreed to provide or arrange for the provision of services required in the administration of the Fund. In consideration of its services, OESC receives an annual fee of \$100 plus certain out of-pocket expenses. OESC received a fee of \$100 for the period from April 1, 2003 to March 31, 2004.

CORPORATE GOVERNANCE

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

On January 16, 2004, the Ontario Securities Commission issued Proposed Multilateral Policy Instrument 58-201 entitled “Effective Corporate Governance” and Proposed Multilateral Instrument 58-191 entitled “Disclosure of Corporate Governance Practices” which, when approved in final form, will replace the TSX Guidelines and disclosure requirements. The corporate governance practices of the Fund and OESC meet most of the proposed new corporate governance practices and when approved in final form, the Fund will ensure that it is in substantial compliance with the new rules.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

No director or executive officer of OESC, no security holder who is known to OESC to own of record or beneficially more than 10% of any class of the Fund’s or OESC’s securities (other than as disclosed herein), and no associate or affiliate of any such director, executive officer or security holder has had any material interest, direct or indirect, in any transaction of the Fund or its subsidiaries since March 31, 2003 or in any proposed transaction which has materially affected or would materially affect the Fund or any of its subsidiaries except as otherwise disclosed in this Information Circular.

CERTIFICATE

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

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

DATED the 17th day of May, 2004.

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



REBECCA MACDONALD
Chair and
Chief Executive Officer
Ontario Energy Savings Corp.



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

SCHEDULE A

DIRECTOR'S DEFERRED COMPENSATION PLAN

1. Purpose of Plan

The directors compensation plan (the "Plan") of Energy Savings Income Fund ("the Fund") is intended to provide effective incentives for the non management, independent directors (the "Director") of Ontario Energy savings Corp. (the "Corporation") to promote the success and business of the Fund and the Corporation and to reward such directors in relation to the long-term performance and growth of the Fund by encouraging ownership of units ("Units") of the Fund.

2. Components of Plan

(a) Base Retainer, Attendance Fee, Chair Fee and Deferred Unit Grant

Compensation for independent, non management directors consists of four components as follows:

- (i) **Base Retainer** — a base annual retainer of \$10,000 payable to each Director of the Corporation in the amount of \$2,500 per calendar quarter (the "Base Retainer");
- (ii) **Attendance Fee** — an attendance fee payable to each Director in the amount of \$1,000 for each formal meeting of the Board of Directors of the Corporation or any committee thereof which is attended by such director, whether in person or by telephone conference call (the "Attendance Fee");
- (iii) **Chair Fee** — an additional fee of \$500 per committee meeting attended, whether in person or by telephone conference call for the chair of each committee of the Board of Directors of the Corporation (the "Chair Fee"); and
- (iv) **Deferred Unit Grant** — a deferred grant to each Director of the Corporation of such number of Units which have a value (as determined in accordance with the Plan) of \$15,000 per financial year of the Corporation or such other amount which may be approved by the Board of Directors of the Corporation (the "Deferred Unit Grant").

(b) Time of Payment

Subject to the terms hereof, the Base Retainer, the Chair's Fee and the Attendance Fee to which each Director is entitled shall be payable to each Director at the end of each quarter of the Corporation's financial year and the Deferred Unit Grant shall be payable at the end of OESC's financial year.

3. Form of Payment

(a) Payment in Units and Cash

Compensation payable to the Directors of the Corporation pursuant to the Plan will be paid in cash except where, as provided below, compensation is payable in the form of a deferred grant of Units.

(b) Minimum Deferred Compensation

In addition to the Deferred Unit Grant, each Director of the Corporation shall be paid, in the form of a deferred grant of Units for such portion of the Base Retainer, Attendance Fee and Chair Fee as will result in the Director being entitled to receive in the form of a deferred grant of Units not less than 20% of the total compensation payable in respect of a financial year of the Corporation pursuant to the Base Retainer, the Attendance Fee and the Chair Fee (the "Minimum Deferred Compensation"). A Director has the right, but not the obligation, to elect to receive greater than the Minimum Deferred Compensation in the form of a deferred grant of Units.

(c) Elections

Elections by Directors of the Corporation to receive compensation pursuant to the Plan in the form of a deferred grant of Units greater than the Minimum Deferred Compensation are required to be made prior to the

commencement of each financial year of the Fund, except the election to be made for the financial year of the Fund ending March 31, 2004 need not be made until May 17, 2004. If an election is not made prior to the commencement of the financial year (or prior to May 17, 2004 with respect to the financial year ending March 31, 2004) then payment of the Base Retainer, the Attendance Fee and the Chair Fee for such calendar quarter will, other than the Minimum Deferred Compensation, be paid in cash at the times indicated in section 2(b) hereof.

4. Issue of Units

(a) Election and Payment

Units which a Director of the Corporation is entitled to receive pursuant to the Plan will not be issued until the Director has delivered to the Fund an exercise election in writing that the Units be issued together with payment to the Fund in the amount of the statutory withholdings required in respect of the issuance of Units.

(b) Timing

A Director of the Corporation will not be entitled to elect to be issued any of the Units which he or she has been granted until a period of three years has passed since the date of grant of such Units or until the Director ceases to be a director of the Corporation, whichever is earlier. Upon a Director ceasing to be a director of the Corporation, such Director shall be required to elect whether he or she will be issued all or any portion of the Units which have been granted to him or her and to deliver payment for all of such Units to be issued. All Units to which a Director is entitled shall be issued to him or her immediately prior to a "change of control" as defined in the Fund's 2001 Unit Option Plan.

(c) Termination

A Director of the Corporation shall have no right to receive Units granted to him or her which have not been issued on the date that is 10 years following the date of grant.

(d) Payment of Withholding Obligation

In the event that Units are to be issued to a Director of the Corporation as aforesaid, the Fund or the Corporation shall make a payment on behalf of the director of the amount of statutory withholdings required in such respect of the transactions described in clause 4(a), and for greater certainty, such payment shall be in discharge of the Fund's or Corporation's obligations to make such statutory withholding.

