ATLANTIC POWER CORPORATION

ANNUAL INFORMATION FORM

MARCH 30, 2009

TABLE OF CONTENTS

GLOSSARY OF TERMS

In this annual information form, the following terms will have the meanings set forth below, unless otherwise indicated. All amounts herein are in U.S. dollars, unless otherwise indicated. Words importing the singular include the plural and vice versa and words importing any gender include all genders:

"**ACE**" means Atlantic City Electric Company.

"**Acquisition Credit Facility**" means the term loan credit facility extended to the Company for the purpose of assisting in the financing of the Path 15 Acquisition.

"**affiliate**" has the meaning ascribed thereto in the *Securities Act* (Ontario).

"**Alstom**" means Alstom Power Inc.

"**Amended Credit Facility**" means the amended credit agreement dated as of November 18, 2004 (as may be amended from time to time) as amended through the sixth amendment dated as of August 13, 2007.

"**APCI**" means Air Products and Chemicals, Inc.

"**APEE**" means Air Products Energy Enterprises, L.P.

"**APM**" means Atlantic Power Management Holdings, LLC.

"**APMC**" means Air Products Manufacturing Corporation.

"**ArcLight**" means ArcLight Capital Partners, LLC.

"**Arroyo**" means Arroyo Energy Investors, LP.

"**Atlantic Holdings**" means Atlantic Power Holdings, LLC, a limited liability company formed under the laws of Delaware.

"**avoided cost**" means the incremental expense that a utility would incur to either generate or purchase from an outside source electricity, capacity or both.

"**Auburndale"** means Auburndale Power Partners, L.P.

"**Badger**" means Badger Creek Limited, L.P.

"**Btu**" means British thermal unit.

"**business day**" means a day other than a Saturday, Sunday or other day on which banking institutions in the Province of Ontario are authorized or required by law to close.

"CAIR" means the U.S. Clean Air Interstate Rule.

"**CAISO**" means the California Independent System Operator.

"**Caithness**" means Caithness Energy, LLC.

"**Caithness O&M Agreements**" means certain operations and maintenance agreements which expire in December 2011 pursuant to which an affiliate of Caithness has been retained to perform the services to be provided by Teton Operating Services LLC.

"**Capital Stock**" means: (i) in the case of a corporation, corporate stock or equity interests, including, without limitation, corporate stock represented by IPSs and corporate stock outstanding upon the separation of IPSs into the securities represented thereby; (ii) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock; (iii) in the case of a partnership or limited liability company, partnership or membership interests (whether general or limited); and (iv) any other interest or participation that confers on a person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing person.

"**CARB**" means the California Air Resources Board.

"**Carney's**" means Carney's Point Generating Company general partnership.

"**CDS**" means CDS Clearing and Depository Services Inc.

"**Chambers**" means Chambers Cogeneration, L.P.

"**Change of Control**" means the occurrence of any of the following events:

(i) the sale, lease or transfer to any person or group, in one or a series of related transactions, of the Company's or Atlantic Holdings assets generating more than 66 $^{2}/_{3}$% of the Company cash flow for the 12-month period ended on the last day of the most recent fiscal quarter to any person or group;

(ii) the adoption of a plan relating to the liquidation or dissolution of the Company or Atlantic Holdings;

(iii) the acquisition by any person or group of a direct or indirect interest in more than 50% of: (A) the Common Shares of the Company or the common membership interests of Atlantic Holdings; or (B) the voting power of the Company or Atlantic Holdings; by way or purchase, merger or consolidation or otherwise (other than a creation of a holding company that does not involve a change in the beneficial ownership of the Company as a result of such transaction); or

(iv) the merger or consolidation of the Company or Atlantic Holdings with or into another person or the merger of another person into the Company or the Company with the effect that immediately after such transaction the shareholders of the Company or the holders of common membership interests of Atlantic Holdings immediately prior to such transaction hold, directly or indirectly, less than 50% of the voting control over the person surviving such merger or consolidation, in each case other than the creation of a holding company that does not involve a change in the beneficial ownership of the Company or Atlantic Holdings as a result of such transaction.

"**CMP**" means Central Maine Power Company.

"**Code**" means the United States *Internal Revenue Code of 1986*, as amended.

"**cogeneration**" means the simultaneous production of electricity and thermal energy in the form of heat or steam from a single fuel source.

"**Cogentrix**" means Cogentrix Energy, Inc.

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

"**Company**" means Atlantic Power Corporation.

"**Con Ed**" means Consolidated Edison, Inc.

"**Constellation**" means Constellation Energy.

"**Conversion Price**" means the price of Cdn$12.40 per IPS, being a ratio of approximately 80.6452 IPSs per Cdn$1,000 principal amount of Debentures, subject to adjustment in certain events in accordance with the Indenture, at which price each Debenture will be convertible into IPSs at the option of the holder at any time prior to the close of business on the earlier of the Maturity Date and the business day immediately preceding the date specified by the Company for redemption of the Debentures.

"**Coral**" means Coral Power, LLC.

"**Covanta**" means Covanta Energy Corporation.

"**Covanta Hydro**" means Covanta Hydro Operations West, Inc.

"**CPI**" means Corn Products International, Inc.

"**CPUC**" means the California Public Utilities Commission.

"**Crystal River Facilities**" means the Crystal River Units 1 & 2 coal-fired power plants owned by PEF.

"**Debenture Indenture**" means the trust indenture dated October 11, 2006 between the Company and the Debentures Trustee, governing the terms of the Debentures.

"**Debenture Trustee**" means Computershare Trust Company of Canada.

"**Debentures**" means the 6.25% convertible secured debentures of the Company due October 31, 2011 issued pursuant to the Debenture Indenture as of the date of closing of the Offering, and "**Debenture**" means one of them.

"**Definitive Debentures**" has the meaning set forth under "The Company – Description of Debentures – General".

"**Depository**" means CDS or its successor.

"**DTC**" means Depository Trust Company.

"**Dupont**" means E.I. du Pont de Nemours and Company.

"**EIA**" means the Energy Information Administration, a statistical agency of the U.S. Department of Energy.

"**EIF**" means Energy Investors Funds.

"**EPAct of 1992**" means the United States *Energy Policy Act of 1992*.

"EPAct of 2005" means the United States *Energy Policy Act of 2005*.

"**Epsilon**" means Epsilon Power Partners, L.P.

"**Epsilon Funding**" means Epsilon Power Funding, LLC.

"**Equivalent Amount**" on any given date in one currency (the "first currency") of any amount denominated in another currency (the "second currency") means the amount of the first currency which could be purchased with such amount of the second currency at the rate of exchange approximately equal to the noon rate of exchange quoted by the Bank of Canada on such day for the purchase of the first currency with the second currency.

"**ERCOT**" means the Electric Reliability Council of Texas.

"**ERISA**" means the United States *Employee Retirement Income Security Act of 1974*, as amended.

"**ERISA Plan**" shall mean any employee benefit plan that is subject to the fiduciary and prohibited transaction provisions of ERISA and/or any plan that is subject to Section 4975 of the Code, any trust holding assets of such a plan, and any entity that is deemed to hold the assets of such a plan pursuant to 29 C.F.R. Section 2510.3-101, issued by the United States Department of Labor.

"**EWG**" means an exempt wholesale generator as defined under PUHCA 2005.

"**Former Investors**" Means, collectively, ArcLight Energy Partners Funds I, L.P. ("Fund I"), ArcLight Energy Partners Funds II, L.P. and Caithness Energy, LLC.

"**FERC**" means the United States Federal Energy Regulatory Commission, an independent regulatory agency within the United States Department of Energy that, among other things, oversees regulatory matters relating to electricity projects.

"**FGT**" means the Florida Gas Transmission Company.

"**Fortis**" means Fortis Energy Marketing and Trading GP.

"**FPA**" means the United States *Federal Power Act*, as amended.

"**Frito-Lay**" means Frito-Lay, Inc.

"**Fund I**" means ArcLight Energy Partners Fund I, L.P.

"**Fund II**" means ArcLight Energy Partners Fund II, L.P.

"**Fund III**" means ArcLight Energy Partners Fund III, L.P.

"**Fund IV**" means ArcLight Energy Partners Fund IV, L.P.

"**Georgia Power**" means Georgia Power Company.

"**GHG**" means emissions of carbon dioxide and other greenhouse gases.

"**gigawatt**" or "**GW**" means 1,000 megawatts of energy.

"**Global Debentures**" means Debentures issued in the form of fully registered global Debentures.

"**Gregory**" means Gregory Power Partners, LP, a Texas limited partnership.

"**guarantee**" means a guarantee (other than by endorsement of negotiable instruments for collection in the ordinary course of business) director or indirect, in any manner (including letters of credit and reimbursement agreements in respect thereof), of all or any part of any indebtedness or other obligations.

"**Guarantee**" means any guarantee of the obligations of the Company under the Debenture Indenture and the Debentures by any person in accordance with the provisions of the Debenture Indenture.

"**Guarantors**" means Atlantic Holdings, Teton Funding, Epsilon Funding, MP Power LLC, Teton East Coast Generation LLC, Teton Fuels Mid-Georgia LLC, Teton Selkirk LLC, Badger Power Generation I LLC, Badger Power Generation II LLC, Baker Lake Hydro LLC, Dade Investment, L.P., Geddes II Company LLC, Geddes Cogeneration Company LLC, MEP Rumford, LLC, NCP Dade Power LLC, NCP Houston Power LLC, NCP Pasco LLC, NCP Perry LLC, Olympia Hydro LLC, Onondaga Cogeneration Limited Partnership, Orlando

Power Generation I LLC, Orlando Power Generation II LLC, Stockton Cogen (II) LLC, Teton Operating Services, LLC and Teton New Lake, LLC, and "**Guarantor**" means any one of them.

"**GWh**" means an amount of energy equivalent to one gigawatt of energy delivered continuously for one hour.

"Heat rate" is a measure of a thermal power plant's efficiency, usually measured in Btu's of fuel input per kWh of electric output

"**Iberdrola**" means Iberdrola Renewables, Inc.

"**IFCA**" means Interim Financial Consolidation Agreement.

"**Indenture**" means the trust indenture dated November 18, 2004 among the Company, certain guarantors and Computershare Trust Company of Canada governing the Subordinated Notes.

"**Interest Payment Date**" has the meaning set forth under "The Company – Description of Debentures – General".

"**IPO**" means the initial public offering of IPSs completed on November 18, 2004.

"**IPS Interest Payment Election**" has the meaning set forth under "Description of Debentures — IPS Interest Payment Election".

"**IPS Sale Payment**" has the meaning set forth under "Atlantic Holdings – Capital of Atlantic Holdings – Senior Membership Interests".

"**IPSs**" means the income participating securities of the Company.

"**IRS**" means the United States Internal Revenue Service.

"**Javelin**" means Javelin Energy LLC.

"**JMCS**" means JMCS I Management, Inc.

"**John Hancock**" means John Hancock Mutual Life Insurance Company.

"**Juniper**" means Juniper Generation, LLC.

"**kilowatt**" or "**kW**" means 1,000 watts of energy.

"**kV**" means 1,000 volts of electricity.

"**kWh**" means an amount of energy equivalent to one kilowatt of energy delivered continuously for one hour.

"**Lake**" means Lake Cogen Ltd., a Delaware limited partnership

"**LTSA**" means Long Term Service Agreement to provide major maintenance for gas turbines.

"**Management Agreement**" means the first amended and restated management agreement made as of April 24, 2007 among the Manager, the Company and Atlantic Holdings, as it may be amended, supplemented and/or restated from time to time.

"**Management Support Agreement**" means the management support agreement between the Manager and ArcLight providing for, among other things, certain ArcLight employees to be available to provide administrative and office support services to the Manager.

"**Manager**" means Atlantic Power Management, LLC.

"**megawatt**" or "**MW**" means 1,000 kilowatts of energy.

"**Mid-Georgia**" means Mid-Georgia Cogen L.P., a Delaware limited partnership.

"**MMBtu**" means one million Btu.

"**MWh**" means an amount of energy equivalent to one megawatt of energy delivered continuously for one hour.

"**NERC**" means the North American Electric Reliability Council.

"**NewPage**" means NewPage Corporation.

"**NJEDA Bonds**" means New Jersey Economic Development Authority bonds.

"**Non-U.S. Holder**" means a Holder that is not: (i) a citizen or individual resident in the U.S. for U.S. federal tax purposes; (ii) a corporation or other entity taxable as a corporation created or organized under the laws of the U.S. or a political subdivision thereof; (iii) an estate, the income of which is subject to U.S. federal income tax regardless of the source; or (iv) a trust, if (A) a court within the U.S. is able to exercise primary supervision over the trust's administration and one or more U.S. persons have the authority to control all of its substantial decisions, or (B) the trust was in existence on August 20, 1996 and has properly elected under applicable Treasury Regulations to continue to be treated as a United States person.

"**NYISO**" means the New York Independent System Operator.

"**Occidental**" means OXY USA Inc.

"OESC" means Ontario Energy Savings Corp.

"**Onondaga**" means Onondaga Cogeneration Limited Partnership.

"**Onondaga Swap**" means a swap agreement between National Grid and Onondaga that has replaced the Onondaga Project's original PPA.

"**Operating Agreement**" means the third amended and restated limited liability company agreement of Atlantic Holdings dated as of April 24, 2007 governing the operation of Atlantic Holdings.

"**Orlando**" means Orlando CoGen Limited, L.P., a Delaware limited partnership.

"**Orlando Power**" means Orlando Power Holdings, LLC.

"**participants**" has the meaning set forth under "The Company – Description of Debentures – General".

"**Pasco**" means Pasco Cogen, Ltd.

"**Path 15 Holdco**" means Atlantic Path 15 Holdings, LLC.

"**Path 15 Opco**" means Atlantic Path 15, LLC.

"**Path 15 Project**" means the transmission line upgrade along the Path 15 transmission corridor located in central California.

"**PEF**" means Progress Energy Florida, Inc.

"**Peoples Gas**" means the Peoples Gas System, a division of Tampa Electric Company.

"**Person**" means Delta Person Limited Partnership, a Delaware limited partnership.

"**PG&E**" means Pacific Gas & Electric Corporation.

"PJM" means the PJM Interconnection, a regional transmission organization that coordinates the movement of wholesale electricity in all or parts of Delaware, Illinois, Indiana, Kentucky, Maryland, Michigan, New Jersey, North Carolina, Ohio, Pennsylvania, Tennessee, Virginia, West Virginia and the District of Columbia.

"**PNM**" means PNM Resources, Inc (formerly Public Service Company of New Mexico).

"**PPA**" means power purchase agreement.

"**Project Holding Entities**" means Teton Funding, Epsilon Power Partners, LLC, Harbor Capital Holdings, LLC, and Epsilon Funding, LLC.

"**Project Operating Entities**" means the limited partnerships, corporations or other entities that directly own the Projects.

"**Projects**" means the 14 power generation projects and the Path 15 Project described under "Description of the Business – Summary Table of the Projects" and "Project Descriptions".

"**Puget Sound Energy**" means Puget Sound Energy, Inc.

"**PUHCA 1935**" means *Public Utility Holding Company Act of 1935*, as amended.

"**PUHCA 2005**" means the *Public Utility Holding Company Act of 2005*.

"**PURPA**" means the *Public Utility Regulatory Policies Act of 1978*, as amended.

"**Put Date**" means the date which is 30 days following the date the Company gives notice to a holder of Debentures of a Change of Control.

"**Put Price**" means 101% of the principal amount of the Debentures.

"**PwC**" means PricewaterhouseCoopers LLP.

"**QF**" means a qualifying facility under the FPA, as amended by PURPA.

"**Rainbow**" means Rainbow Energy Marketing Corporation.

"**RCI**" means Rumford Cogeneration Inc.

"**RCID**" means Reedy Creek Improvement District.

"**RGGI**" means the Regional Greenhouse Gas Initiative.

"**ROFO Projects**" means the original 11 power generation projects described under "Description of the Business – Objectives and Business Strategy – Opportunity to Purchase ArcLight Projects".

"**Rumford**" means Rumford Cogeneration Company Limited Partnership, a Maine limited partnership.

"**S&P**" means Standard and Poor's, a division of The McGraw-Hill Companies, Inc.

"**SABIC**" means Saudi Basic Industries Corporation.

"**Securities Commissions**" means the securities commissions or securities regulatory authority in the provinces and territories of Canada in which the Company is a reporting issuer (or equivalent).