5. Price

The price to be used for determining the number of all Units to be granted pursuant to the Plan will be the weighted average trading price of Units on the Toronto Stock Exchange for the **10** trading days preceding the last day of the Corporation's financial year in respect of which the Deferred Unit Grants are payable.

6. Adjustment of Number of Units

The number of Units which are issuable to a Director of the Corporation pursuant to a deferred grant of Units shall be increased on the second business day following each date on which a cash distribution is paid to holders of Units of the Fund by an amount equal to the product of the number of the Units which remain issuable and the fraction which has as its numerator the cash distribution paid, expressed as an amount per Unit and which has as its denominator the weighted average trading price of Units on the Toronto Stock Exchange for the record date for such distribution and the nine trading days preceding such record date.

7. Grant of Units

Compensation paid to a Director of the Corporation pursuant to the Plan in the form of a deferred grant of Units will be evidenced by an agreement between the Fund and the Director in a form which is approved by the Board of Directors from time to time.

8. Units Subject to the Plan

The total number of Units issuable pursuant to the Plan shall not exceed \$100,000. No fractional Units may be issued under the Plan and any entitlement hereunder to a fractional Unit will be rounded down and no amount of money will be payable by the Fund in respect of such fractional interest.

9. Eligibility and Determination

The Units issuable under the Plan pursuant to deferred grants of Units are reserved for independent non management Directors of the Corporation. In the event that a Director qualifies for the payment of compensation under the Plan for services provided as a Director for a period of less than twelve months in any calendar year then the entitlement of such Director for the Deferred Unit Grant will be calculated on a pro rata basis.

10. Administration

The Plan shall be administered by the Compensation, Corporate Governance and Human Resources Committee of the Board of Directors of the Corporation. The Fund shall effect the deferred grant of Units from time to time under the Plan in accordance with the determinations made as to the number of Units to be granted and the date of grant as provided for under the Plan. The Corporation shall within 30 days of the end of each financial year of the Fund provide each director with a reconciliation of the fees paid to him for the preceding financial year of the Fund and a record of the number of deferred units to which each such Director is entitled and the cost thereof.

11. Regulation

The Corporation's obligation to issue and deliver Units under the Plan is subject to compliance with all government and stock exchange regulations and requirements.

12. Capital Reorganizations

If and whenever there shall be a capital reorganization of the Fund such as a unit subdivision, consolidation, reclassification, change or exchange of the Units, including as a result of any merger, arrangement, amalgamation or business combination with any other corporation or entity, the entitlement to Units of any director for any applicable year, or portion thereof, shall be adjusted to take into account such capital reorganization.

13. Effective Date

Subject to the receipt of all regulatory approvals, the Plan will be effective as of April 1, 2004 as provided by a resolution of the Board of Directors of OESC passed on February 11, 2004 and shall remain in effect until such time as the Board of Directors amends or cancels the Plan which may occur at any time but not with retroactive effect. Any amendment to the Plan will be subject to the receipt of all regulatory approvals.

SCHEDULE B
ENERGY SAVINGS INCOME FUND
2004 UNIT APPRECIATION RIGHTS PLAN

ARTICLE I
PURPOSE OF PLAN
AND
PRIOR AGREEMENTS

1.1 **Purpose of Plan.** The purpose of the UAR Plan is: (a) to provide the Fund with a mechanism to ensure that all or a significant portion of the bonuses, marketing fees and commissions or other similar forms of compensation payments to which an Eligible Person is, or may become, entitled is payable in UARs (in lieu of cash) thereby encouraging Eligible Persons to continue in the long term service of the Fund or a Controlled Entity, (b) to provide Eligible Persons compensation opportunities that will encourage ownership of Units of the Fund, (c) to enhance the Fund's ability to attract, retain and motivate key personnel and reward performance in the form of UARs exchangeable into Units in lieu of cash and (d) to create in Eligible Persons a more direct interest in the future success of the Fund by relating compensation to increases in Unitholder value.

1.2 **Prior Agreements.** The Fund and the Corporation acknowledge: (a) that UARs have, subject to TSX and Unitholder approval, been authorized and made available to persons listed in Schedule B hereto pursuant to the Employment Agreements and the Marketing Fee Agreements and (b) that the terms of the UAR Plan are subject to the terms and conditions of each Marketing Fee Agreement and Employment Agreement and that to the extent the terms and conditions of such Agreements are inconsistent with the UAR Plan, then in such circumstances the terms and conditions of each Marketing Fee Agreement and Employment Agreement shall govern and prevail and override the terms and conditions of the UAR Plan provided however that: (i) the number of Units issuable to Eligible Persons on the exchange of UARs for Units shall: (A) (subject to Article VIII hereof) be on a 1:1 ratio and (B) not exceed the limits provided for in Sections 4.1 and 5.6 hereof and (ii) the number of UARs issuable to Eligible Persons pursuant to a Grant Agreement shall be the result obtained by dividing the Compensation Entitlement by the Market Price.