"**Selkirk**" means Selkirk Cogen Partners, L.P., a Delaware limited partnership

"**Senior Secured Indebtedness**" means the principal of and the interest and premium (or any other amounts payable thereunder), if any, on:

(i) all secured indebtedness, liabilities and obligations of the Company and any Guarantor, whether outstanding on the date of the Debenture Indenture or thereafter created, incurred, assumed, or guaranteed in connection with the acquisition by the Company of any Guarantor of any businesses, properties or other assets of for monies borrowed or raised by whatever means (including, without limitation, by means of commercial paper, bankers' acceptance, letters of credit, debt instruments, bank debt and financial leases, and any other secured liability evidenced by bonds, debentures, notes or similar instruments) or in connection with the acquisition of any businesses, properties or other assets or for monies borrowed or raised by whatever means (including, without limitation, by means of commercial paper, bankers' acceptance, letters of credit, debt instruments, bank debt and financial leases, and any other secured liability evidenced by bonds, debentures, notes or similar instruments) by others including, without limitation, any Significant Entity of the Company or any Guarantor, for payment of which the Company or Guarantor is responsible or liable, whether absolutely or contingently;

(ii) all secured obligations of the Company, any Guarantor or any Significant Entity under (A) currency exchange, interest rate or commodity swap agreements, currency exchange, interest rate or commodity cap agreements and currency exchange, interest rate or commodity collar agreements, and (B) other agreements or arrangements designed to manage or hedge fluctuations in currency exchange, interest rates or commodity prices;

(iii) all indebtedness, liabilities and obligations under the guarantee(s) now or at any time hereafter granted by the Company, any Guarantor or any of their Significant Entities in respect of the obligations, liabilities and indebtedness under the credit agreements in connection with the Amended Credit Facility and the Acquisition Credit Facility; and

(iv) renewals, extensions, restructurings, refinancings and refundings of any such indebtedness, liabilities or obligations,

unless in each case it is provided by the terms of the instrument creating or evidencing such secured indebtedness, liabilities or obligations that such secured indebtedness, liabilities or obligations are not superior in right of payment to Debentures which by their terms are subordinated, which for greater certainty includes the initial debentures; and "Senior Secured Indebtedness" shall, in all events, exclude the Subordinated Notes but include all of the obligations of the borrower, issuer and/or guarantor under the Amended Credit Facility and the Acquisition Credit Facility.

"**Separate Subordinated Notes**" means the approximately Cdn$39.5 million principal amount of Subordinated Notes issued and sold separately from the IPSs by the Company.

"**Significant Entity**" means, with respect to any person, (i) any corporation, association or other business entity (other than a partnership, joint venture or limited liability company) of which 40% or more of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time of determination owned or controlled, directly or indirectly, by such person or one or more of the other Significant Entities of that person or a combination thereof and (ii) any partnership, joint venture or limited liability company of which 40% or more of the capital accounts, distribution rights, total equity and voting interests or general and limited partnership interests, as applicable, are owned or controlled, directly or indirectly, by such person or one or more of the other Significant Entities of that person or a combination thereof, whether in the form of membership, general, special or limited partnership

interests or otherwise and such person owns or controls, directly or indirectly, 40% or more of the total equity and voting rights of the general partner of such entity.

"**Stockton**" means Stockton CoGen Company, a California general partnership.

"**Subordinated Indebtedness**" means, with respect to the Company, any Guarantor or any Significant Entity, (i) all indebtedness which is not senior indebtedness or *pari passu* indebtedness, (ii) the Subordinated Notes, (iii) all unsecured indebtedness or obligations of the Company, any Guarantor or any Significant Entity, and (iv) any indebtedness of the Company, any Guarantor or any Significant Entity that is subordinated pursuant to the terms of the instrument creating or evidencing such indebtedness.

"**Subordinated Notes**" means the 11.0% subordinated notes of the Company issued in accordance with the Indenture.

"**SwapCo**" means Onondaga Power Swap Holdings, LLC.

"**TAC**" means transmission access charges.

"**Targeted Cash Distribution**" means Cdn$1.00 per IPS and, following the maturity, redemption or repurchase of all the Subordinated Notes or the separation of all of the IPSs, means Cdn$0.3657 per Common Share.

"**Tax Act**" means the *Income Tax Act* (Canada) and the regulations thereunder, in each case in effect on the date hereof.

"**TCEQ**" means Texas Commission on Environmental Quality.

"**TECO**" means Tampa Electric Company.

"**TECO Gas**" means TECO Gas Services Inc.

"**Teton Funding**" means Teton Power Funding, LLC.

"**Topsham**" means Topsham Hydro Partners Limited Partnership, a Minnesota limited partnership

"**Treasury Regulations**" means the U.S. Treasury regulations (including final, temporary and proposed regulations) promulgated under the Code.

"**Trustee**" means Computershare Trust Company of Canada.

"**TSRs**" means transmission system rights.

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

"**Umatilla Funding**" means Umatilla Power Funding, LLC.

"**Underwriting Agreement**" means the underwriting agreement among the Company, Atlantic Holdings and certain underwriters dated September 22, 2006 entered into in connection with the offering of IPSs and the Debentures by way of a bought deal.

"**U.S. OSC**" means U.S. Operating Services Company general partnership, a wholly-owned indirect subsidiary of Cogentrix.

"**Vastar**" means Vastar Gas Marketing, Inc.

"**Western**" means the Western Area Power Administration, a U.S. Federal power agency.

GENERAL

The information in this annual information form is stated as at December 31, 2008, unless otherwise indicated.

Certain capitalized terms used in this annual information form have the meaning set out under "Glossary of Terms". In this annual information form, references to "Cdn$" and "Canadian dollars" are to the lawful currency of Canada and references to "$", "US$" and "U.S. dollars" are to the lawful currency of the United States. All dollar amounts herein are in U.S. dollars, unless otherwise indicated.

FORWARD LOOKING STATEMENTS

Certain statements in this annual information form may constitute "forward-looking statements". These statements include, but are not limited to, statements made in "Power Industry Overview", "Description of the Business", "The Company", "Risk Factors" and other statements, which reflect the expectations, beliefs, plans, estimates, and intentions of Atlantic Power Management, LLC (the "Manager") regarding future growth, results of operations, performance and business prospects and opportunities of Atlantic Power Corporation (the "Company")and the Projects (as defined below) that are not historical facts. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "outlook", "objective", "may", "will", "expect", "intend", "estimate", "anticipate", "believe", "should", "plans" or "continue", or similar expressions suggesting future outcomes or events. Such forward-looking statements reflect current expectations regarding future events and operating performance and speak only as of the date of this annual information form.

Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not or the times at or by which such performance or results will be achieved. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements, including, but not limited to, the factors discussed under "Risk Factors". The Company's business is both competitive and subject to various risks. These risks include, without limitation, a reduction in revenue upon expiration or termination of PPAs, the dependence of the Projects on their electricity, thermal energy and transmission services customers, exposure of certain Projects to fluctuations in the price of electricity, Projects not operating to plan, the impact of significant environmental and other regulations on the Projects, increasing competition, the Company's limited control over the operation of certain Projects and significant competition for acquisitions. Other factors, such as general economic conditions, including exchange rate fluctuations, also may have an effect on the Company's results of operations. Many of these risks and uncertainties can affect the Company's actual results and could cause our actual results to differ materially from those expressed or implied in any forward-looking statement made by the Company or on its behalf. For a description of risks that could cause the Company's actual results to materially differ from its current expectations, please see "Risk Factors" in this annual information form.

Material factors or assumptions that were applied in drawing a conclusion or making an estimate set out in the forward-looking information include third party projections of regional fuel and electric capacity and energy prices or cash flows that are based on assumptions about future economic conditions and courses of action. Although the forward-looking statements contained in this annual information form are based upon what are believed to be reasonable assumptions, investors cannot be assured that actual results will be consistent with these forward-looking statements, and the differences may be material. Certain statements included in this annual information form may be considered "financial outlook" for the purposes of applicable securities laws, and such financial outlook may not be appropriate for purposes other than this annual information form.

These forward-looking statements are made as of the date of this annual information form and, except as expressly required by applicable law, the Company assumes no obligation to update or revise them to reflect new events or circumstances.

THE COMPANY, ATLANTIC HOLDINGS, THE MANAGER AND ARCLIGHT

The Company

The Company is a corporation continued under the laws of the Province of British Columbia on July 8, 2005. The registered office of the Company is located at 355 Burrard Street, Suite 1900, Vancouver, British Columbia V6C 2G8 and the head office of the Company is located at 200 Clarendon Street, Floor 25, Boston, Massachusetts, USA 02116. The Company, through its wholly-owned subsidiary Atlantic Holdings, owns interests in a diversified portfolio of 14 power generation projects and one 500 kV 84 mile electric transmission line (collectively, the "Projects", and individually, a "Project") located in major markets in the United States. The power generation Projects have an aggregate gross electric generation capacity of approximately 2,119 MW, and Atlantic Holdings' net ownership interest in the electric generation capacity of the Projects is approximately 989 MW.

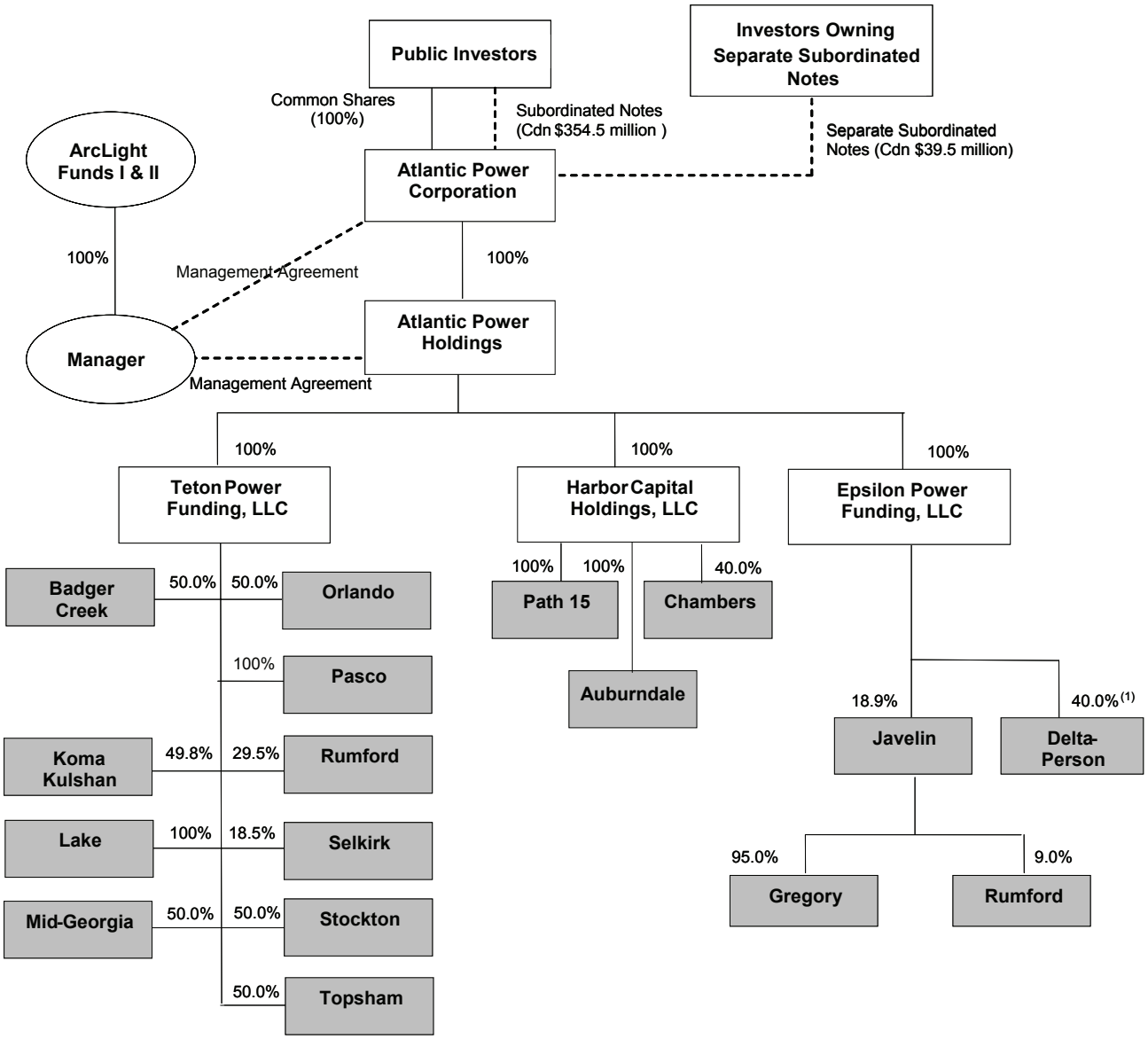
The Manager

The Manager is a Delaware limited liability company owned by ArcLight Energy Partners Fund I, L.P. ("Fund I") and ArcLight Energy Partners Fund II, L.P. ("Fund II"), which are investment funds managed by ArcLight Capital Partners, LLC ("ArcLight"), a Delaware limited liability company. The Manager provides management and administrative services to the Company and its subsidiaries pursuant to the terms of the first amended and restated management agreement made as of April 24, 2007 (the "Management Agreement"). The Manager manages the business with the objective of providing holders of IPSs with stable and sustainable cash distributions in the form of interest payments on the Subordinated Notes and dividends on the Common Shares. The Manager is also focused on identifying additional acquisitions and investments for the Company, including acquisitions of, or investments in, power, energy, transmission, distribution, utility, infrastructure and related assets primarily in Canada and the U.S.

ArcLight

ArcLight was founded in 2001 and is a leading specialized private equity firm exclusively focused on the energy industry. Through its four private equity funds, ArcLight manages over $6.8 billion of private equity capital. ArcLight has substantial investments in power generation, gas storage, gas distribution, coal mining, distributed generation, cogeneration, electric power transmission and oil and gas production assets.

The following chart illustrates in simplified form the structure of the Company and its indirect ownership interests in the Projects.



(1) **Represents Atlantic Power's estimate of its share of the cash flow from the Project.**

GENERAL DEVELOPMENT OF THE BUSINESS

Upon completion of its initial public offering of 32,000,000 IPSs and private placement of $30,221,000 (Cdn$36,501,000) aggregate principal amount of Subordinated Notes on November 18, 2004, the Company subscribed for 32,000,000 common membership interests and 38,329,287 Class A preferred membership interests in Atlantic Holdings for total consideration of approximately $276,695,000 (Cdn$334,192,000). Atlantic Holdings used approximately $94,711,000 (Cdn$114,393,000) of this amount, together with 31,291,865 common membership interests and 31,291,865 Class B preferred membership interests issued by it, to acquire Teton Funding, Epsilon Funding and Umatilla Funding from the Former Investors. Atlantic Holdings also used approximately $167,831,000 (Cdn$202,707,000) of the proceeds from the subscription for membership interests by the Company to repay outstanding indebtedness to Teton Funding.

Upon the exercise on December 6, 2004 of an over-allotment option granted to the underwriters to the IPO, the Company subscribed for 4,800,000 common membership interests and 4,800,000 Class A preferred membership interests in Atlantic Holdings for total consideration of $37,655,000 (Cdn$45,480,000). Atlantic Holdings used this amount to redeem 4,800,000 common membership interests and 4,800,000 Class B preferred membership interests held by the Former Investors.

Upon completion of the transactions described above, the Company and the Former Investors owned 58.1% and 41.9% of the common membership interests in Atlantic Holdings, respectively.

On January 12, 2005, the Company increased its indirect interest in the Gregory project from 9.4% to 17.1% or 68 net MW. The interest was acquired indirectly via Atlantic Holding's interest in Javelin and was accomplished using cash available at the project level. For further information with respect to the acquisition, see "Project Descriptions – Gregory Project".

In March 2005 the MASSPOWER project completed the restructuring and monetization of three of its four PPAs through a buy out of the contracts by Boston Edison and Commonwealth Electric. During the second and third quarters of the year the project liquidated its long term fuel commodity and transport agreements.

On August 11, 2005, the Company announced the acquisition, through Atlantic Holdings, of Epsilon Power Partners, LLC, which owns a 40% interest in Chambers Cogeneration, L.P. ("Chambers"), the owner and operator of a net 262 MW pulverized coal-fired cogeneration facility located at E.I. Dupont de Nemours & Company's Chambers Works complex in southwestern New Jersey.

On September 8, 2005, the Company announced an increase in annual distributions of $0.03 per share commencing with the September 2005 distribution.

On October 3, 2005, the Company issued 7,500,000 IPSs to Caisse de dépôt et placement du Québec and 39,500 IPSs to the President and Chief Executive Officer and the then current Managing Director of the Manager pursuant to a private placement. Net proceeds of the private placement were used by the Company to increase its common membership interest in Atlantic Holdings to 70.1%. The remaining 29.9% of the common membership interests and all of the outstanding Class B preferred membership interests in Atlantic Holdings were held by the Former Investors.

On December 28, 2005, Atlantic, along with its co-owners of the MASSPOWER facility, sold its interest in the facility. The Company's share of the total distributions generated from the operations, PPA restructuring, fuel contract liquidation and sale of the facility in 2005 totalled $61.5 million.

On September 15, 2006, the Company, through a subsidiary of Atlantic Holdings, completed the acquisition of 100% of the equity interests in Trans-Elect NTD Holdings Path 15, LLC, which has since been renamed Atlantic Path 15 Holdings, LLC ("Path 15 Holdco"), which indirectly owns approximately 72% of the transmission system rights ("TSRs") in the transmission line upgrade along the Path 15 transmission corridor located in central California. The purchase price for the equity interests in Path 15 Holdco was approximately

$85.5 million. In connection with this transaction, the Company, through Atlantic Holdings, entered into the Acquisition Credit Facility in the amount of $88 million, which was drawn on the closing of the acquisition and repaid in the first quarter of 2007. For further details on the Path 15 Project, see "Project Descriptions – Path 15 Project".

On September 15, 2006, the Company also announced an increase in its monthly distribution on the IPSs by Cdn$0.0025 per IPS per month (Cdn$0.03 annually). The first distribution of the increased rate was paid on October 31, 2006 to IPS holdings of record at the close of business on September 29, 2006.

On October 11, 2006, the Company completed the sale of IPSs and the Debentures for gross proceeds of Cdn$150,000,000. The offering consisted of 8,531,000 IPSs sold at a price of Cdn$10.55 per IPS for gross proceeds of Cdn$90 million and Cdn$60 million aggregate principal amount of the Debentures. For further information regarding the IPSs and the Debentures, see "The Company – Description of IPSs" and "– Description of Debentures".

The net proceeds of the offering were used by the Company to: (i) partially repay $37 million of the credit facility arranged in connection with an acquisition of an interest in the Path 15 Project (the "Acquisition Credit Facility"), and (ii) provide proceeds to Atlantic Holdings that were used to redeem a portion of the ownership interests in Atlantic Holdings held by the Former Investors. In connection with the closing of the financing, the Company increased its ownership in Atlantic Holdings from 70.1% to approximately 86.0%.

On December 20, 2006, the Company completed a private placement of 8,600,000 IPSs and Cdn$3.0 million principal amount of Separate Subordinated Notes to three institutional investors, including the Caisse de dépôt et placement du Québec. As a result of this transaction it increased its ownership to 19% of the Company's Common Shares at that time. On February 7, 2007, the Company used the net proceeds of the private placement to redeem all of the remaining interests held by the Former Investors in Atlantic Holdings. Following completion of the redemption, Atlantic Holdings became a wholly-owned subsidiary of the Company. Following this repurchase, the Company entered into the third amended and restated limited liability company agreement of Atlantic Holdings effective as of April 24, 2007 to reflect the change of ownership in Atlantic Holdings (the "Operating Agreement").

In August 2007, the Company amended the Amended Credit Facility. Under the terms of the amendment, the total amount available under the Amended Credit Facility was increased from $75 million to $100 million, of which $50 million may be utilized for letters of credit. The maturity date of the Amended Credit Facility was extended from November 2007 to August 2012. In addition, the Amended Credit Facility no longer contains a requirement to reduce outstanding borrowings to zero on an annual basis, which provides the Company flexibility to utilize the Amended Credit Facility for periods longer than one year. Outstanding amounts under the amended credit facility bear interest at the London Interbank Offered Rate ("LIBOR") plus an applicable margin that varies based on certain credit statistics of Atlantic Holdings. The range of applicable margin is 0.875% to 1.625%. Based on Atlantic Holdings' credit ratios at December 31, 2008, the applicable margin is currently 0.875%. Prior to the amendment, the applicable margin was fixed at 1.50%.

In September 2007, a subsidiary of the Company entered into a permanent financing arrangement for the Path 15 Project by way of a $48 million, fully-amortizing term loan bearing a fixed interest rate of 7.9% with a final maturity date in 2027. Principal and interest payments are due in June and December of each year during the term of the loan. The term loan is secured by the Company's investment in the Path 15 Project and is non-recourse to the Company.

On October 30, 2007, the Company, along with the other principal owners of the Jamaica Private Power Company, sold its interest in the Jamaica facility. The Company received sale proceeds of approximately $6.2 million.

On December 24, 2007, the Company increased its ownership interest in the Pasco Project from 49.9% to 99.8% through the purchase from Dana Corp. of all but 0.2% of Dana's interest and all of the outstanding 0.011% interest of TECO Energy Inc. in the project.

On November 21, 2008, the Company, through a subsidiary, closed the acquisition of a 100% ownership interest in Auburndale Power Partners, Limited Partnership ("Auburndale"), which owns and operates a 155 MW natural gas-fired cogeneration facility located in Polk County, Florida. The purchase price was $134.5 million plus customary adjustments for working capital. The acquisition was funded with cash on hand, a $55 million borrowing under the Amended Credit Facility and non-recourse acquisition debt of $35 million. The non-recourse acquisition debt associated with this transaction amortizes fully over the remaining term of the power purchase agreement ("PPA").

On November 21, 2008, the Company announced an increase in annual distributions of Cdn$0.034 per share to Cdn$1.094 per share commencing with the January 2009 distribution.

In January 2009, the Company purchased the remaining 0.2% interest in Pasco from Dana Corporation. The Company now indirectly owns 100% of the ownership interest in the Project.

POWER INDUSTRY OVERVIEW

Independent Power Generation and North American Demand Outlook

Historically, the North American electricity industry was characterized by vertically-integrated monopolies. During the late 1980s, several jurisdictions began a process of restructuring by moving away from vertically integrated monopolies towards more competitive market models. Rapid growth in electricity demand, environmental concerns, increasing electricity rates, technological advances and other concerns prompted government policies to encourage the supply of electricity from independent power producers.

In the independent power generation sector, electricity is generated from a number of sources, including natural gas, coal, water, waste products such as biomass (e.g., wood, wood waste, agricultural waste), landfill gas, geothermal, solar and wind. According to the North American Electric Reliability Council ("NERC") Long-Term Reliability Assessment published in October 2008, summer peak demand within the US over the next ten years is projected to increase 16.6%, while winter peak demand in Canada is projected to increase 7.2%.

In the U.S., government policy addressing carbon emissions is continuing to gain momentum. Beginning in 2009, the Regional Greenhouse Gas Initiative ("RGGI") was established in 10 Northeast states as the first cap-and-trade program in the U.S. for carbon dioxide emissions. The states have varied implementation on plans and schedules. Two of these states have also developed laws or rules that provide cost mitigation for independent power projects with certain types of power contracts. Other states and regions in the U.S. are developing similar regulations and it is expected that federal climate legislation will be established in the coming future. Additionally, several U.S. states and Canadian provinces are setting mandates requiring certain levels of clean energy production during target timeframes. This includes generation from wind, solar and biomass ("renewable portfolio standards"). In order to meet CO_2 reduction goals, changes in the generation fuel mix is forecasted to include a reduction in existing coal resources, higher reliance on nuclear, natural gas, and renewable energy resources and an increase in demand-side resources. Investments in new or upgraded transmission lines will be required to move increasing renewable generation from more remote locations to load centers.

The Non-Utility Power Generation Industry

The 14 power generation Projects are non-utility electric generating facilities that operate in the U.S. electric power generation industry. The electric power industry is one of the largest industries in the U.S., generating sales in excess of $344 billion in 2007 based on information published by the EIA. A growing portion of the power produced in the U.S. is generated by non-utility generators. According to the EIA, there were approximately 8,105 non-utility generators representing approximately 471 GW of capacity in 2007, the most recent year for which data is available, (equal to 47% and of total generating plants and 43% of nameplate capacity). Non-utility generators sell the electricity that they generate to electric utilities and other load-serving entities (such as municipalities and electric cooperatives) by way of bilateral contracts or open power exchanges. The electric utilities and other load-serving entities, in turn, generally sell this electricity to industrial, commercial and residential customers. The power generated by the Projects is generally sold under long-term contracts.

The Manager believes that an active secondary market in the power generation sector will continue to provide substantial merger and acquisition opportunities.

Industry Regulation

In the United States, the trend towards restructuring the electric power industry and the introduction of competition in electricity generation commenced with the passage and implementation of the *Public Utility Regulatory Policies Act of 1978*, as amended ("PURPA"). Among other things, PURPA, as implemented by the United States Federal Energy Regulatory Commission ("FERC"), generally required that vertically integrated electric utilities purchase power from qualifying facilities ("QFs") at their avoided cost. FERC defines avoided cost as the incremental cost to a utility of energy or capacity which, but for the purchase from QFs, the utility would itself generate or purchase from another source.

A QF is a distinct type of energy producer that falls into one or both of two primary classes, both of which would facilitate more efficient use of fossil fuels to generate electricity. The first class of QFs includes energy producers that generate power using specific energy sources such as wind, solar, geothermal, hydro, biomass or waste fuels. The second class of QFs includes cogeneration facilities. With the exception of QFs, generation, transmission and distribution of electricity remained largely owned by vertically integrated electric utilities until the enactment of the *Energy Policy Act of 1992* (the "EPAct of 1992") and subsequent orders in 1996, along with electric industry restructuring initiated at the state level. Among other things, the EPAct of 1992 enhanced FERC's power to open access to power transmission systems, contributing to significant growth in the independent power generation industry.

In August 2005, EPAct 2005 was enacted, which removed certain regulatory constraints on investment in utility power producers by repealing the PUHCA 1935 and enacting the PUHCA 2005. EPAct 2005 also limited the requirement that electric utilities buy electricity from QFs to certain markets that lack competitive characteristics. Finally, EPAct 2005 amended and expanded the reach of FERC's corporate merger approval authority under section 203 of the FPA.

Electric transmission assets, such as the Company's Path 15 Project, are regulated by the FERC on a cost-of-service rate base methodology. The cost of service approach allows a transmission company to establish a revenue requirement which provides an opportunity to recover operating costs, depreciation and amortization and a return on capital. The revenue requirement and calculation methodology is reviewed by the FERC in periodic rate cases. As determined by the FERC, all prudently incurred operating and maintenance costs, capital expenditures, debt costs and a return on equity may be collected in rates charged.

DESCRIPTION OF THE BUSINESS

Business Strengths

Diversified Portfolio of Electric Power Projects

The power generation Projects represent approximately 988 MW of net generating capacity and are diversified by geographic location, electricity, steam off-takers and project operators. The Projects are located across nine states in the U.S., representing most major U.S. power markets. The Projects are diversified across most of the deregulated electricity markets in New England, New York, PJM, California and Texas or are located in regions of high electricity demand growth such as Florida, Georgia, Texas and New Mexico. As a result, the Company's exposure to various conditions (such as market, regulatory or environmental conditions) specific to any particular region is mitigated.

The generation Projects have contracts with 21 different electricity and steam off-takers. Progress Energy Florida, Inc. ("PEF"), Georgia Power Company ("Georgia Power") and Tampa Electric Company ("TECO") are the largest electricity off-takers of the Projects, having contracts to purchase approximately 32%, 16% and 12% of the Projects' net electric generation capacity, respectively. No other electricity off-taker purchases more than 9% of the Projects' net electric generation capacity.

The generation Projects rely on a number of different operators for their operation. Affiliates of Caithness, Cogentrix Energy, Inc. and Babcock and Wilcox Power Generation Group, Inc. operate Projects representing approximately 56%, 17% and 7% of the total electric generation capacity of the Projects, respectively. No other operator is responsible for the operation of Projects representing more than 7% of the Projects' total electric generation capacity.

The Path 15 Project is an 84-mile, 500-kV transmission line built along an existing transmission corridor in California to help alleviate what had been a chronic transmission congestion point in the state's north-south capacity. The Path 15 Project began commercial operations in December 2004 and is operated by the Western Area Power Administration ("Western"), a U.S. Federal power agency.

Stability of Project Cash Flow

The Company's cash flow from the Projects is supported by contracts with investment-grade utilities and other counterparties. See "Summary Table of the Projects" for additional details. The Projects generally have long-term fuel supply arrangements that match the term of their respective PPAs. Each of the generating Projects has been operating for a minimum of ten years.

The Company's cash flow from the Projects will vary from year-to-year based on, among other things, changes in rates under the PPAs, fuel supply agreements, steam sales agreements and other Project contracts, compliance with the terms of Project-level financing and other contractual arrangements including debt repayment schedules, the transition to market pricing or new contracts following the expiry of original PPAs and fuel supply and transportation contracts, working capital requirements and the performance generally of the Projects. There is some seasonality of Project revenues created by seasonal variances in demand for electric power, in some cases varied seasonal pricing for portions of the PPA payments and relatively small amounts of uncontracted output, and the typical scheduling of major facility maintenance in the lower demand periods in the spring and fall.

Variations in cash flow are also driven by the timing of quarterly and semi-annual project debt payments, as distributions from the Projects to the Company must occur in conjunction with the passing of certain tests at those payment dates.

Sponsorship of ArcLight

Fund I and Fund II are indirect owners of the Manager. ArcLight, as manager of Fund I and Fund II, has input related to the management of the Manager. ArcLight possesses a management team with substantial energy investing experience and industry relationships. ArcLight is one of the leading private investment firms focused exclusively on the electric power and energy sectors with over $6.8 billion under management.

Opportunities to Grow Distributable Cash

The Manager expects the Company to continue to see opportunities for accretive acquisitions. The Manager believes that the experience and industry relationships of its employees, together with its ongoing relationship with ArcLight, will allow it to provide the Company with unique access to such acquisition opportunities.

The Manager intends to enhance the operation of the Projects through the: (i) optimization of commercial arrangements such as PPAs, fuel supply and transportation contracts, steam sales agreements, and management and operation agreements; (ii) achievement of operating efficiencies; (iii) upgrade or enhancement of existing equipment or plant configurations; and (iv) expansion of existing Projects. The Manager believes that opportunities also exist to consolidate, on an accretive basis, ownership positions in the Projects in which the Company owns partial interests and that financial restructuring and recapitalization opportunities at the Projects may provide capital to the owners of the Projects to fund future growth opportunities.

Objectives and Business Strategy

The Company's objectives include maintaining the stability and sustainability of its cash distributions to holders of IPSs and to increase the value of the Company. In order to achieve these objectives, the Company intends to focus on enhancing the financial performance of the Projects and pursuing additional acquisitions and investments with a focus on the electric power industry in the U.S. and Canada.

Acquisition and Investment Strategy

Where practical and economical, the Company intends to expand its operations by making additional investments and acquisitions with a focus on power generation, transmission distribution and related facilities in the U.S. and Canada, and such other businesses or activities, including investments in other forms of energy-related projects, utility projects and infrastructure projects. The Company will make additional acquisitions or investments only where it believes that such acquisition or investment meets the Company's acquisition and investment guidelines. The Manager has personnel with significant experience investing in the independent power industry. Acquisitions or investments may be financed through the issuance of additional IPSs or other securities of the Company, from the cash flows of the Company, from cash on hand from the proceeds of asset sales or by incurring additional indebtedness, which may be non-recourse to the Company.

Certain regions of North America are expected to require new sources of electricity supply due to growth in electricity demand, transmission constraints or the obsolescence of, and environmental concerns associated with, older native generation. The Manager believes that new electricity generation projects will emerge in Canada and the U.S. over the next several years. There is also an active secondary market for existing projects. In some cases, the Company may find appropriate opportunities to invest in projects that are still under development, although such investments will represent a relatively modest portion of its acquisition capital deployed. Therefore, the Manager expects to be able to present additional acquisition and investment opportunities to the Company. Competition for these opportunities varies over time depending on market conditions and the Company believes it has good competitive strengths to access, analyze and execute acquisitions that add value for shareholders. ArcLight is contractually obligated to give the Manager the opportunity to pursue, on behalf of the Company, investment opportunities that ArcLight has determined do not fit within the investment guidelines for Fund I, Fund II or other future investment funds managed by ArcLight or its affiliates, or that fit within such guidelines but the investment funds have determined not to pursue.