ARTICLE II
DEFINED TERMS

2.1 Where used herein, the following terms shall have the following meanings:

"Board" means the board of directors of the Corporation or, if established and duly authorized to act, the Corporate Governance, Compensation and Human Resources Committee of the board of directors of the Corporation;

"Business Day" means any day, other than a Saturday or a Sunday, on which the TSX is open for trading;

"Change of Control" will, subject to the manner in which the term is defined in the Marketing Fee Agreements or in one or more of the Employment Agreements, be deemed to have occurred under the UAR Plan if:

- (a) any individual, partnership, firm, corporation, association, fund, unincorporated organization or other entity, or any syndicate or group acting or presumed to be acting jointly or in concert, offers to acquire or acquires, directly or indirectly, Units representing 50 percent or more of the outstanding Units assuming the exercise of all of the Exchange Rights but shall not be deemed to have occurred with respect to the exercise of any Exchange Rights;
- (b) assets of the Fund representing 50 percent or more of the net book value of the Fund, on a consolidated basis, determined as of the date of the audited consolidated financial statements of the Fund then most recently published, are sold, liquidated or distributed; or

- (c) Unitholders, including the holders of Class A Preference Shares in the capital of the Corporation, approve, or the Fund consummates, any reorganization, amalgamation, arrangement, merger, business combination, consolidation, issuance of securities, sale of assets, liquidation, dissolution or winding-up, or any combination thereof (a “transaction”), and, as a result thereof, persons who are Unitholders immediately prior to such transaction would not, immediately thereafter, directly or indirectly, own securities representing de facto control of the reorganized, amalgamated, continuing, merged, surviving or consolidated entity;

“**Compensation Committee**” shall mean the Corporate Governance, Compensation and Human Resources Committee of the Board or any successor committee of the Board which has responsibility for compensation matters including UARs;

“**Compensation Entitlement**” means the amount of a performance or guaranteed bonus, marketing fee or commission, or other similar form of compensation payment, if any, which, pursuant to an Employment Agreement, Marketing Fee Agreement or other similar form of compensation agreement between the Fund or a Controlled Entity and an Eligible Person, which is payable in UARs in lieu of cash compensation;

“**Controlled Entity**” means any entity, whether a corporation, limited partnership or otherwise, whose shares, units or other voting securities, are controlled, directly or indirectly by the Fund;

“**Declaration of Trust**” means the amended and restated declaration of trust at April 18, 2001 as further amended on June 27, 2003;

“**Corporation**” means Ontario Energy Savings Corp. amalgamated under the Business Corporations Act (Ontario) on July 1, 2002 and includes any successor corporation thereto;

“**Eligible Person**” means any senior officer or service provider of the Fund or any Controlled Entity;

“**Employment Agreements**” means the employment agreements listed in Schedule B hereto;

“**Employee Optionee**” shall have the meaning ascribed thereto in Article VI;

“**Exchange Rights**” means the rights attaching to the Class A Preference Shares in the capital of the Corporation granted pursuant to the OESC Shareholders’ Agreement;

“**Fund**” means Energy Savings Income Fund, a fund established under the laws of the Province of Ontario and governed by the Declaration of Trust;

“**Grant Agreement**” means an agreement between the Fund or a Controlled Entity and an Eligible Person pursuant to which such Person has received or is entitled to receive UARs substantially in the form of Schedule A hereto and includes each of the Marketing Fee Agreements and Employment Agreements listed in Schedule B hereto;

“**Grant Date**” means the date on which an Eligible Person is entitled under a Grant Agreement to an award of UARs;

“**Market Price**”, at any date, in respect of UARs shall be the closing price of Units on the TSX (or, if such Units are not then listed and posted for trading on The TSX, on such stock exchange in Canada on which such Units are listed and posted for trading as may be selected for such purpose by the Compensation Committee) on the last Business Day immediately preceding a Grant Date or, in the case of a Marketing Fee Agreement or Employment Agreement, the number of Business Days provided therein, not to exceed 30 trading days on the TSX. If such Units did not trade on a Business Day, the Market Price shall be the closing price on the last Business Day preceding such date when such Units traded on such exchange. If such Units are not listed and posted for trading on any stock exchange, the Market Price in respect of UARs shall be the fair market value of such UARs as determined by the Compensation Committee in its sole discretion;

“**Marketing Fee Agreements**” means the marketing fee agreements listed in Schedule B hereto;

“**service provider**” means any person who provides consulting, advisory or other similar services to the Fund, the Corporation or any Controlled Entity;

“Subsidiary” means any body corporate which is a “subsidiary” (as such term is defined in the *Business Corporations Act* (Ontario), as the same may be amended from time to time); provided, however, that any corporation, including the Corporation, which would be a Subsidiary of the Fund if the Fund were a corporation, shall be deemed to be a Subsidiary of the Fund for all purposes as if the Fund were a corporation;

“TSX” means the Toronto Stock Exchange;

“UARs” means a unit appreciation right which an Eligible Person receives or becomes entitled to receive pursuant to a Grant Agreement and which, subject to the terms of Article VIII hereof, is subject to vesting as provided in a Grant Agreement and exchangeable into one fully paid and non-assessable Unit of the Fund;

“UAR Grantee” means a person, who is an Eligible Person and who has received a UAR pursuant to a Grant Agreement;

“UAR Plan” means the 2004 Unit Appreciation Rights Plan of the Fund, as embodied herein, as the same may be amended or varied from time to time;

“UAR Price” shall be the price determined by dividing the Compensation Entitlement by the Market Price;

“Unitholder” means a holder of Units; and

“Units” means the units of the Fund, or in the event of an adjustment contemplated by Article VIII, such other units or securities to which a UAR Grantee may be entitled upon the exchange of a UAR as a result of such adjustment.

ARTICLE III

ADMINISTRATION OF THE PLAN

3.1 The Plan shall be administered by the Compensation Committee.

3.2 The Compensation Committee shall have the power, where consistent with the general purpose and intent of the UAR Plan and subject to the specific provisions thereof and subject to the terms of any Marketing Fee Agreement and/or Employment Agreement:

- (a) to establish policies and to adopt rules and regulations for carrying out the purposes, provisions and administration of the UAR Plan providing such policies, rules and regulations are not inconsistent with the terms of any Employment Agreement and Marketing Fee Agreement;
- (b) to interpret and construe the UAR Plan and to determine all questions arising out of the Plan and any UAR granted pursuant to the Plan, and any such interpretation, construction or termination made by the Compensation Committee shall be final, binding and conclusive for all purposes;
- (c) to determine Eligible Persons;
- (d) to determine the number of UARs to be granted to Eligible Persons;
- (e) to determine the UAR Price;
- (f) to determine the time or times when UARs will be granted, vested and exchangeable into Units;
- (g) to determine if the UARs which are subject to the UAR Plan will be subject to any restrictions upon the exchange of such UARs; and
- (h) to prescribe the form of the instruments relating to the grant, exchange and other terms of the UARs.

ARTICLE IV

UARS AND UNITS SUBJECT TO PLAN

4.1 UARs may be granted in respect of authorized and unissued Units provided that the aggregate number of Units reserved for issuance under the UAR Plan, subject to adjustment or increase of such number pursuant to the provisions of Article VIII, together with any Units reserved for issuance under any options or warrants for services or employee unit purchase or unit option plans or any other plans, shall not exceed three million Units

providing that the total number of UARs issuable under the UAR Plan shall not exceed one million. Units in respect of which UARs are not exchanged shall be available for subsequent UARs under the UAR Plan. No fractional UARs or Units may be exchanged or issued under the UAR Plan.

ARTICLE V

ELIGIBILITY. GRANT AND TERMS OF UARS

5.1 UARs may be granted only to Eligible Persons.

5.2 UARs may be granted by the Corporation or any Subsidiary pursuant to recommendations of the Compensation Committee provided and to the extent that such recommendations are approved by the Board.

5.3 Except as otherwise provided in this Article V, the number of Units subject to each UAR, the UAR Price, the expiration date of each UAR, the extent to which each UAR is exchangeable from time to time during the term of the UAR and other terms and conditions relating to each such UAR shall be determined by the Compensation Committee. If, however, no specific determination is made by the Compensation Committee with respect to any of the foregoing matters, each UAR shall, subject to any other specific provisions of the UAR Plan, contain the following terms and conditions:

- (a) the period during which an UAR shall be exchangeable into Units shall be five years from the Grant Date; and
- (b) the UAR Grantee may exchange not more than 20% of the Units covered by the UAR during each 12 month period following the first anniversary of the date of the grant of the UAR; provided, however, that if the number of Units taken up under the UAR during any such 12 month period is less than 20% of the Units covered by the UAR, the UAR Holder shall have the right, at any time or from time to time during the remainder of the term of the UAR, to exchange such number of Units subject to the UAR which were exchangeable, but not exchanged by the UAR Grantee, during such 12 month period.

5.4 The number of UARs to be granted to a UAR Grantee shall equal the result obtained by dividing the Compensation Entitlement by the UAR Price.

5.5 In no event may the term of a UAR exceed 10 years from the Grant Date.

5.6 The total number of Units to be made available to any UAR Grantee under the UAR Plan together with any Units reserved for issuance under options or warrants for services and employee unit purchase plans or any other unit compensation arrangements to such UAR Grantee shall not exceed 5% of the issued and outstanding Units at Grant Date assuming the exercise of all Exchange Rights.

5.7 A UAR is personal to the UAR Grantee, is non assignable and shall not be sold, margined, transferred, encumbered, conveyed, gifted, alienated, hypothecated, pledged or otherwise disposed of, other than by will or the laws of descent and distribution.

5.8 All UARs granted pursuant to the Plan shall automatically vest immediately prior to the occurrence of a Change of Control.

5.9 No fractional UARs or Units shall be issued or exchanged under the UAR Plan.

ARTICLE VI

TERMINATION OF EMPLOYMENT OR DEATH

6.1 Subject to sections 6.2 and 6.3 and to any express resolution passed by the Compensation Committee with respect to an UAR, an UAR and all rights to exchange UARs for Units pursuant hereto, granted to an Eligible Person shall expire and terminate immediately upon the UAR Grantee ceasing to be an employee.

6.2 If, before the expiry of an UAR in accordance with the terms hereof, the employment of an Eligible Person shall terminate by reason of the death of the UAR Grantee, notwithstanding any other provision hereof, such UAR (whether or not exercisable at the time of death of the UAR Grantee) may be exercised by the legal

representatives of the estate of the UAR Grantee at any time on or prior to the earlier of (i) the date of expiration of such UAR and (ii) the first anniversary of the date of death of such UAR Grantee.

6.3 (a) Subject to subsection 6.3(b), if, before the expiry of an UAR in accordance with the terms hereof, the employment of an UAR Grantee by the Fund or a Controlled Entity shall terminate for any reason whatsoever other than for cause or by reason of death of the UAR Grantee, such UAR may be exchanged by the UAR Grantee at any time on or prior to the earlier of: (i) the date of expiration of such UAR and (ii) the day that is three months following the date of termination of the employment of the UAR Grantee, but only to the extent that the UAR Grantee was entitled to exchange such UAR at the date of the termination of his or her employment. To the extent that the UAR Grantee was not entitled to exchange the UAR at the date of such termination, or does not exchange such UAR within the time specified herein, the UAR shall terminate.

(b) The Compensation Committee shall have the authority to:

- (i) subject to section 5.5 and regulatory approval, extend the expiration date of any outstanding UAR; or
- (ii) accelerate the right to exchange any outstanding UAR in circumstances in which the Compensation Committee deems such action to be appropriate.

6.4 UARs shall not be affected by any change of employment of the UAR Grantee where the UAR Grantee continues to be employed on a full-time basis by the Fund or a Controlled Entity.

ARTICLE VII

EXCHANGE OF UARS FOR UNITS

7.1 UARs shall be exchangeable on a cumulative basis by a UAR Grantee into Units on the basis of one fully paid and non assessable Unit for each UAR.

7.2 Eligible Persons shall be entitled to receive a certificate from the Corporation dated the Grant Day representing the total number of UARs to which such Eligible Person is entitled from time to time containing the terms of the UAR and executed by the Corporation and the Corporation shall maintain a register of UAR Grantees indicating the number of UARs owned and exchanged by each UAR Grantee from time to time.

7.3 An UAR may be exchanged from time to time by delivery to the Corporation at its registered office of a written notice of exchange addressed to the Secretary of the Corporation specifying the number of Units with respect to which the UAR is being exchanged and accompanied by the delivery of a UAR certificate for the number of Units to be exchanged. Certificates for such Units shall be issued and delivered to the UAR Grantee as fully paid and non assessable Units of the Fund within a reasonable time following the receipt of such notice and delivery.