Acquisition and Investment Guidelines

The following guidelines will be used in the review and evaluation of possible acquisitions and other investments:

- each acquisition or investment should result in an increase in cash available for distribution to holders of IPSs;
- each acquisition or investment will be reviewed and approved by the Company's board of directors;
- in the case of an acquisition of, or investment in, power generation facilities, facilities with long-term PPAs with major electrical utilities or other creditworthy offtakers will be preferred; and, for facilities without such agreements, market electricity price assumptions used in acquisition or investment evaluations will be obtained from a recognized independent source;
- in the case of an acquisition of, or investment in, a power generation facility, the expected useful life of the facility and associated structures will, with regular maintenance and upkeep, be long enough for an investment therein to conform with the Company's objective of providing stable long-term cash distributions to holders of IPSs;
- in the case of acquisitions or investments involving ArcLight or its affiliates or investment funds managed by ArcLight or an affiliate of ArcLight, the acquisition or investment will be reviewed and approved by the independent members of the Company's board of directors. Depending on the value of such proposed transactions, additional requirements are imposed for officers' certificates or a letter to the board from an independent financial advisor.

Opportunity to Purchase ArcLight Projects

In connection with the IPO, Atlantic Holdings was granted a right of first offer on the ROFO Projects. In May 2005, Atlantic Holdings declined an offer to acquire nine of the projects under the ROFO process and those projects were eventually sold to a third party by ArcLight in December 2005. In September 2005, Atlantic Holdings purchased the Chambers facility, one of the ROFO projects, from ArcLight and Delta Power Company. On November 21, 2008 Atlantic Holdings exercised its right of first offer on the last ROFO Project, and purchased Auburndale Power Partners L.P. from Fund I. Atlantic Holdings does not have rights of first offer on any other projects.

Extending PPAs Following Their Expiration

PPAs in the portfolio have various expiration dates as listed in the Summary Table of Projects on the next page. In each case, the Project's partners plan for such expirations by evaluating various options in the market in order to continue maximizing project cash flows. The new arrangements after expirations may involve responses to utility solicitations for capacity, direct negotiations with the original purchasing utility for PPA extensions, or arrangements with creditworthy marketers for tolling agreements, full service PPAs or the use of derivatives to lock in value. Management has not assumed that pricing under existing PPAs will necessarily be sustained after PPA expirations, since most original PPA's included capacity payments related to return of and return on original capital invested, and counterparties or evolving regional electricity markets may or may not provide similar tolling or capacity payments to such existing resources depending, in part, on the current and projected regional supply/demand balance. At the present time, the partners at the Rumford Project have begun discussions over an extension of the existing electricity and steam supply arrangements with the Project's host, which expire at the end of 2009. Preliminary discussions have occurred with potential purchasers of output from Lake, Auburndale and the RCID portion of Orlando regarding extended or new agreements to meet their needs after the expiration of current PPAs in 2013. Potential risks associated with obtaining extended or new PPAs are discussed in the "Risk Factors" section.

SUMMARY TABLE OF THE PROJECTS

Project Name	Location (State)	Fuel Type	Total MW	Economic Interest (1)	Accounting Treatment (2)	Net MW (3)	Electricity Off-Taker	PPA Expiry	Off-Taker S&P Credit Rating
Auburndale	Florida	Natural Gas	155	100.00%	C	155	Progress Energy Florida	2013	BBB+
Badger Creek	California	Natural Gas	46	50.00%	P	23	Pacific Gas & Electric	2011	BBB+
Chambers	New Jersey	Coal	262	40.00%	P	89	ACE (4)	2024	BBB
						16	DuPont	2024	A
Delta-Person	New Mexico	Natural Gas	132	40.00% (5)	E	53	PNM	2020	BB-
Gregory	Texas	Natural Gas	400	17.10%	E	59	Fortis Energy Marketing and Trading	2013	A-
						9	Sherwin Alumina	2020	NR
Koma Kulshan	Washington	Hydro	13	49.80%	P	6	Puget Sound Energy	2037	BBB
Lake	Florida	Natural Gas	121	100.00%	C	121	Progress Energy Florida	2013	BBB+
Mid-Georgia	Georgia	Natural Gas	308	50.00%	P	154	Georgia Power	2028	A
Orlando	Florida	Natural Gas	129	50.00%	P	46	Progress Energy Florida	2023	BBB+
						19	Reedy Creek Improvement District	2013	A- (6)
Pasco	Florida	Natural Gas	121	100%	P	121	Tampa Electric Co.	2018	BBB-
Path 15	California	Trans-mission	N/A	100.00%	C	N/A	California Utilities via CAISO (7)	N/A (8)	BBB+ to A (9)
Rumford	Maine	Coal/ Biomass	85	23.50% (5)	E	20	Rumford Paper Co. (10)	2009	N/R
Selkirk	New York	Natural Gas	345	18.50% (5)	E	15	Merchant	N/A	N/R
						49	Consolidated Edison	2014	A-
Stockton	California	Coal	55	50.00%	P	24	Pacific Gas & Electric	2010	BBB+
						3	Corn Products Int'l	2010	BBB
Topsham(11)	Maine	Hydro	14	50.00%	P	7	Central Maine Power	2011	BBB+

(1) Except as otherwise noted, economic interest represents the percentage ownership interest in the project held indirectly by Atlantic Holdings.
(2) Accounting Treatment: C – Consolidated; P – Proportionate Consolidation; and E – Equity Method of Accounting (for additional details, see Note 1 of the Company's consolidated financial statements for the year ended December 31, 2008).
(3) Represents the interest of Atlantic Holdings in each Project's electric generation capacity based on Atlantic Holdings' economic interest in each Project.
(4) Includes separate power sales agreement in which the Project and ACE share profits on spot sales of energy and capacity not purchased by ACE under the base PPA.
(5) Represents Atlantic Holdings' estimate of its share of the cash flow from the project.
(6) Fitch rating on Reedy Creek Improvement District bonds.
(7) California utilities pay TACs to CAISO, who then pays owners of TSRs, such as Path 15, in accordance with its FERC approved annual revenue requirement.
(8) Path 15 is a FERC regulated asset with a FERC-approved regulatory life of 30 years: through 2034.
(9) Largest payers of TACs supporting Path 15's annual revenue requirement are PG&E (BBB+), SoCal Ed (BBB+) and SDG&E (A). CAISO imposes minimum credit quality requirements for any participants of A or better unless collateral is posted per CAISO imposed schedule.
(10) For further information, see discussion of the interim financial consolidation agreement with the former Mead/Westvaco paper mill (now owned by NewPage) under "Project Descriptions — Rumford Project".
(11) Atlantic Holdings owns its interest in this Project as a lessor.

Commercial Structure and Operation of the Projects

Atlantic Holdings indirectly owns interests in each of the Projects as described in the above table. The Projects are located in nine states in the U.S. The Projects have an aggregate gross electric generation capacity of approximately 2,184 MW, and Atlantic Holdings' net economic interest in the electric generation capacity of the Projects is approximately 988 MW. In addition, Atlantic Holdings owns 72% of the TSRs for the Path 15 Project; an 84-mile, 500-kilovolt transmission line built along an existing transmission corridor in California.

The discussion below describes certain general characteristics of the commercial structure and operations of the Projects.

Ownership and Project Financing

The Projects are typically owned by the Project Operating Entities, in which the owners of the Projects hold limited partnership, general partnership or other equity interests. Atlantic Holdings' interests in each of Projects are held, directly or indirectly, through a Project Holding Entity.

Typically, construction of the Projects was financed by non-recourse loan arrangements, certain of which remain outstanding. These loan arrangements are typically secured by the Project assets, including associated contracts, and contain extensive affirmative and negative covenants on the part of the Project Operating Entity that may restrict their activities and, in some cases, limit or prevent distributions of cash. In addition, the partnership or other equity interests in Project Operating Entities with outstanding indebtedness, including those held indirectly by Atlantic Holdings, are in some cases pledged to the Project lenders to secure such indebtedness. In the event of a default that has not been cured, the lenders may foreclose on the equity interests of the Project Operating Entity, including those held indirectly by Atlantic Holdings.

Energy, Capacity and Steam Sales

The majority of the generating Projects have long-term PPAs for the sale of electricity to off-takers having investment grade credit ratings, with some of the Projects having more than one PPA. The expiry dates of the PPAs vary from 2009 to 2037. Generally, the Projects receive payments for electric energy sold under PPAs (known as energy payments) as well as for electric generation capacity (known as capacity payments). Capacity payments are generally paid based on the availability of the project, regardless of how much electricity the project generates. In addition, the majority of the Projects which are coal or natural gas-fired co-generation QFs sell steam under steam sales agreements to industrial purchasers.

Transmission System Rights

The Path 15 Project is entitled to receive its FERC-regulated annual revenue requirement based on the 72% of Path 15's transmission system rights that it owns.

Fuel Supply Arrangements

The coal and natural gas-powered Projects generally have long-term supply agreements for the fuel required to operate the Project. These purchase agreements may also be accompanied by fuel transportation arrangements. In many cases, the fuel supply and transportation arrangements have been designed to correspond to the term of the PPAs and most of the Projects' PPAs and steam sales agreements provide for the pass through or indexing of fuel costs to the off-takers.

Operations and Maintenance

The Projects are typically operated and maintained by third party operators under management and/or operations and maintenance contracts with the relevant Project Operating Entity. Some of these agreements are long-term, while others have shorter terms and provide generally for subsequent renewal terms. Teton Operating Services LLC, a subsidiary of Teton Funding, has assumed responsibility under operations and maintenance contracts for the Lake, Mid-Georgia, Onondaga and Pasco Projects. An affiliate of Caithness has been retained to perform the services to be provided by Teton Operating Services LLC under these contracts under certain operations and maintenance agreements (the "Caithness O&M Agreements") which expire in December 2011. Under the Caithness O&M Agreements, the operator is responsible for operations, maintenance and repair services.

Asset Management Strategy

The Manager's asset management strategy is to partner with recognized leaders in the independent power business. Atlantic Holdings' interests in the majority of the Projects are managed by Caithness; Cogentrix Energy, Inc. ("Cogentrix"), a subsidiary of Goldman Sachs; and, in the case of Path 15, Western. On a case-by-case basis, Caithness, Cogentrix, and Western may provide: (i) day-to-day project-level management, such as operations and maintenance and certain asset management activities; (ii) certain partnership level management tasks, such as insurance renewals; and (iii) passive partnership level management, such as acting as limited partner. In some cases these project managers or the project partnerships may subcontract with other firms experienced in project operations such as General Electric to provide for day-to-day plant operations. The Manager has personnel with significant experience managing similar assets who are involved in most decisions with the objective to choose value-creating transactions such as contract restructurings, asset-level refinancing, acquisitions and divestitures.

Caithness is one of the largest privately-held independent power producers in the United States. For over 25 years in the independent power business, Caithness, through its subsidiaries, has been actively engaged in the development, acquisition and management of independent power facilities for its own account as well as in venture arrangements with other entities.

Cogentrix develops, owns, and operates independent power plants, located primarily in the U.S. Cogentrix manages the operation of the 262 MW Chambers power plant in which Atlantic Holdings owns a 40% interest and the 345 MW Selkirk facility in which Atlantic Holdings owns an 18.5% economic interest. New York-based investment firm Goldman Sachs Group acquired Cogentrix in December 2003. In November 2007, Goldman Sachs sold 80% of its interest in a number of the Cogentrix independent power plants, including Chambers and Selkirk to Energy Investors Funds ("EIF"). EIF is an established private equity fund manager that invests in the U.S. energy and electric power sector. Cogentrix continues to manage the Chambers and Selkirk projects.

Western markets and delivers hydroelectric power and related services within a 15-state region of the central and western U.S. Western is one of four power marketing administrations within the U.S. Department of Energy whose role is to market and transmit electricity from multi-use water projects. Western's transmission system carries electricity from 57 power plants operated by the Bureau of Reclamation, U.S. Army Corps of Engineers and the International Boundary and Water Commission. Together, these plants have an operating capacity of approximately 8,785 MW. Western owns and operates the Path 15 Project in which Atlantic Holdings indirectly owns 72% of the TSRs.

Site Leases

The Projects are generally constructed on leased sites. Many of the sites are leased from a neighbouring electricity or steam off-taker. The site leases typically provide for terms concurrent with the term of the Projects' PPA.

Regulation – Generating Projects

All of the generating Projects are QFs, EWGs or dually-certified, pursuant to FERC regulations. Twelve of the Projects are QFs under the Public Utility Regulatory Policies Act of 1978, as amended ("PURPA") and the three that are not QFs are exempt wholesale generators ("EWGs") under the *Public Utility Holding Company Act of 2005*, as amended ("PUHCA 2005"). The generating Projects with QF status are exempt from FERC rate-making. The Delta-Person Project has EWG status but is not dually-certified as an EWG and QF. Although these Projects are subject to FERC rate-making, FERC regulation has granted these EWGs the authority to charge market-based rates based primarily on a finding that the seller of electricity lacks market power. The generating Projects are exempt from regulation under PUHCA 2005 and the Projects with QF status are exempt from state regulation respecting the rates of electric utilities and the financial or organizational regulation of electric utilities.

Regulation – Transmission Project

The revenues received by the Path 15 Project are regulated by the FERC through a periodic rate review process that sets an annual revenue requirement. Under terms of the initial rate case settlement, the Project must go through the FERC review every three years.

The Path 15 Project's initial three-year rate period's revenue requirement expired at the end of 2007. On December 21, 2007, the Company submitted to the FERC its revenue requirement for the 2008 through 2010 timeframe. The current tariff rates, based on the recent revenue requirement in December 2008, are in effect subject to refund pending the outcome of the regulatory proceedings. In its order of February 2008 allowing the rates to go into effect, the FERC summarily accepted several of the Company's key methodological approaches, including use of a 13.5% ROE. A number of parties have intervened in the rate case to request a rehearing on such issues. On March 23, 2009, the Path 15 Project filed an uncontested settlement offer with the FERC. The settlement was supported by all parties that either filed a protest, testimony or request for rehearing in the Path 15 Project's rate case proceeding. The settlement offer either resolves, or provides procedures for resolution of, all issues of the parties to the proceeding. The Manager believes that the settlement offer is reasonable and will not significantly impact the expected cashflow from the Project. The settlement offer will be reviewed by the FERC, and given that the settlement is unopposed, FERC approval is expected in two to three months.

PROJECT DESCRIPTIONS

Auburndale Project

Description

The Auburndale Project, a 155 MW dual fired (natural gas and oil), combined-cycle, cogeneration plant located in Polk County, Florida, commenced operations in July 1994. The Auburndale Project is owned by Auburndale Power Partners L.P. ("Auburndale"), a Delaware limited partnership in which Atlantic Holdings indirectly owns a 100% interest. Auburndale was acquired from ArcLight Energy Partners Fund I, L.P. ("ArcLight Fund I") and Calpine Corporation ("Calpine") in a transaction that was completed on November 21, 2008.

The Project is located on an 11-acre site in the City of Auburndale, Florida. Capacity and energy from the Project is sold to PEF under three PPAs expiring year-end 2013. Steam is supplied to Florida Distillers Company ("Florida Distillers") and Cutrale Citrus Juices USA, Inc. ("Cutrale") under steam agreements expiring in 2009 and 2013, respectively.

The Project has non-recourse debt outstanding of $35 million as of December 31, 2008. The debt fully amortizes over the term of the Project's PPAs expiring in 2013.

Capacity and Energy Sales

Power Purchase Agreement

Electrical output is sold to PEF under three PPAs each expiring on December 31, 2013. Under the largest of the PPAs (the "Negotiated PPA"), Auburndale sells 114 MW of capacity and energy. An additional 17 MW of committed capacity is sold under two identical 8.5 MW Standard Offer Contracts (the "SOCs") with PEF. Revenue from the sale of electricity under the three PPAs consists of capacity payments based on a fixed schedule of prices, and energy payments. Capacity payments under the Negotiated PPA are dependent on the plant maintaining a minimum on-peak capacity factor of 92 percent on a rolling twelve-month average basis. The Project has achieved the minimum on-peak capacity factor continuously since commercial operation. Capacity payments under the SOCs are dependent on the Plant maintaining a minimum on-peak capacity factor of 70 percent. Energy payments under the Negotiated PPA are comprised of a fuel component based on the delivered cost of coal at two PEF-owned coal-fired generating stations (the "Crystal River Facilities Coal Index"), and an O&M component. Energy payments under the SOCs are based on the lesser of PEF's actual avoided energy cost or an energy price index based on the delivered fuel cost at a specific TECO-owned coal-fired generation station. Atlantic Holdings has provided a $4.3 million letter of credit in favour of PEF to support the Project's obligations under the PPA.