7.4 Notwithstanding any of the provisions contained in the UAR Plan or in any UAR, the Fund's obligation to issue Units to an UAR Grantee pursuant to the exchange of an UAR shall be subject to:

- (a) completion of such qualification or other registration of such Units or obtaining approval of such governmental or other regulatory authority as the Fund or the Corporation in its capacity as administrator of the Fund shall determine to be necessary or advisable in connection with the authorization, issuance or sale thereof;
- (b) the admission of such Units to listing on any stock exchange on which the Units may then be listed; and
- (c) the receipt from the UAR Grantee of such representations, agreements and undertakings and other documentation including as to future dealings in such Units, as the Fund, the Corporation or their respective counsel determines to be necessary or advisable in order to safeguard against the violation of the securities laws of any jurisdiction.

In this connection the Fund shall, to the extent necessary, take all reasonable steps to obtain such approvals, registrations and qualifications as may be necessary for the issuance of such Units in compliance with applicable securities laws and for the listing of such Units on any stock exchange on which the Units are then listed.

7.5 Pending the exchange thereof, a UAR Grantee shall be entitled to receive monthly cash payments from the Corporation equal to the distributions such UAR Grantee would otherwise be entitled to receive if the UARs were Units, less applicable withholding or other taxes, if any, exigible with respect to the payment thereof.

ARTICLE VIII

CERTAIN ADJUSTMENTS

8.1 Appropriate adjustments in the number of Units subject to the UAR Plan, and as regards UARs granted or to be granted, in the number of Units exchanged for UARs shall be made by the Board to give effect to adjustments in the total number of issued and outstanding Units resulting from subdivisions, consolidations or reclassifications of the Units, the payment of unit distributions by the Fund (other than distributions in the ordinary course) or other relevant changes in the capital of the Fund.

ARTICLE IX

AMENDMENT OR DISCONTINUANCE OF PLAN

9.1 Subject to applicable unitholder and/or regulatory approval, the Board may amend or discontinue the UAR Plan at any time provided, however, that no such amendment may increase the maximum number of Units that may be exchanged under the UAR Plan, change the 1:1 exchange ratio of UARs for Units or, without the consent of the UAR Grantee, alter or impair any UAR previously granted to an UAR Grantee under the UAR Plan.

ARTICLE X

MISCELLANEOUS PROVISIONS

10.1 Subject to section 7.5 hereof a UAR Grantee shall not have any rights as a Unitholder of the Fund with respect to any of the Units covered by such UAR until such holder shall have exchanged such UAR in accordance with the terms of the UAR Plan, and the Fund shall issue such Units to the UAR Grantee in accordance with the terms of the UAR Plan in those circumstances.

10.2 Nothing in the UAR Plan or any UAR shall confer upon any UAR Grantee any right to continue in the employ of the Fund or a Controlled Entity or affect in any way the right of the employer to terminate his or her employment at any time; nor shall anything in the UAR Plan or any UAR be deemed or construed to constitute an agreement, or an expression of intent, on the part of the employer to extend the employment of any UAR Grantee beyond the time which he or she would normally be retired pursuant to the provisions of any current or future retirement plan of the employer or any current or future retirement policy of the employer, or beyond the time at which he or she would otherwise be retired pursuant to the provisions of any contract of employment with the employer.

10.3 All expenses of administering the Plan shall be borne by the Corporation.

ARTICLE XI

REGULATORY APPROVAL

11.1 The UAR Plan shall, subject to acceptance by the TSX and the approval of the holders of Units and Preference Shares as required by the TSX be effective as of April 1, 2003. Any UARs authorized, issued or granted prior to such approval and acceptance shall be conditional upon such acceptance being given and no such UARs may be exchanged for Units unless and until such acceptance is given.

**SCHEDULE A
FORM OF GRANT AGREEMENT**

**ENERGY SAVINGS INCOME FUND
2004 UNIT APPRECIATION RIGHTS PLAN
GRANT AGREEMENT**

Energy Savings Income Fund (the "Fund"), hereby grants to the employee named below (the "Participant"), unit appreciation rights (the "UAR") to acquire, in accordance with and subject to the terms, conditions and restrictions of this Agreement together with the provisions of the 2004 Unit Appreciation Rights Plan as amended from time to time (the "UAR Plan") of the Fund, the number of Units of the Fund (the "Units") for no additional consideration, set forth below:

Name of Participant:

Date of Grant:

Total Number of Units subject to UARs:

1. The terms and conditions of the UAR Plan are hereby incorporated by reference as terms and conditions of this Agreement and all capitalized terms used herein shall, unless expressly defined in a different manner, have the meanings ascribed thereto in the Plan.
2. (a) Subject to section 5.8 of the Plan, no UAR granted hereunder shall be exchangeable in whole or in part until the close of business on . Thereafter, so long as at the relevant vesting date Participant is an employee of or service provider to the Fund or a Controlled Entity, the UAR shall become exchangeable in accordance with the following schedule:

Date on Which UAR
Becomes Exchangeable:

Number of Units in
Respect of Which UAR is
Exchangeable:

UAR Price \$ per UAR

UARs are, subject to vesting and other provisions of the UAR Plan, exchangeable into Units on a 1 for 1 basis.

All UARs will vest over a period of years from the Grant Date, namely 0% in the first year and % on each of the , , , , and anniversaries from the Grant Date.

- (b) In no event shall the UAR granted hereunder be exchangeable after .
 - (c) No fractional Units shall be issued on the exercise of the UAR granted hereunder. If, as a result of any adjustment of the number of Units issuable on the exchange of a UAR granted hereunder pursuant to the Plan, the Participant would be entitled to receive a fractional Unit, the Participant shall have the right to acquire only the adjusted number of full Units and no payment or other adjustment will be made with respect to the fractional Units so disregarded.
3. Each notice relating to an UAR, including the exchange thereof, shall be in writing. All notices to the Fund shall be addressed to the Corporate Secretary of Ontario Energy Savings Corp. ("OESC"), 130 King Street West, Suite 2830, Toronto, Ontario, M5X 1E1. All notices to the Participant shall be addressed to the principal address of the Participant on file with OESC. Either OESC or the Participant may designate a difference address by written notice to the other. Written notice to such addresses shall be effective to bind the Fund and, OESC, the Participant and the Participant's estate.
4. When the issuance of Units on the exchange of an UAR may, in the opinion of the Fund, conflict or be inconsistent with any applicable law or regulation of any governmental agency or regulatory authority

having jurisdiction, the Fund reserves the right to refuse to issue such Units for so long as such conflict or inconsistency remains outstanding.

5. The Participant hereby agrees that:

(a) any rule, regulation or determination, including the interpretation of the Plan, the UAR granted hereunder and the exchange thereof, by the Board shall be final and conclusive for all purposes and binding on all persons including the Fund, OESC and the Participant: and

(b) the grant of the UAR shall not affect in any way the right of the Fund or OESC to terminate the employment of the Participant.

6. This Agreement has been made in and shall be construed under and in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.

7. The parties confirm that it is their wish that this Agreement, as well as any other documents relating to this Agreement, have been and shall be drawn up in the English language only.

Les parties aux présentes confirment leur volonté que cette convention, de même tous les documents, soient rédigé en anglais seulement.

**ENERGY SAVINGS INCOME FUND
by its Attorney, Ontario Energy Savings Corp**

By:

Rebecca MacDonald

Brennan Mulcahy

I have read the foregoing Agreement and hereby accept the UARs exchangeable into Units set forth above in accordance with and subject to the terms and conditions of such Agreement and the Plan. I confirm I have received the complete text of the Plan from OESC and I agree to be bound by the terms and conditions of the Plan governing the award made hereby and by the actions of the Board in respect thereof.

Date Accepted

Participant's Signature

Participant's Name

ENERGY SAVINGS INCOME FUND
2004 UNIT APPRECIATION RIGHTS PLAN
EXCHANGE NOTICE FORM — UARs

The undersigned hereby notifies Energy Savings Income Fund (the “Fund”) of my desire to exchange UARs for an equivalent number of Units of the Fund. This Exchange Notice is delivered in respect of UARs of the Fund which was granted to me on _____ pursuant to a Grant Agreement entered into between the Fund or a Controlled Entity and the undersigned. The undersigned confirms that as at the date hereof the undersigned is a full time employee of or service provider to the Fund or a Controlled Entity.

Date

Signature of UAR Grantee

Name of UAR Grantee — please print

SCHEDULE B

LIST OF EXISTING GRANT AGREEMENTS

1. The employment agreement between Rebecca MacDonald and the Corporation dated February 1, 2001, as amended by a term sheet dated February 12, 2004 (the “RM Employment Agreement”);
2. The employment agreement between Brennan Mulcahy and the Corporation dated February 1, 2001, as amended by a term sheet dated February 12, 2004 (the “BM Employment Agreement”);
3. The employment agreement between Debbie Wernet and U.S. Energy Savings Corp. dated September 1, 2003 (the “DW Employment Agreement”);
4. The employment agreement between Ken Hartwick and the Corporation dated April 5, 2004 (the “KH Employment Agreement”);
5. The marketing fee agreement between the Fund, the Corporation and Paul DeVries dated April 1, 2003 (the “PDeV Marketing Fee Agreement”);
6. The marketing fee agreement between the Fund, the Corporation and Chris Gaffney dated April 1, 2003 (the “CG Marketing Fee Agreement”);
7. The marketing fee agreement between the Fund, the Corporation and Dave Ellis dated April 1, 2003 (the “DE Marketing Fee Agreement”);
8. The marketing fee agreement between the Fund, the Corporation and Owen Mitchell dated April 1, 2003 (the “OM Marketing Fee Agreement”); and
9. Such other employment, marketing fee or other similar compensation agreement between the Fund and/or a Controlled Entity and a senior officer of the Fund or a Controlled Entity pursuant to which UARs are made available.

SCHEDULE C

Corporate Governance

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

Toronto Stock Exchange Guidelines

Corporate Governance Practices of the Fund

RESPONSIBILITY FOR STEWARDSHIP

1

The board of directors should explicitly assume responsibility for the stewardship of the corporation;

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

STRATEGIC PLANNING PROCESS

1(a)

The adoption of a strategic planning process;

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

PRINCIPAL RISKS

1(b)

The identification of the principal risks associated with the business of the corporation and ensuring the implementation of appropriate systems to manage these risks;

- The Board, through its Audit Committee, regularly identifies and assesses the principal risks of the Corporation and has established certain risk parameters within which the Corporation must operate. The Board is apprised of these risks and monitors compliance with risk parameters through quarterly operational reports from senior management. The Board annually adopts and reviews policies regarding these risks, while ensuring their implementation.

SUCCESSION PLANNING

1(c)

Succession planning, including appointing, training and monitoring senior management;

- The board approves the appointment of all members of senior management of OESC and its subsidiaries and monitors succession planning.
- The Compensation, Corporate Governance and Human Resources Committee annually reviews the profile of senior management to ensure that they possess the required competencies to hold senior management positions at the Corporation, as well as the Corporation's succession plan, and determines development needs, as applicable.

- The Committee is responsible for establishing senior management objectives annually in cooperation with the Chair and Chief Executive Officer and monitoring the performance of senior management against these objectives.