Steam Sales Agreement

Auburndale provides steam to Cutrale and Florida Distillers under two separate steam purchase agreements in order for the Project to meet its QF requirements. The Cutrale agreement terminates on December 31, 2013, and the Florida Distillers agreement expires on October 1, 2009. The Cutrale steam agreement contains automatic two-year renewal terms. Following the expiry of the Florida Distillers contract, steam sales to Cutrale are sufficient to allow the Project to meet its QF requirements. Net revenues from steam sales have historically been negligible.

Fuel Supply Arrangements

Auburndale receives the majority of its required gas through a gas supply agreement with El Paso Merchant Energy, L.P. ("El Paso") that expires on June 30, 2012. Under the agreement, El Paso provides a fixed amount of gas on a daily basis. The gas price is based on a fixed schedule of prices that escalate annually

and is below current market prices. At historic utilization rates, the gas supplied under the El Paso contract has accounted for approximately 80% of the gas required by the Plant under its PPA commitments and the remaining required fuel is purchased at spot prices. Atlantic Holdings has provided a $3.5 million letter of credit in favour of El Paso to support the Auburndale Project's obligations under the gas supply agreement.

The required gas for the Project is delivered through firm gas transportation agreements with Central Florida Gas Company and Florida Gas Transmission Company, and is transported through the gas distribution system owned by People's Gas Transmission, Inc. The gas transportation agreements are co-terminated with the PPAs and expire on December 31, 2013.

Operations & Maintenance

An affiliate of Caithness is responsible for the operations and maintenance of the Project. In 1996, Auburndale entered into a turbine and generator maintenance agreement (the "Maintenance Agreement") with Siemens Energy, Inc. ("Siemens", formerly Westinghouse Electric Corporation), for the long-term supply of certain parts, repair services and outage services. The term of the Maintenance Agreement is through December 31, 2013 and can be extended at Auburndale's option from January 1, 2014 through December 31, 2019 with defined pricing.

Factors Influencing Project Results

The Auburndale Project derives a significant portion of its operating margin through capacity revenues received under the PPAs with PEF. In the event the facility's on-peak capacity factor falls below a specified level, capacity payments will be adjusted downward. Since it began commercial operation, the Project has received full capacity payments.

During the term of the gas supply agreement, approximately 80% of the natural gas required to fulfill the PPAs is purchased under a schedule of fixed prices. The remainder of the natural gas required to fulfill the energy committed under the PPAs is purchased on the spot market and the Project is exposed to changes in market natural gas prices. In order to alleviate the risk to changes in gas prices, the Company has entered into a series of financial swaps that effectively fix the price of natural gas purchased by Auburndale thereby eliminating fuel price risk.

The following table summarizes the hedge position related to natural gas requirements at Auburndale as of December 31, 2008:

	2009	2010	2011	2012	2013
Amount of gas volumes currently hedged:					
Contracted	80%	80%	80%	40%	0%
Financially hedged	13%	0%	0%	0%	0%
Total	93%	80%	80%	40%	0%
Average price of financially hedged volumes (per Mmbtu)	$5.80	$-	$-	$-	$-

Amount as of March 30, 2009:

	2009	2010	2011	2012	2013
Amount of gas volumes currently hedged:					
Contracted	80%	80%	80%	40%	0%
Financially hedged	15%	9%	0%	13%	22%
Total	93%	89%	80%	53%	22%
Average price of financially hedged volumes (per Mmbtu)	$5.68	$6.78	$-	$6.66	$6.78

Badger Creek Project

Description

The Badger Creek Project is a 46 MW simple-cycle, cogeneration facility located near Bakersfield, California which commenced commercial operation in April 1991 as a QF. The Badger Creek Project is owned by Badger Creek Limited, L.P. ("Badger"), a Texas limited partnership in which Atlantic Holdings indirectly owns a 50% partnership interest. Juniper Generation, LLC ("Juniper"), which is indirectly owned by affiliates of ArcLight and Arroyo, indirectly owns the other 50% partnership interest. Electrical output is sold to Pacific Gas & Electric Corporation ("PG&E") under a PPA expiring in 2011. Steam is sold to OXY USA Inc. ("Occidental"), an affiliate of Occidental Petroleum Corporation under a 20-year steam energy agreement that expires in 2011. Badger leases the approximately 3.5 acre site for the Badger Creek Project under a ground lease. The term of the lease expires in July 2021 and the parties may extend for up to 10 additional one-year periods.

Capacity and Energy Sales

Power Purchase Agreement

Electric power generated by the Badger Creek Project is purchased by PG&E pursuant to a PPA expiring in 2011. The Badger Creek PPA provides for monthly capacity and energy payments, and Badger is entitled to receive a performance bonus if the average on-peak capacity factor, net of allowed forced outages and scheduled maintenance outages, exceeds 85%. The PPA provided for an annual average energy price through July 15, 2006. Subsequent to July 15, 2006, the Project received PG&E's interim short-run avoided cost. The California Public Utilities Commission (the "CPUC"), is currently engaged in regulatory proceedings that are expected to result in a new short-run avoided cost formula.

Steam Sales Agreement

Process steam from the Badger Creek Project is sold to Occidental under a steam energy agreement which expires in 2011, but is terminable by Occidental upon one year's prior notice. The agreement provides for successive renewal terms of one year each unless either party gives advance notice of termination. Occidental utilizes the steam in its enhanced oil recovery operations to allow for more effective and efficient extraction of heavy crude oil. Subject to certain conditions, Occidental has an obligation to purchase steam under this agreement in an amount at least equal to the minimum requirements necessary to maintain the Project's status as a QF. Although Occidental is not currently purchasing any power from the Project, the steam energy agreement allows for up to 1 MW of electricity to be sold to Occidental.

Fuel Supply Arrangements

Initially, natural gas was supplied to the Badger Creek Project under a supply and transportation agreement with PG&E. However, as restructuring of the natural gas industry proceeded, Badger, in partnership with certain other gas-fired facilities in the area, determined that construction of a private natural gas pipeline was a prudent way to minimize curtailment and pricing risk. A joint venture was entered into to construct, own and operate a natural gas pipeline connecting these facilities, including the Badger Creek Project which owns 20%, with the Kern River-Mojave Pipeline thereby enabling Badger to bypass PG&E but maintain access to PG&E as a source of back-up supply. Under the joint venture arrangement, each owner contributed funds for construction, and shares in profits and losses, in proportion to its ownership interest of approximately 21%. WCAC Gas Services LLC, an affiliate of Juniper, operates the pipeline. In October 2006, Badger entered into a gas supply agreement, including transportation, with Sempra Energy Trading Corporation ("Gas Agreement"). In March 2008, the Gas Agreement was extended to cover fuel procurements through April 30, 2011.

Operations & Maintenance

Operations and maintenance for the Badger Creek Project is performed by WCAC Operating Company California, LLC, an affiliate of Juniper, under a fixed price operations and maintenance agreement. The agreement has a term of 20 years expiring in 2011, but is terminable by either party upon six months' notice. The operator receives a base monthly fee, adjusted annually based on changes in the GNP deflator and labour indices. In addition, the agreement provides for incentive fees and penalties based on the Project's availability.

In addition to the operations and maintenance agreement, Badger entered into a management services agreement with WCAC Operating Company California, LLC to provide all day-to-day management services required by the Project. The manager is paid a semi-annual fee for such management services based on a percentage of gross cash receipts of the Project.

Factors Influencing Project Results

The Badger Project derives a significant portion of its operating margin through energy revenues under the PG&E PPA. Energy revenues are dependent on PG&E's short-run avoided costs ("SRAC") which are currently based on a legislated transition formula. In December 2007, the CPUC issued a decision adopting a new SRAC energy pricing formula based in part on market-based components and an administratively determined component. It is expected that six months after the implementation of California's Market Redesign and Technology Upgrade ("MRTU"), the SRAC energy pricing will be revised to remove the administrative component and base SRAC on market prices. The MRTU will provide a robustly traded day-ahead market that is expected to establish a market price for energy that reflects that full avoided costs of California's Utilities. MRTU is currently projected to commence on April 1, 2009; however, the implementation has been delayed several times. Numerous proceedings are under way at the CPUC related to SRAC and MRTU. It is expected that the CPUC regulations applicable to Badger will be in a state of transition for the foreseeable future. Badger expects that the proposed SRAC formula will permit the Project to generally maintain a similar level of energy margin.

Badger's receipt of capacity payments under the PG&E PPA is dependent on maintaining certain minimum performance requirements. The Project's capacity payments are reduced if it fails to meet these requirements. Badger has generally met these performance standards.

Chambers Project

Description

The Chambers Project, a 262 MW pulverized coal-fired cogeneration facility located at the E.I. du Pont de Nemours and Company ("DuPont") Chambers Works chemical complex near Carney's Point, New Jersey, began commercial operation in March 1994 as a QF. The Chambers Project is owned by Chambers Cogeneration Limited Partnership, a Delaware limited partnership in which Atlantic Holdings indirectly owns a 40% limited partnership interest and Peregrine Power Corp. and Cogentrix/Carney's Point, Inc. (affiliates of Goldman Sachs and EIF) own the general partnership interest. Chambers sells electricity to Atlantic City Electric ("ACE") under two separate power purchase agreements, the Base PPA and the power sales agreement ("PSA"). Steam and electricity is sold to DuPont pursuant to an energy services agreement (the "ESA"). The Project is situated on a site owned by DuPont, pursuant to a ground lease with DuPont, which serves as the Project's steam off-taker. Pursuant to the terms of the ground lease, DuPont has a right to purchase the Project within 60 days of the expiration of the ground lease in 2024, or earlier termination of the ground lease, at fair market value. Pursuant to a lease agreement, Carney's Point Generating Company general partnership ("Carney's") has agreed to lease the facility and sublease the site from Chambers for a period of 24 years from the date of commencement of operations. Carney's has also agreed to perform, discharge and assume all of the obligations of Chambers under certain assigned Project contracts and to operate, repair and maintain the Project. Payments to Chambers under the lease agreement are based upon revenues from the operation of the facility, after the payment of operating costs and payments due under the facility's financing arrangements.

Chambers financed the construction of the Project with a combination of term debt due March 31, 2014 and New Jersey Economic Development Authority bonds ("NJEDA Bonds") due July 1, 2021. As of December 31, 2008, approximately $139 million and $100 million in principal remained outstanding under the term loan and NJEDA Bonds, respectively. The term loan is expected to amortize over its remaining term, while the NJEDA Bonds are repayable at maturity.

Epsilon Power Partners, L.P. ("Epsilon"), a wholly-owned subsidiary of the Company, directly owns the Company's interest in Chambers. Epsilon has debt with a remaining balance as of December 31, 2008 of $38.5 million which fully amortizes by its final maturity in 2019. The Epsilon debt is non-recourse to the Company and bears interest at an average all-in hedged rate of approximately 8.42%.

Capacity and Energy Sales

Power Purchase Agreements

The 30 year term of the Base PPA began on March 15, 1994, the date of commercial operation of the Chambers Project. ACE has agreed to purchase 184 MW of capacity and has dispatch rights for energy of up to 187.6 MW during the summer season (May 1 to October 31) and 173.2 MW during the winter season (November 1 to April 30). Under the terms of the Base PPA, the project must be available to deliver power to ACE at 90% of the ACE system facility average availability rate. The net deliverable capacity of the Project is capped at a capacity level of 184 MW for purposes of the capacity payment. The energy payment under the Chambers Base PPA is divided between on-peak and off-peak periods and linked to the annual average cost of coal for New Jersey utilities relative to cost in 1992. Since the last utility owned coal plant in New Jersey was sold in 2006, the Project and ACE negotiated a replacement coal index to use beginning with the 2008 energy payments. The replacement index is a broader based index that is identical to the coal supply contract escalation. Chambers is guaranteed a minimum energy payment equivalent to 3,500 hours of operation per contract year, whether or not dispatched, provided the Project is available for energy production for at least 3,500 hours during the course of such contract year.

DuPont purchases all its electrical needs for its Chambers Works chemical complex from the Chambers Project, subject to a peak requirement of 40 MW, under the ESA. The term of the agreement is for 30 years from the initial delivery date. The ESA will continue thereafter unless terminated by at least 36 months prior written notice. Pricing is a fixed rate adjusted quarterly by the lesser of either: (i) the price of coal delivered to the facility; and (ii) the change in Atlantic City Electric's average retail rate.

In December 2008, Chambers filed suit against DuPont for breach of the ESA related to unpaid amounts associated with a change in the reporting by the FERC of a certain retail energy index. The retail energy index is a component of the pricing formula for electricity sales under the ESA. Dupont subsequently filed a counterclaim for an unspecified level of damages. In the event the dispute cannot be resolved through settlement, a trial is expected in January 2010. The Manager feels that the outcome of the litigation will not have a material impact on the Company.

Energy generated at the Project in excess of amounts delivered to ACE under the Base PPA and to DuPont is sold into the spot market via ACE under a separate power sales agreement or PSA. Under the PSA, energy that ACE does not find economically attractive at the base PPA's energy rate, but which may be cost effective for the Project to sell into the market ("Undispatched Energy"), may be self-scheduled by the Project to capture additional profits. Margins on Undispatched Energy sales are shared 40% to ACE and 60% to the Project. Energy not contracted to ACE under the PPA and not called upon by DuPont ("Excess Energy") may also be sold into the market.

The PSA was renewed in August 2007 for a term of three years. Under the renewed PSA, the margin sharing on Excess Energy was modified to 30% to ACE and 70% to the Project vs. the previous 25/75 split, however, the renewed PSA provides for the sale by the Project of *capacity* not contracted under the PPA

("Excess Capacity") into the market. Margins associated with the sale of Excess Capacity are also shared 30% to ACE and 70% to the Project.

Steam Sales Agreement

Steam is sold to DuPont under the ESA, which expires in 2024. The agreement will continue in effect thereafter unless terminated by at least 36 months' prior written notice. The agreement requires steam to be provided to DuPont up to the peak steam requirement levels that vary throughout the year. DuPont may purchase steam in excess of the peak steam requirement from any third party, provided that DuPont has granted the Chambers Project a right of first refusal to provide steam at the same price. DuPont has the option after the 20th operating year, provided specific conditions are met, to construct and operate its own steam generation facility. DuPont is required to purchase the quantity of steam necessary for the Chambers Project to maintain its status as a QF. The steam price is fixed subject to quarterly adjustments based on the price of coal delivered to the facility. DuPont has the option in certain circumstances to take over operation of the steam facility in the event of failure to deliver steam.

Fuel Supply Arrangements

Coal is supplied to the Chambers Project pursuant to a coal purchase agreement with Consol Energy Inc. dated December 10, 1990. The agreement governs the sale of coal (including transportation) to the Chambers Project and the disposal of related ash by the coal suppliers. Under the agreement, the coal supplier agrees to supply the entire coal requirements for the Project, which may include stockpiling. The coal purchase agreement is for a term of 20 years ending in 2014 and is subject to a five to ten-year renewal based on good faith negotiations. Due to the coal-based price escalator under the PPA with Atlantic City Electric, energy payments and coal costs are expected to be relatively well matched following expiry of the coal purchase agreement in 2014.

Operations & Maintenance

Operations and maintenance of the Chambers Project is performed pursuant to an agreement with U.S. Operating Services Company general partnership ("U.S. OSC"), a wholly-owned indirect subsidiary of Cogentrix, which expires in April 2009. Thereafter, the agreement will be automatically renewed for periods of five years until terminated by either party on six months' notice. U.S. OSC is paid a base annual fee and a fee for services on a cost reimbursement basis. U.S. OSC is also paid fees based on facility net availability, efficiency and excess energy optimization, and is eligible for a management performance bonus.