COMMUNICATIONS POLICY

1(d)

A communications policy;

- The Board emphasizes transparency in the communication of information to all unitholders, investors, suppliers, customers and the general public.
- A policy approved by the Board in 2001 establishes the procedures for complete, accurate and timely communication between the Fund and its unitholders, financial analysts, the media and the public and prohibits the selective distribution of information by stipulating that information must be distributed to the general public.
- The Audit Committee reviews in particular the Fund's annual and quarterly consolidated financial statements, the related press releases, the Annual Management Information Circular, the Annual Information Form and management's discussion and analysis of the financial condition and operating results of the Fund before these are approved by the Board.
- The Fund responds to requests from unitholders, investors and financial analysts through its Chair and Chief Executive Officer and Chief Financial Officer who regularly present at conferences sponsored by various investment firms. The quarterly reports are made available in real time on the Fund's website (www.esif.ca).

INTEGRITY OF INTERNAL CONTROL

1(e)

The integrity of internal control and management information systems;

- The Board, through its Audit Committee, examines audit and internal control processes as well as management information systems to determine their integrity and effectiveness. In consultation with internal financial management, the Committee examines the effectiveness of the Corporation's policies and internal control mechanisms.

- The Audit Committee requires that the internal financial management be free of any influence that could adversely affect its ability to assume its responsibilities objectively.

INDEPENDENCE OF THE BOARD OF DIRECTORS

2

A majority of the directors should be “unrelated”;

- The Board currently consists of nine members, six of whom are unrelated directors and three of whom are the Chair and Chief Executive Officer, a Vice-President and the President of the Corporation. The Chief Executive Officer is the Chair of the Board. On May 17, 2004 the Board of Directors appointed one of its outside independent directors as lead director. The slate of directors to be proposed by the Board for election by the persons entitled to vote at the Fund’s annual and special meeting to be held on June 29, 2004 consists of eight directors, of whom six will be unrelated directors.

UNRELATED DIRECTORS

3

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

- The Board, through its Compensation, Corporate Governance and Human Resources Committee, ensures compliance with The Toronto Stock Exchange Guidelines.
- The Committee analyzed all business and related party relationships maintained by the directors with the Fund or its subsidiaries to determine if certain OESC directors met the criteria for the definition of an “unrelated director”.
- After the June 29, 2004 annual and special meeting of the Fund only two of the eight directors of OESC are considered to be related, as defined by the Toronto Stock Exchange Guidelines.

- Ms. MacDonald, being the Chair and Chief Executive Officer of the Corporation, and Mr. McKelvie, Vice-President of the Corporation (who recently retired as Chief Financial Officer, has not been nominated to continue as a director) and Brennan Mulcahy the President of the Corporation are related directors. Each of Messrs. Brussa, Segal, Kirby, Smith, Krstajic and Panneton, receives no remuneration from the Corporation in excess of fees paid as a director (except, indirectly, for Mr. Brussa, a partner of Burnet, Duckworth & Palmer LLP, which firm receives fees for legal services rendered to the Fund and its operating subsidiaries and Mr. Panneton whose role as (i) Vice Chairman of Dundee Securities Corporation, which firm has received commissions on past offerings of Units of the Fund is entirely unrelated to any commissions received by Dundee Securities Corporation and (ii) as President of Goodman Private Wealth Management is not in any way related to his compensation as a director of the Corporation), is not involved in the day-to-day management of the Corporation and is free from any interest in the business or other relationship which could materially interfere with his ability to act with a view to the best interests of the Corporation. As a result, each of Messrs. Brussa, Segal, Kirby, Smith, Krstajic and Panneton (appointed as lead director on May 17, 2004), are unrelated directors.

BOARD COMMITTEES

4

The board should appoint a committee of directors composed exclusively of outside, i.e. non-management directors, a majority of whom are unrelated, and assign to such committee the responsibility for proposing nominees to the board and for assessing directors on an ongoing basis;

- Following the annual and special meeting on June 29, 2004, the Board will re-appoint a Compensation, Corporate Governance and Human Resources Committee, composed of three unrelated directors and an Audit Committee composed of three unrelated directors. The Compensation, Corporate Governance and Human Resources Committee has the mandate to recommend candidates for the Board, annually reviews credentials of nominees for re-election, recommends candidates for filling vacancies on the Board and its Committees and ensures qualifications are maintained. The Compensation, Corporate Governance and Human Resources Committee will have the ongoing responsibility of assessing the effectiveness of the Board as a whole, the committees of the Board and the contributions of individual directors.

ASSESS THE EFFECTIVENESS OF THE BOARD

5

The board should implement a process, to be monitored by the appropriate committee, for assessing the effectiveness of the board and the committees of the board, as well as the contribution of individual directors;

- The Compensation, Corporate Governance and Human Resources Committee is delegated by the Board to implement a process allowing the Committee to assess the performance and effectiveness of the Board and its committees while executing their mandate.
- As part of this process, directors must complete a self-assessment questionnaire concerning the performance of the Board and its committees. They evaluate in particular the availability of information required for decision making and the ability of the members of the Board and the committees to process this information for each strategic activity of the Board and the committees. The questionnaire also covers the directors' evaluation of the general operation of the Board and its committees.
- Completed questionnaires are sent to the Chair of the Committee (now the lead director) to compile the results. On receipt of the results, the Chair of the Committee apprises the Committee members of the results of the self-assessment and reports to the Board by presenting its recommendations.
- The table on page 50 of this Information Circular indicates the attendance record for each proposed director nominee for all director and committee meetings held for the fiscal year ending March 31, 2004.

ORIENTATION AND EDUCATION PROGRAM FOR DIRECTORS

6

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

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

APPROPRIATE SIZE FOR THE BOARD

7

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

- The board, through the Compensation, Corporate Governance and Human Resources Committee, annually reviews the size and composition of the Board to maintain the proper industry representation as well as complementary experience and expertise to foster exchange and discussion with directors and effective decision-making.
- In this regard, the Board has concluded that the current number of directors to be elected at the annual and special meeting of the Fund on June 29, 2004 is appropriate for a company of the size and complexity of the Corporation and given the nature of the Corporation's business.

COMPENSATION OF DIRECTORS

8

The board should review the adequacy and form of the compensation of directors. In light of the risks and responsibilities involved in being an effective director;

- The Compensation, Corporate Governance and Human Resources Committee periodically examines the adequacy and form of directors' compensation based on their responsibilities and makes recommendations thereon to the Board. The Committee therefore takes into consideration the types of compensation and the amounts paid to directors of comparable Canadian companies and income trusts. The Compensation, Corporate Governance and Human Resources Committee considers time commitment, comparative fees and responsibilities in determining remuneration.
- In order to link the interests of directors to those of unitholders, the board is submitting a Directors' Deferred Unit Compensation Plan for approval at the June 29, 2004 meeting of Unitholders, which if approved will require directors to be paid a minimum portion of their compensation in the form of Units of the Fund. (For information about the compensation paid to directors in 2003 see "Compensation of Directors" on page 4 of the Circular and "Directors Deferred Unit Compensation Plan" on page 21 of the Circular).

COMMITTEES AND OUTSIDE DIRECTORS

9

The committees of the board of directors should generally be composed of outside directors⁽¹⁾, a majority of whom are unrelated directors;

- The Audit Committee and the Compensation, Corporate Governance and Human Resources are each composed exclusively of directors who are non-management members.

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

CORPORATE GOVERNANCE PHILOSOPHY

10

The board of directors should assume responsibility for developing the approach to governance issues, or assign such responsibility to a committee of the board. The committee would, among other things, be responsible for responding to the TSX Guidelines;

- The Compensation, Corporate Governance and Human Resources Committee is responsible for studying, applying and overseeing corporate governance rules, procedures and policies for the Corporation. More specifically, it has the responsibility of examining, on a regular basis, and approving the manner in which the Corporation responds to the Toronto Stock Exchange Guidelines.

DEFINITION OF DUTIES

11

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

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

preference. The Board receives regular reports from Management confirming the Corporation's compliance with various legal requirements and internal control procedures and expects Management to provide it with additional reports if extraordinary situations arise.

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

INDEPENDENCE OF THE BOARD

12

The board should have in place appropriate structures and procedures to ensure that the board can function independently of management. An appropriate structure would be to:

- (i) appoint a chair of the board who is not a member of management with responsibility to ensure that the board discharges its responsibilities or
- (ii) adopt alternate means such as assigning this responsibility to a committee of the board or to a director, sometimes referred to as the "lead director".

Appropriate procedures may involve that the board meet on a regular basis without management present or may involve expressly assigning the responsibility for administering the board's relationship to management to a committee of the board;

- The Chair of the Board is Ms. Rebecca MacDonald who is also the Chief Executive Officer of the Corporation. The knowledge and experience of Ms. Rebecca MacDonald are very important to the Corporation and the Board and it is believed that the best interests of the Board, the Corporation and the Fund would not be served at this time with a different Chair who is not a member of either Committee of the Board. At the completion of each Board of Director and committee meeting, the directors meet independently of management. As an alternative to separating the roles of Chair and Chief Executive Officer, the board appointed a lead director on May 17, 2004 whose responsibilities include among other things, for ensuring that the board discharges its responsibilities effectively and independently, in consultation with the Compensation, Corporate Governance and Human Resources Committee.

- The Compensation, Corporate Governance and Human Resources Committee prepares and reviews the mandate of the lead director by proposing a description of duties which will be approved by the Board.
- Outside directors periodically hold in camera meetings under the leadership of the lead director. These meetings provide a forum for exchanges and promote more open discussion among the members.

AUDIT COMMITTEE

13

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

- The Audit Committee is composed exclusively of outside unrelated directors of the Corporation.
- The members of the Audit Committee are financially literate and at least one member has accounting or financial experience.
- The Board reviewed and approved a new mandate for the Audit Committee, which sets out the duties and responsibilities assigned to this Committee's members, both in audit and risk management matters.
- The Audit Committee is responsible for assuring the Board that the risks to which the Corporation is exposed are identified and that they are properly and effectively managed and controlled. The Audit Committee analyzes, examines and monitors issues related to the management of material financial and non-financial risks to which the Corporation is exposed.
- As part of its audit responsibilities, the Committee reviews quarterly and annual consolidated financial statements, makes recommendations to the Board regarding the appointment of external auditors and their compensation, and assesses, in consultation with financial management, the effectiveness of policies and internal control procedures.

- The Audit Committee reviews and discusses the report prepared by the external auditors detailing all the elements likely to affect their independence and objectivity.
- As part of its risk management responsibilities, the Committee ensures that a proactive detection, assessment and management process exists for material risks and compliance with policies and control measures, in addition to reviewing and recommending to the Board the adoption of various risk management policies for the material risks to which the Corporation is exposed.
- The Audit Committee regularly meets with the external auditors in the absence of other management members in order to discuss specific issues with them. External auditors participate as guests, in the audit function of all meetings of the Committee.

OUTSIDE ADVISORS

14

The board of directors should implement a system that enables an individual director to engage an outside advisor at the expense of the Corporation in appropriate circumstances. The engagement of the outside advisor should be subject to the approval of an appropriate committee of the board;

- The Board and the mandate of each of the two committees of the board allows directors to engage the services of outside advisors, at the expense of the Corporation.

The following table indicates the attendance record⁽¹⁾ for each proposed director nominee for all director and committee meetings held for the one year period ending May 30, 2004

Name of Director	# of Board Meetings attended of which there were 7	# of Audit Committee Meetings attended of which there were 4 (Kirby, Segal and Smith)	# of Compensation, Corporate Governance and Human Resources Meetings attended of which there were 10 (Panneton, Brussa and Krstajic)
John A. Brussa	7	—	10
The Hon. Michael Kirby	6	4	—
Alek Krstajic	4	—	8
Rebecca MacDonald	7	—	—
Brennan R. Mulcahy	7	—	—
John Panneton	6	—	10
Hugh D. Segal	5	4	—
Brian R. D. Smith	6	4	—

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