Management services are provided to the Project under an agreement with a wholly-owned subsidiary of Cogentrix. The agreement provides for the manager to provide day-to-day management and administration services to the Chambers Project. The agreement continues until terminated by either party or upon expiration of the lease between Chambers and Carneys for the lease of the facility. The manager is paid a monthly fee and is reimbursed for wages and benefits for employees working on the business of the Project and other costs directly related to the Project.

Factors Influencing Project Results

The Chambers Project derives a significant portion of its operating margin through capacity revenues received under the ACE PPA. In the event the facility does not maintain a certain threshold availability under the PPA, the Project's capacity payments from ACE are reduced, although it has never experienced such a reduction. Energy sales under the PPA are expected to generate positive margins due to the effective hedging of energy prices and coal costs through the use of identical indexing in the PPA and the coal supply contract. While the indexing is identical, adjustments to the energy price under the PPA occur annually, whereas coal price adjustments occur quarterly. Under the PSA, the Project shares additional energy margin with ACE during periods in which market prices exceed the Project's incremental production costs and ACE elects not to purchase energy at the contractual rates under the PPA. During periods of low spot market prices, energy sales

margins may be negatively impacted due to the pricing structure under the PPA and PSA. When spot market prices drop below the contractual price in the Chambers PPA, ACE pays for energy based on the PSA, wherein a portion of the energy margin above the Project's production cost is shared with ACE.

The debt at Epsilon includes restrictions on the upstream distribution of the Company's share of partner distributions from Chambers. Cashflow from Chambers may be held in a reserve account by Epsilon's lender to the extent certain coverage ratios are not achieved as a result of reduced financial performance by the Project. Upon meeting the coverage ratio requirements, funds are distributed to the Company. Due to very low levels of spot market electricity pricing experienced thus far and forecast for the remainder of 2009, it is projected that this coverage ratio test may be failed in the second quarter of 2009.

Delta-Person Project

Description

The Delta-Person Project, a 132 MW natural gas-fired peaking facility located near Albuquerque, New Mexico, is an EWG that commenced commercial operation in June 2000. The Project is owned by Delta Person Limited Partnership ("Person"), a Delaware limited partnership in which the Company indirectly owns a 40% partnership interest. Affiliates of Olympus Power and John Hancock own the remaining partnership interests. The Delta-Person Project is situated on PNM's (formerly Public Service of New Mexico) retired Delta Generating Station site pursuant to a lease agreement which expires on the expiry or earlier termination of the Project's PPA. Cash distributions from the Project are split among the partners based on after-tax return hurdles. The Delta-Person Project sells all of its electrical output to PNM under a long-term PPA that expires in 2020.

Construction of the Delta-Person Project was financed through a $59.7 million construction loan that was converted to permanent project financing once commercial operation was achieved. The permanent project financing was divided into two term loans: (i) Tranche A due March 31, 2017; and (ii) Tranche B due March 31, 2019, both of which amortize over their remaining terms. As at December 31, 2008, approximately $34.2 million in aggregate of principal remained outstanding. The debt service reserve requirement is currently supported by a contribution obligation. Atlantic Holdings guarantees its *pro rata* share (approximately $1.0 million) of such contribution obligation.

Capacity and Energy Sales

Power Purchase Agreement

Electrical power generated by the Delta-Person Project is purchased by PNM under a PPA that will expire in 2020. PNM has the unilateral right to extend the PPA for five years by giving written notice of such extension no later than two years prior to the end of the original term of the PPA. Subject to adjustments provided for in the PPA, PNM will purchase and accept from the Project the entire output of the plant when PNM calls upon the capacity. Payments will consist of: (i) the energy purchase price multiplied by the kWh delivered; (ii) the capacity purchase price multiplied by the dependable capacity; (iii) the Project's cost of purchasing electric service from PNM for the operations and maintenance of the facility; and (iv) any other applicable charges. In order to earn full capacity payments, the Project must maintain availability of at least 90%.

Fuel Supply Arrangements

Person purchases fuel from PNM Gas Services, a division of PNM, with fuel costs passed through to PNM under the PPA. The Project has access to an interruptible gas supply and transportation like other standard industrial customers on PNM Gas Services' system.

Operations & Maintenance

As a simple cycle peaking facility, the Project operations do not require extensive staffing and technical resources. Olympus Power provides asset management services, which include operational and contractual oversight of the facility, budget setting and environmental compliance.

Gregory Project

Description

The Gregory Project is a 400 MW natural gas-fired combined cycle cogeneration QF located near Corpus Christi, Texas that commenced commercial operation in July 2000. The Gregory Project is owned by Gregory Power Partners, LP ("Gregory"), a Texas limited partnership. On January 12, 2005, Javelin Energy LLC ("Javelin"), in which Atlantic Holdings has an 18.9% interest, increased its ownership in Gregory from 50% to 95% by purchasing a 45% interest from an affiliate of LG&E Energy LLC ("LG&E"). As a result, Atlantic Holdings' economic interest in Gregory, determined based on ownership percentage and certain after-tax return hurdles, increased from approximately 9.45% to approximately 17.1.%. The other members of Javelin are Arroyo and John Hancock. Gregory currently sells approximately 345 MW of its capacity to Fortis Energy Marketing and Trading GP ("Fortis") and sells up to 33 MW of electric energy and capacity to Sherwin Alumina Company ("Sherwin"), owned by Glencore International AG with the remainder sold in the spot market. The Project is located on a site adjacent to Sherwin Alumina's production facility, which serves as the Project's steam off-taker. Gregory leases the land on which the Gregory Project is located from Sherwin under an operating lease with a 35-year term which expires in August 2035.

The Project was financed by ING Capital Corporation and a consortium of lenders. The original amount of the loan was $175 million. The loan has a 17-year term commencing at term conversion, which occurred in October 2000. Fifty percent of the principal amount of the term loan is hedged, whereby Gregory pays a fixed rate and receives a floating rate based on three-month LIBOR. As at December 31, 2008, approximately $111.1 million remained outstanding under the loan, which is expected to be amortized over its remaining term.

In November 2008 Gregory's managing partner, Arroyo, discovered that the state authorization of the Project's Prevention of Significant Deterioration Air Permit ("PSD") had lapsed due to a discrepancy in the representation of the renewal date of the state authorization by a consultant in 2002. Upon discovery of the expired permit, Arroyo immediately self-reported the issue to the Texas Commission of Environmental Quality ("TCEQ"). The Project has submitted its initial permit which the TCEQ has deemed administratively complete. Gregory is completing the technical aspects of the permitting process, which will be finalized and submitted to the TCEQ in March 2009. Under the new state authorization, the TCEQ may require the Project to achieve tighter emissions limits on certain pollutants. Unless the Project can demonstrate that the purchase and installation of additional emissions control equipment would be an economic hardship, Gregory may be required to purchase and install such equipment. The new state authorization is expected to be received in June 2009. Gregory continues to operate in compliance with its existing PSD.

Capacity and Energy Sales

Power Purchase Agreements

Gregory sells 345 MW of its output to Fortis under a PPA that commenced on January 1, 2009 and extends through December 31, 2013. The Fortis agreement replaced a tolling agreement with Constellation Energy that expired on December 31, 2008. Under the terms of the Fortis tolling agreement, Fortis pays a fixed capacity payment and an energy payment that is based on the price of natural gas at Houston Ship Channel and a contract heat rate. Energy sales to Fortis consist of two tranches; a 234 MW must-run block and a 111 MW dispatchable block. The must-run block corresponds to the project's minimum energy output while satisfying Sherwin's electricity and steam requirements without the use of Gregory's auxiliary boilers. The dispatchable

block is the portion of Gregory's output that can be scheduled at the option of Fortis as either energy, ancillary services or balancing energy. Credit support for the PPA consists of a $10 million letter of credit backed by the Project's partners provided by ING.

Steam Sales Agreement

Gregory sells steam to Sherwin under the steam and electricity purchase agreement that expires in 2020. Under the terms of the agreement, Gregory is the exclusive source of steam to Sherwin's alumina plant, up to a maximum of 1,500,000 lbs/hr. Other key aspects of the agreement include: (i) ten-year take-or-pay provision for a minimum quantity of steam (930,000 lbs/hr); (ii) steam pricing based on a fixed fee with a variable gas component; and (iii) delivery of gas by Sherwin in lieu of paying cash for steam (the quantity of gas supplied is based on steam conversion efficiency).

Fuel Supply Arrangements

Gregory purchases natural gas under various short-term and long-term agreements. Gregory has the option of procuring 100% of its natural gas requirements from Kinder Morgan Tejas Pipeline, L.P., pursuant to a market-based ten-year gas supply agreement that expires in 2010.

In March and June 2008, the Project entered into swap agreements with Sempra Energy Trading Corp. ("Sempra") for the period January 2009 through December 2009 and January 2010 through December 2010. The agreements provide for the Project to sell to Sempra a specific volume of gas during the year at a fixed price. The agreements also included a coincident gas purchase contract to purchase a like amount of gas at a market index price through the same period. While Gregory has structured its power and steam sales agreements to mitigate the price risk between its fuel supply and off-take agreements, the Project has some residual exposure to gas price risk due to the difference in the Project's economic heat rate and contractual heat rate under the PPA. The swap agreements with Sempra lock in a favourable margin resulting from this residual exposure through 2010.

Operations & Maintenance

DPS Gregory, LLC, a wholly-owned indirect subsidiary of Babcock and Wilcox Power Generation Group, Inc., is responsible for the operation and maintenance of the Project under an agreement that terminates July 2010. It is expected that the operation and maintenance agreement will be extended. DPC Javelin Energy, LLC receives a fee for management of the facility (subject to escalation) on a quarterly basis and reimbursement of certain costs.

Energy Management Services

Gregory has entered into a contract with Tenaska Power Services, Co. to provide energy management services such as marketing excess power from the Project through the end of 2008. Tenaska will optimize Gregory's assets in the ancillary services market of the Electric Reliability Council of Texas ("ERCOT"), purchase natural gas for operations, provide scheduling services, provide back-office support (including the reconciliation of ERCOT and pipeline settlement and accounting issues and the preparation of invoices) and serve as Gregory's retail energy provider and qualified scheduling entity.

Factors Influencing Project Results

The Gregory Project derives a significant portion of its operating margin through energy revenues under its PPA with Fortis. Energy revenues are dependent on the price of natural gas at Houston Ship Channel and a contract heat rate. The Project achieves a margin on its energy revenue due to the facility's actual heat rate being lower than the contract heat.

Gregory also receives a capacity payment under the Fortis PPA which is dependent on maintaining certain minimum performance requirements. The Project's capacity payments are subject to reduction if it fails to meet these requirements. Gregory exceeded the performance requirements in 2008 (while operating under an earlier power sales agreement which expired in 2008) and historically has generally met similar performance requirements.

Koma Kulshan Project

Description

The Koma Kulshan Project is a 13.3 MW run-of-the-river hydro-electric generation facility located on the slopes of Mount Baker, approximately 80 miles north of Seattle, Washington. The Koma Kulshan Project is owned by Koma Kulshan Associates ("Koma"), a California limited partnership in which the Company indirectly owns a 49.75% economic interest, Mt. Baker Corporation ("Mt. Baker") indirectly owns a 0.25% economic interest and Covanta Energy Corporation ("Covanta") indirectly owns the remaining 50%. The Koma Kulshan Project is certified as a QF under PURPA and was issued a 50-year hydro licence from FERC which expires in 2037. The Project began commercial operation in October 1990 and its electrical output is sold to Puget Sound Energy, Inc. ("Puget Sound Energy") under a PPA expiring in 2037. Koma does not have any debt outstanding.

The Company's and Mt. Baker's interests in Koma are held through Concrete Hydro Partners, L.P. ("Concrete"). Under the Concrete partnership agreement, Mt. Baker is entitled to reimbursement of certain deferred costs associated with the original development of the Project from a portion of the distributions from Koma.

The full repayment of these deferred costs is expected in 2010, following which distributions are projected to be made rateably to the Company and Mt. Baker.

Capacity and Energy Sales

Power Purchase Agreement

Energy generated by the Project is sold to Puget Sound Energy pursuant to a long-term PPA expiring in 2037. Power is sold at a per kWh rate that is adjusted annually. The energy rate equals the sum of a capital component (which provides for a return on investment) plus a variable component. The capital component is designed to cover capital expenditures to enhance the Project. The variable component covers operating and maintenance, tax and insurance costs. The term of the PPA is coterminous with the FERC licence. Puget Sound Energy has the right to renew the PPA for a term equivalent to the term of any subsequent licence or annual licence granted by FERC for the Project.

Operations & Maintenance

Covanta Hydro Operations West, Inc. ("Covanta Hydro"), a subsidiary of Covanta, performs the operations and maintenance of the facility pursuant to an operations and maintenance agreement which has been extended through December 31, 2009. In addition to being reimbursed for actual costs incurred, Covanta Hydro receives an annual fee adjusted for inflation.

Lake Project

Description

The Lake Project, a 121 MW dual fuel (natural gas and oil), combined-cycle QF cogeneration plant located in Florida, began commercial operation in July 1993. The Lake Project is owned by Lake Cogen Ltd. ("Lake"), a Florida limited partnership in which Atlantic Holdings indirectly owns a 100% interest. In late

2007, the existing combustion turbines at the facility were upgraded to increase their efficiency by approximately 4% and output from 110 MW to 121 MW.

The Project is located on a 16-acre site at a citrus processing facility in Umatilla, Florida. Lake sells all of its capacity and electric energy to PEF under the terms of a PPA expiring in July 2013. Steam is sold to Citrus World, Inc. ("Citrus World") for use at its citrus processing facility and is also used to make distilled water in distillation units.

Capacity and Energy Sales

Power Purchase Agreement

Electrical output is sold to PEF pursuant to a PPA that expires on July 1, 2013. Revenues from the sale of electricity consist of a fixed capacity payment and an energy payment. Capacity payments are subject to the Project maintaining a capacity factor of at least 90% during on-peak hours (11 hours daily), on a 12-month rolling average basis. These are hours when the plant tends to operate. Lake is subject to reductions in its capacity payment should it not achieve the 90% on-peak capacity factor. The project has generally met this threshold. Energy payments are comprised of a fuel component based on the Crystal River Facilities Coal Index an O&M component, a voltage adjustment and an hourly performance adjustment. Lake typically is dispatched by PEF to operate during the 11 peak hours, daily. During off-peak hours, energy payments are made in accordance with a prescribed formula based on the price of gas, although Lake rarely operates during off-peak hours. Atlantic Holdings has provided a $4.4 million letter of credit in favour of PEF to support the Lake Project's obligations under the PPA.

Steam Sales Agreement

Citrus World purchases steam, but the amount is not sufficient to allow Lake to meet its QF requirements. During 2002, distillation equipment was installed with three distillation units using steam to make distilled water that is sold to unaffiliated third parties. The distillation business enables Lake to meet its QF requirements without the need to sell steam to Citrus World.

Fuel Supply Arrangements

The primary natural gas supplier for the Project is Iberdrola Renewables, Inc. ("Iberdrola", previously PPM Energy). The gas supply agreement terminates on June 30, 2009. Iberdrola provides natural gas at a price that is adjusted monthly to track the PPA's pricing factors. Under the gas supply agreement, Lake is required to make certain payments if at least 80% of the maximum daily quantity specified in the agreement is not purchased each month. The price under the gas supply contract is below market. Since 2000, Lake has not purchased the minimum quantity and the gas supplier has not assessed any penalties. Excess gas requirements above those supplied by Iberdrola are to be supplied by TECO Gas Services Inc. ("TECO Gas"). Gas purchased under the TECO agreement is at the spot market price plus a commission. TECO Gas also provides certain gas management and supply services to Lake under a separate agreement.

Lake is in the process of obtaining a new gas supply agreement that will commence in July 2009 and extend through expiration of the PPA in July 2013. The pricing of the new gas supply agreement will be based on a widely traded market index

The gas for the Project is transported using firm capacity on the Florida Gas Transmission Company ("FGT") system and interruptible capacity on the Peoples Gas System, a division of TECO ("Peoples Gas") pipeline from the receipt points on the FGT pipeline to the plant. The gas transportation agreements expire in 2010 and 2013 respectively; however, FGT is obligated to extend the transportation agreement through the term of the PPA, or 2013. Lake is permitted to operate each of its combustion turbines on fuel oil for up to 240 hours per rolling 12-month period under the terms of the Project's air permit. The project includes a 170,000 gallon fuel oil storage tank.

Operations & Maintenance

An affiliate of Caithness is responsible for the operations and maintenance of the Project pursuant to one of the Caithness O&M Agreements.

Factors Influencing Project Results

The Lake Project derives a significant portion of its operating margin through capacity revenues received under the PPA with PEF. In the event the facility's on-peak capacity factor falls below a specified level, capacity payments will be adjusted downward, although the Project rarely experiences such reductions. During the term of the current gas supply agreement, energy sales under the PPA are matched with fuel expenses due to the hedging of energy prices and gas costs through the use of similar pricing factors in the PPA and the gas supply contract. Following expiry of the Iberdrola gas supply contract at the end of June, 2009, Lake operating margins will be exposed to changes in natural gas prices versus changes in Crystal River Facilities Coal Index through the end of the PEF PPA in 2013. As a result, the Company has entered into a series of financial swaps that effectively fix the price of natural gas supplied to Lake thereby eliminating fuel price risk.

The following table summarizes the hedge position related to natural gas requirements at Lake as of December 31, 2008:

	2009	2010	2011	2012	2013
Amount of gas volumes currently hedged:					
Contracted	50%	0%	0%	0%	0%
Financially hedged	49%	49%	0%	0%	0%
Total	99%	49%	0%	0%	0%
Average price of financially hedged volumes (per Mmbtu)	$8.64	$7.59	$-	$-	$-

Amount as of March 30, 2009:

	2009	2010	2011	2012	2013
Amount of gas volumes currently hedged:					
Contracted	50%	0%	0%	0%	0%
Financially hedged	49%	72%	44%	22%	22%
Total	99%	72%	44%	22%	22%
Average price of financially hedged volumes (per Mmbtu)	$8.64	$7.27	$6.53	$6.60	$6.71

Management will continue to execute transactions to mitigate natural gas price exposure at Lake through expiration of the PPA with PEF. The energy portion of Lake's revenue under the PPA with PEF is impacted by changes in the price of coal purchased by two power plants in Florida ("Crystal River Facilities") owned by PEF. Because the Crystal River Facilities secure a significant portion of the coal supplied through contracts of varying lengths, the price of coal burned at those plants is not directly correlated with changes in spot coal prices. However, changes in the price of coal procured by the Crystal River Facilities will impact the Project's energy revenue. The energy payment under the PPA includes a performance adjustment. During on-peak periods in which the market price for energy exceeds the PPA energy rate, for energy deliveries in excess of PEF scheduled capacity, the Project receives the then as-available energy rate, determined according to regulatory methodology. Conversely, when the Project is not available and is dispatched by PEF, the Project incurs negative performance adjustment charges corresponding to the difference between the then as-available energy rate and the PPA energy rate.

Mid-Georgia Project

Description

The Mid-Georgia Project, a 308 MW dual-fueled, combined-cycle, cogeneration plant located approximately 100 miles southeast of Atlanta in Kathleen, Georgia, commenced commercial operation in June 1998 as a QF. The Mid-Georgia Project is owned by Mid-Georgia Cogen L.P. ("Mid-Georgia"), a Delaware limited partnership in which Atlantic Holdings indirectly owns a 50% partnership interest and Northern Star Generation indirectly owns a 50% partnership interest. Mid-Georgia sells its capacity and energy to Georgia Power, a subsidiary of the Southern Company, and its process steam to Frito-Lay, Inc. ("Frito-Lay"). The Project is located adjacent to Frito-Lay's food processing facility on a 9.3 acre site leased from the Houston County Development Authority.

Construction of the Mid-Georgia Project was financed through a series of loans originally totalling $116.5 million, which mature in 2013 and 2018. As at December 31, 2008, the principal amount remaining outstanding under the loans was approximately $79.3 million, which are scheduled to be amortized over their remaining terms.

Distributions to partners are subject to certain conditions under the debt documents, including the funding level of required reserve accounts and achieving certain quarterly debt service coverage ratios. As in prior years, due to relatively low levels of dispatch, the Manager does not currently anticipate that Mid-Georgia will meet such conditions, and as a result no distributions are projected to be made by Mid-Georgia until 2014.

Capacity and Energy Sales

Power Purchase Agreements

Capacity and energy is sold to Georgia Power under a 30-year PPA expiring in June 2028 that provides for payments for both capacity and energy. The price for energy is based on: (i) a fuel price, transportation rate and contract heat rate formula specified in the PPA; (ii) an SO2 emissions component; (iii) an operations and maintenance component; and (iv) a start-up component. The Project may sell capacity and energy to third parties, subject to a right of first refusal in favour of Georgia Power. Atlantic Holdings has provided a $3.7 million letter of credit in favour of Georgia Power to support the Project's obligations under the PPA.

Steam Sales Agreement

Mid-Georgia sells process steam to Frito-Lay pursuant to a 22-year energy services agreement which expires in June 2020. The agreement may be extended for two additional four-year terms at Frito-Lay's option. Under the agreement, Mid-Georgia is obligated to provide all of Frito-Lay's process steam requirements. As a back-up to its auxiliary boiler, Mid-Georgia leases additional boilers from Frito-Lay and is obligated to operate and maintain such boilers for the term of the lease agreement.

Fuel Supply Arrangements

A subsidiary of Atlantic Holdings is responsible for arranging natural gas and fuel oil supply, gas transportation and balancing services (the reconciliation of gas usage versus gas delivered) for Mid-Georgia through agreements with local fuel oil suppliers, the Municipal Gas Authority of Georgia ("MGAG") and the City of Warner Robins.

Pursuant to the PPA, Mid-Georgia maintains the ability to operate each of its combustion turbines on fuel oil instead of natural gas in the event natural gas is not available. The Project includes a 500,000 gallon oil storage tank with high volume off-loading capability.

In December 2005, a lawsuit was brought against the Project by MGAG, seeking clarification of its obligations under the gas supply agreement with the Project and claiming damages associated with a disputed

invoice for a week in September 2005 when MGAG claimed the contractual index price was not valid due to hurricane disruptions in the marketplace. The case was heard by the Federal District Court for the Northern District of Georgia on cross-motions for summary judgment. In March 2008 the court ruled in favor of the Project on all but one issue, which related to the Project's ability to change the volume of gas requested on an intra-day basis if Georgia Power makes an intra-day change in its dispatch request. The Project appealed the District Court's decision to a three judge panel at the Eleventh Circuit Court of Appeals. In December 2008, the Court of Appeals panel affirmed the District Court's decision. The Project subsequently sought rehearing of this ruling by the full Court of Appeals. The rehearing was not granted. The Company does not believe that the outcome of the litigation will have a material impact on the Project.

Operations & Maintenance

An affiliate of Caithness is responsible for the operations and maintenance of the Project pursuant to one of the Caithness O&M Agreements.

Factors Influencing Project Results

The principal economic driver in the Mid-Georgia Project is the capacity payment under the Georgia Power PPA. As a dispatchable facility, the Project must maintain an availability of 97% to avoid a reduction in capacity payments. Excluded from the availability calculations are periods for scheduled maintenance which are approved by Georgia Power. Historically, the Project has typically maintained an availability in excess of 100% as determined under the PPA. When the Project is dispatched by Georgia Power, as a result of the heat rate at which Georgia Power compensates Mid-Georgia being more favorable than the Project's actual heat rate, the Project can generally achieve additional positive margin.

Onondaga Project

Description

The Onondaga Project, a 91 MW dual fuel, combined-cycle, cogeneration facility located in Geddes, New York, began commercial operation in December 1993. Through June 2008, the Project received most of its cash flow through a swap agreement between National Grid and the Project. Under the agreement, National Grid made monthly payments to Onondaga based on the differential between an indexed "contract price" and a market reference price for electricity. The swap agreement expired on June 30, 2008.

After receiving approval of its Notice of Retirement of Generating Facility from the New York State Public Utility Commission, the Project ceased operations on April 30, 2008. In the second half of 2008, the gas turbines and other equipment, and spare parts were sold. Proceeds from the equipment sales totalled approximately $7.1 million, net of costs to dispose of some items not sold. The Company is currently working with an experienced developer to redevelop the site into a 35-40 MW biomass-fueled electric generating plant. To date, the Company has incurred approximately $400,000 in costs associated with the redevelopment effort.

Orlando Project

Description

The Orlando Project, a 129 MW natural gas-fired combined-cycle cogeneration facility located in an industrial park near Orlando in Orange County, Florida, commenced commercial operation in September 1993 as a QF. The Orlando Project is owned by Orlando CoGen Limited, L.P. ("Orlando"), a Delaware limited partnership in which the Company indirectly owns a 50% partnership interest and Northern Star indirectly owns a 50% partnership interest. The Project is situated on a four acre site located adjacent to an air separation facility owned by Air Products and Chemicals, Inc. ("APCI") which serves as the Project's steam off-taker. Orlando sells all of its electric output to PEF and Reedy Creek Improvement District ("RCID") pursuant to long-

term PPAs and chilled water to APCI to improve the efficiency of its air separation unit. As of December 31, 2008 the original $84.6 million non-recourse term loan was fully paid.

Capacity and Energy Sales

Power Purchase Agreements

Progress Energy Florida

Orlando has entered into a 30-year contract to sell electrical capacity and energy to PEF which expires on December 31, 2023. Orlando is obligated to sell and deliver a committed capacity of 79.2 MW and has committed to a 93% on-peak capacity factor. Orlando receives a monthly capacity payment based on achieving the on-peak capacity factor and a monthly energy payment based on the total amount of electric energy actually delivered to PEF. The capacity payment is a fixed payment escalating at 5.1% annually and is reduced if the facility's on-peak capacity factor is below 93%, as calculated on a 12-month rolling average basis. Energy payments are comprised of a fuel component based on the Crystal River Facilities Coal Index, an O&M component, a voltage adjustment and an hourly performance adjustment. Off-peak energy prices are based on the on-peak energy price discounted by 10%. The Project typically operates in a base loaded configuration.

Reedy Creek Improvement District

Orlando has entered into a 20-year contract to sell electrical capacity and energy to RCID, a municipal district serving the Walt Disney World complex, which expires in 2013. Orlando is obligated to sell and deliver 35 MW of electricity and has committed to a 93% average capacity factor. Orlando receives a monthly capacity payment based on the actual average capacity factor and a monthly energy payment based on the total amount of electric energy actually delivered to RCID. This PPA may be extended for an additional ten-year term upon the consent of both parties. The capacity payment is a fixed rate that escalates at 4.5% annually and is based upon achieving a 93% average capacity factor, calculated on a three-year rolling average basis. The agreement provides both incentive and penalty provisions for performance above and below a 93% average capacity factor, respectively. RCID reimburses Orlando for a portion of the Florida Gas reservation charges associated with the firm gas transportation agreement. On October 12, 2005, Orlando executed an enabling agreement with RCID for periodic sales of up to 15 MW of non-firm available energy at firm rates. On September 1, 2006, Orlando executed a Master Purchase and Sale Agreement with Rainbow Energy Marketing Corporation ("Rainbow"). Under the agreement, Rainbow markets up to 15 MW of non-firm energy at market rates. The arrangements with Rainbow can be terminated by either party upon 30 days notice.

Steam Sales Agreement

Orlando has entered into an agreement with Air Products Manufacturing Corporation ("APMC"), a wholly-owned subsidiary of APCI, to supply chilled water to its cryogenic air separation facility. Orlando has the right to deliver up to 35,000 lbs/hr of steam to APMC and does not have any minimum steam delivery requirements beyond the thermal and efficiency requirements required to maintain QF status pursuant to PURPA. Orlando is required to purchase its nitrogen requirements from APMC, but does not have a minimum purchase requirement. Both the purchase price of nitrogen and the sales price of chilled water produced using steam from the Project are at fixed prices that escalate at the percentage increase/decrease in the producer price index.

Fuel Supply Arrangements

Orlando has entered into 20-year gas supply agreements with Orlando Power Holdings, LLC ("Orlando Power"), indirectly owned by Northern Star, expiring on December 31, 2013. Orlando Power has back-to-back agreements for the purchase and supply of natural gas from Vastar Gas Marketing, Inc. ("Vastar"), which is a wholly-owned subsidiary of BP Energy Company. Under the agreements, which expire on December 31, 2013, Vastar is obligated to provide Orlando Power with Orlando's entire daily natural gas requirement. Orlando's

purchase price is tied to the coal-based and fixed escalators used for calculating the energy payments under the PPAs. Orlando also holds a gas supply agreement with TECO Gas which is currently not utilized by the Project. Pursuant to this agreement, Orlando pays TECO Gas for all gas consumed by the Project (whether or not supplied under the agreement with TECO Gas). This agreement may be terminated by Orlando on July 31, 2010.

Orlando has entered into two 20-year gas transportation agreements expiring on July 31, 2010 with Peoples Gas for the delivery of natural gas to the Project. Peoples Gas has entered into 20-year back-to-back agreements with Florida Gas for the delivery of natural gas to the Project. If requested by Orlando, Peoples Gas will use its best efforts to extend or renew its firm transportation agreement with Florida Gas and, if Peoples Gas secures such an extension or renewal, the terms of both gas transportation agreements will be similarly extended. Transportation costs under the agreements are determined by Florida Gas' rate schedule as filed with FERC. These agreements provide for the transportation of up to 23,600 Mmbtu per day to the Project.

Operations & Maintenance

The Project is operated and maintained by an affiliate of Northern Star pursuant to a 30-year operations and administrative services agreement expiring on December 31, 2023. If the PEF PPA is extended beyond December 31, 2023, this agreement may be extended, at the operator's option until December 31, 2033. The operator is compensated on a cost-reimbursement basis plus a fixed general and administrative charge. In addition, the operator is entitled to receive an incentive fee equal to a percentage of the excess of Orlando's operating cash flow after deducting originally anticipated maintenance capital and anticipated debt service. In 1997, Orlando entered into a maintenance agreement (the "LTSA") with Alstom Power Inc. ("Alstom"), for the long-term supply of hot gas path gas turbine parts, pursuant to which Alstom receives a monthly fee from the partnership and additional fees in certain circumstances. The LTSA was amended and restated on April 22, 2005 to provide for three additional major inspections and overhauls of the gas turbine. As part of the Amended and Restated LTSA, the gas turbine was upgraded to an 11NM model in 2005. In 2008, the compressor section to the gas turbine was upgraded to a more efficient 11NMC model. The third major inspection is scheduled for 2014.

Orlando experienced an unplanned outage on January 24, 2008 that extended through May 20, 2008. The Project took advantage of the outage to accelerate major maintenance that had been scheduled for later in the year. The outage had a negative impact on operating cash flow in 2008, but the Project is utilizing its property and business interruption insurance to mitigate the financial impact, and other unrelated factors improved margins during other periods of the year. Under the PPA with PEF, the utility agreed that the outage was a *force majeure* event, which mitigates any negative impact of the outage on capacity payments. The Project is in continuing discussions with RCID regarding the impact of the outage under the smaller PPA. The Manager does not expect the ultimate impact of the outage to be material.

Factors Influencing Project Results

The Orlando Project derives a significant portion of its operating margin through capacity revenues received under the PPA with PEF. In the event the facility's on-peak capacity factor falls below a specified level, capacity payments will be adjusted downward. Energy sales revenue under the PPA with PEF are well matched with fuel expenses because similar price indices are used in both the PPA and the gas supply contract.

The energy payment under the PPA with PEF includes a performance adjustment. During on-peak periods in which the market price for energy exceeds the PPA energy rate, for energy deliveries in excess of PEF scheduled capacity, the Project receives the then as-available energy rate, determined according to regulatory methodology. Conversely, the Project incurs negative performance adjustment charges corresponding to the difference between the then as-available energy rate and the PPA energy rate.

The RCID PPA also contains incentive and penalty provisions for performance above and below a specified capacity factor.

Pasco Project

Description

The Pasco Project, a 121 MW dual fuel, combined-cycle, cogeneration plant located in Dade City, Florida, commenced commercial operations in July 1993 as a QF. The Pasco Project is owned by Pasco Cogen, Ltd. ("Pasco"), a Florida limited partnership in which Atlantic Holdings indirectly holds a 100% interest. The Project is situated on a 2.7 acre site approximately 45 miles north of Tampa, Florida. The Project site is owned by Pasco Cogen Realty, LP, an affiliate of Pasco, and leased to Pasco pursuant to a site lease which expires in July 2013. As of December 31, 2008, the original $92.6 million non-recourse term loan was fully amortized.

Capacity and Energy Sales

Power Purchase Agreement

Electrical output is sold to Tampa Electric Company ("TECO") pursuant to a tolling agreement that commenced on January 1, 2009 and expires on December 31, 2018. Under the tolling agreement, TECO purchases the Project's capacity and conversion services. Pasco converts fuel supplied by TECO Gas into electric energy. Revenues consist of capacity payments, start-up charges, variable payments determined by the Project's dispatch and heat rate bonus payments based on a guaranteed contract heat rate. Atlantic Holdings has provided a $10.0 million letter of credit in favour of TECO to support the Pasco Project's obligations under the tolling agreement.

In exchange for maintaining any potential emissions allowances from the plant, TECO has taken responsibility for any costs associated with additional allowances and changes to environmental laws, including state or federal carbon legislation.

Fuel Supply Arrangements

Under terms of the tolling agreement, TECO is responsible for all fuel supply and is financially responsible for fuel transportation to the Project.

Operations & Maintenance

An affiliate of Caithness is responsible for the operation and maintenance of the Project.

Factors Influencing Project Results

The Pasco Project derives the majority of its operating margin under the tolling agreement with TECO through capacity payments. In the event the Project does not maintain certain levels of availability, the capacity payments will be reduced. Based on historical performance, the Manager expects the Project to exceed the availability requirement of 93% in the summer and 90% in the winter. A portion of the Project's operating margin is based on three variable payments from TECO, consisting of a variable operations and maintenance charge, a start charge and a heat rate bonus. As a result, the Project achieves a variable margin during periods of operation; thereby, the level of variable margin varies with the level of dispatch by TECO.

Path 15 Project

Description

The Path 15 Project is an 84-mile, 500-kilovolt transmission line built along an existing transmission corridor in central California. Commencing commercial operations in December 2004, the Path 15 Project facilitates the movement of power from the Pacific Northwest to southern California in the summer months and from generators in southern California to northern California in the winter months.

The Path 15 Project is owned and operated by the Western Area Power Administration, a U.S. Federal power agency ("Western"). Western is an experienced operator of transmission lines that operates and maintains approximately 17,000 miles of transmission lines. The operations of the Path 15 Project consist entirely of the transmission of electric power, which is not subject to the volatility that may arise from changes in the price of electricity or fuel.

While Western owns the transmission line and real estate rights associated with the Path 15 Project, Path 15 Opco owns 72% of the transmission system rights ("TSRs") associated with the Path 15 Project. The TSRs entitle Path 15 Opco to receive revenues that are regulated and approved by the FERC, currently being collected and remitted to owners of TSRs by the CAISO.

The CAISO is a not-for-profit corporation that acts as a clearinghouse to settle third-party transactions involving the purchase and sale of power in California. In order for transmission facilities to become part of the transmission grid in California, owners of transmission assets must place their assets under the operational control of the CAISO by entering into a standard transmission control agreement with the CAISO. The CAISO-operated grid encompasses approximately 75% of California, within which the CAISO is responsible for matching net generation and loads. In general, the CAISO coordinates the dispatch of power generation, and manages the reliability of, and provides open access to, the transmission grid.

Based upon the annual revenue requirement established by the FERC, the CAISO sets system-wide transmission access charges ("TACs") at levels that are expected to produce the specific revenue targets established for transmission owners. The TACs are collected by the CAISO from utilities and other service providers. The revenue received by Path 15 Opco bears minimal operational risk, as rates are based on the FERC determined revenue requirement. In the event the Path 15 Project experiences a temporary lapse in service, Path 15 Opco would continue to receive monthly payments from the CAISO based on its revenue requirement.

The Company financed its acquisition of Path 15 Opco using cash on hand, the issuance of public equity and privately placed non-recourse bonds at a Holding company of Path 15 Opco due 2028. As of December 31, 2008, Path 15 Opco and its two holding companies had a total of $169 million in non-recourse debt outstanding.

Annual Revenue Requirement

The revenue stream associated with the Path 15 Project is regulated by the FERC on a cost-of-service rate base methodology. Path 15 Opco files a rate case with the FERC every three years to establish its revenue requirement for the next three year period. The revenue requirement includes all prudently incurred operating costs, depreciation and amortization, and a return on capital. The return on capital permits Path 15 Opco to recover its debt costs as well as a return on equity.

In December 2007, Path 15 Opco filed a rate application with the FERC to establish the Project's revenue requirement through 2010. In January 2008, several parties including the California Public Service Commission ("CPUC"), PG&E, and Southern California Edison Company ("SCE"), among others, filed protests raising concerns about Path 15 Opco's proposed rate changes, and interventions to become parties to the proceeding. In February 2008, the FERC issued an order summarily approving Path 15 Opco's requested return on equity and, allowing the requested rates to go into effect as of February 20, 2008, subject to refund. The CPUC and SCE filed requests for rehearing of that order. In February 2009, the Project filed an unopposed motion requesting suspension of the trial schedule to allow the parties to the proceeding to finalize a settlement. On March 23, 2009, Path 15 Opco filed a Settlement Offer with the FERC. The settlement was supported by all parties to the proceeding. The Manager believes that the Settlement Offer is reasonable and is not expected to significantly impact the expected cash flow from the Project. The Settlement Offer will be reviewed by the FERC, and given that the settlement is unopposed. FERC approval is expected in two to three months.

Factors Influencing Project Results

The main driver in the Path 15 Project is the maintenance of the Project's FERC established revenue requirement. Under FERC's cost of service methodology, all prudently incurred expenses are permitted to be recovered in the revenue requirement including costs of the rate case itself every three years. Cash distributions to the Company will be adversely impacted by the rate period used to establish the revenue requirement and if the FERC approves a return on equity less than 13.5% in future rate cases.

Rumford Project

Description

The Rumford Project, a 85 MW multi-fuel (coal, wood waste and tire-derived fuel) circulating fluidized bed boiler cogeneration facility located in the town of Rumford, Maine, began commercial operation in May 1990 as a QF. The Rumford Project is owned by Rumford Cogeneration Company Limited Partnership ("Rumford"), a Maine limited partnership in which Atlantic Holdings indirectly owns a 24.3% limited partnership interest through its ownership of Teton Funding and an estimated 1.7% economic interest in Rumford through its indirect 18.9% ownership of Javelin, which indirectly owns a 10.2% limited partnership interest (an estimated 9% economic interest) in the Project. Other interests in Rumford are owned by: NewPage Corporation ("NewPage") indirectly through its 30% general partnership interest held by its affiliate, Rumford Cogeneration Inc. ("RCI"); Catamount Energy Corporation indirectly through its 15.1% limited partnership interest; Sojitz Corporation of America indirectly through its 10.2% limited partnership interest; and Dominion Resources, Inc. indirectly through its 10.2% limited partnership interest. The Project was constructed for the dual purpose of supplying steam and electricity to an adjacent paper mill owned by a subsidiary of NewPage and electricity to Central Maine Power Company ("CMP"). Rumford leases the site from NewPage and the Project is situated adjacent to the paper mill pursuant to a lease expiring on December 31, 2020. Rumford has no outstanding debt. RCI has an assignable option to purchase all of the limited partnership interests in Rumford at a pre-determined price. This option may be exercised on December 31 of each year until December 31, 2014. The option price is four times the average of the net pre-debt service cash flow over the four years preceding the option exercise date (after removing the lowest figure of the four).

Capacity and Energy Sales

Power Purchase Agreements

In February 2007, Rumford executed an Interim Financial Consolidation Agreement ("IFCA") with Rumford Paper Company. The IFCA consolidates the payment obligations of the various agreements between Rumford and Rumford Paper Company into a single payment obligation effective January 1, 2007. The effect of the IFCA is similar to a lease wherein Rumford Paper Company assumes the risk of fuel and power price volatility as well as most operating costs. Payments under the IFCA will be made quarterly to the partnership over a three year term ending December 31, 2009. The Company expects to receive annual partnership distributions of approximately $2.7 million during the terms of the IFCA. Rumford is preparing to commence negotiations with NewPage of a replacement IFCA to extend an additional three years through December 31, 2012.

Selkirk Project

Description

The Selkirk Project, a 345 MW dual-fuel, combined-cycle cogeneration plant located in the Town of Bethlehem in Albany County, New York, commenced commercial operation in 1994 as a QF. The Project includes two units: Unit I (80 MW) sells output to both National Grid and third parties and Unit II (265 MW) sells output to Consolidated Edison, Inc. ("Con Ed"). The Selkirk Project is owned by Selkirk Cogen Partners, L.P. ("Selkirk"), a Delaware limited partnership in which Atlantic Holdings estimates that it is entitled to an

18.5% economic interest in the project's cash flow. Selkirk's other partners include affiliates of Cogentrix Energy, Inc., EIF, The McNair Group, and Fort Point Power LLC (an affiliate of Osaka Gas Energy America Corporation). Each of the Selkirk partners has an interest in cash distributions by Selkirk which changes when certain Selkirk partners achieve a specified return on their contributions to Selkirk. The cash distributions are divided into three levels: (i) distributions in fixed amounts payable to the Selkirk partners in proportion to their equity contributions during an initial period extending until such specified return is achieved (the "Selkirk Level I Distributions"); (ii) distributions of the Selkirk available cash remaining after payment of the Selkirk Level I Distributions; and (iii) distributions after the expiration of such initial period. The 15.7 acre project site is situated adjacent to a Saudi Arabia Basic Industries Corporation ("SABIC") (formerly General Electric Plastics) plastics manufacturing plant, which is also the Project's steam host. Selkirk leases the project site under a long-term lease from SABIC.

On December 12, 1994, Selkirk refinanced its then existing debt with the issuance by Selkirk Cogen Funding Corporation, a wholly-owned subsidiary of Selkirk, of $165 million of 8.65% First Mortgage Bonds due 2007 and $227 million of 8.98% First Mortgage Bonds due 2012. As at December 31, 2008, approximately $173.0 million in aggregate remained outstanding on the bonds, which fully amortizes over the remaining term of the respective bonds.

Capacity and Energy Sales

Power Purchase Agreements

Selkirk's agreement to sell capacity and energy from Unit I to National Grid expired on July 1, 2008. Subsequently, Selkirk has been selling energy from Unit 1 into the New York merchant market. The project explored opportunities to sell the capacity and energy from Unit I under a contract, but elected to sell into NYISO merchant market for now. Selkirk has a PPA to sell electric capacity and energy from Unit II to Con Ed. This PPA expires on September 1, 2014, subject to a ten-year extension at the option of Con Ed under certain conditions. The Unit II PPA provides for a capacity payment, a fuel payment, an operations and maintenance payment and a wheeling payment. The capacity payment, a portion of the fuel payment, a portion of the operations and maintenance payment and the wheeling payment are fixed charges to be paid on the basis of plant availability.

Steam Sales Agreement

Selkirk is obligated to sell up to 400,000 lbs/hr of thermal output for use as process steam at the SABIC plastics manufacturing plant through September 1, 2014. SABIC is not charged for steam in an amount up to the annual equivalent of 160,000 lbs/hr during each hour in which the SABIC plant is in production. Steam sales in excess of this amount are priced at SABIC's avoided variable direct cost, subject to an annual "true-up" to ensure that SABIC receives the annual equivalent of the discounted quantity at nominal pricing. SABIC is required to purchase the minimum thermal output necessary for Selkirk to maintain its QF status.

Fuel Supply Arrangements

To supply natural gas for Unit I, Selkirk has entered into a gas supply agreement expiring on October 31, 2012 with Coral Energy Canada on a firm (variable quantity) 365-day per year basis. To supply natural gas for Unit II, Selkirk entered into gas supply agreements with Imperial Oil Resources Limited, EnCana Corporation and Canadian Forest Oil Ltd. (formerly Producers Marketing Ltd.). The gas supply agreements expire on October 31, 2014.

Long-term contracts for the transportation of Units I and II natural gas volume on a firm 365-day per year basis have been executed with TransCanada Pipelines Limited, Iroquois Gas and Tennessee Gas. Each of the Unit I and II gas transportation contracts expire on November 1, 2012 and November 1, 2014, respectively.

Units I and II have the capability to operate on fuel oil and are able to switch fuel sources from natural gas to fuel oil and back without interrupting the generation of electricity. Selkirk's air permit allows the facility to burn oil for a maximum of 2,190 hours per year at full capacity. The Project has on-site storage for approximately 910,000 gallons of fuel oil, a supply sufficient to run all three combustion turbines for one and one half days at full capacity without refilling. The Project site is approximately five miles from the Port of Albany, New York, a major oil terminal area. Additionally, several major oil companies supply fuel oil in the Albany area through leased storage or throughput arrangements.

Natural gas that is not used by Selkirk to generate power under its gas supply arrangements may be remarketed. Under certain market conditions, additional revenues are generated from those sales of natural gas.

Operations & Maintenance

General Electric operates the Selkirk Project under the Third Amended and Restated Operations and Maintenance Agreement expiring on December 31, 2012. The agreement provides for a fixed fee, capital parts discounts, a pass-through of management costs and a performance bonus. Management services for Selkirk are provided by JMCS I Management, Inc. ("JMCS"), an affiliate of Cogentrix, under an administrative services agreement. The term of the agreement is 20 years and expires in September 2014 unless terminated earlier in accordance with its terms. JMCS is entitled to compensation under the agreement which is subject to renegotiation every four years and provides for the full recovery of JMCS' actual costs and properly allocated overhead plus a reasonable fee which must be approved by all of the Selkirk partners.

Factors Influencing Project Results

Energy produced by Unit I is sold at market prices based on the Project's bid into the NYISO market. The Project is therefore exposed to fluctuations in market energy prices which may impact Unit I energy sales margins. Under the PPA with Con Ed, the Project receives significant capacity revenues and is dispatched by Con Ed subject to certain contractual operational limitations, such as a specific number of starts per year. Con Ed dispatches Unit II based on whether the fuel price available to it under the PPA, if converted into power at the contractual heat rate, is economic relative to the then-current market price for energy. That PPA fuel price is dominated by natural gas, but also has a small component based on oil prices, therefore the margin generally improves when oil prices are higher than natural gas and diminishes when the opposite condition exists.

In periods when Unit I or Unit II are not generating electricity, substantial volumes of natural gas are available for the Project under its gas supply contracts to resell. Depending on market prices when reselling versus contract prices when the gas was nominated at the beginning of each month, the excess gas can be resold at significant positive margins or occasionally at a loss.

Stockton Project

Description

The Stockton Project is a 55 MW solid fuel-fired cogeneration facility located in Stockton, California that commenced commercial operation in March 1988 as a QF. The Stockton Project is owned by Stockton CoGen Company ("Stockton"), a California general partnership in which Atlantic Holdings indirectly holds a 50% partnership interest and APCI holds a 50% partnership interest. The majority of the Project's electricity is sold under an extended 20-year PPA with PG&E that expires in March 2010. In addition, steam and electric energy are supplied to Corn Products International, Inc. ("CPI") under an extended 20-year energy supply contract that expires in March 2010. The Project is located adjacent to CPI's corn wet-milling plant on a 9.5 acre industrial site that is leased from CPI. A ground lease runs the duration of the CPI energy supply contract. The Stockton Project has no outstanding debt.

Capacity and Energy Sales

Power Purchase Agreements

Stockton has two purchase agreements for electrical output from the Project: (i) the PG&E PPA, which expires in March 2010; and (ii) the CPI energy supply contract, which provides for the sale of both electricity and steam through April 2010.

Electric power generated by the Stockton Project is sold to PG&E pursuant to a PPA expiring in 2010. Under the PPA, Stockton receives fixed capacity payments and energy payments adjusted for the time of delivery. Stockton is currently pursuing enhancements to the existing PPA, with PG&E and the CPUC. Stockton is evaluating longer term opportunities, including renewable power sales.

The CPUC is currently engaged in a regulatory proceeding that is expected to result in a new short-run avoided cost formula and establish the principal terms for future expiring and expired QF PPAs. The final outcome of the regulatory proceeding is expected to influence the terms and conditions of any contract extension with PG&E.

Steam Sales Agreement

Under the CPI energy supply contract, the Stockton Project supplies up to 130,000 lbs/hr of steam and 6,200 kW of electricity to the CPI facility. CPI pays Stockton a monthly base product charge. The CPI energy supply contract requires CPI to pay monthly energy charges for back-up steam and electric power, provided the Project has satisfied its minimum requirement for availability.

Fuel Supply Arrangements

The Project's fluidized-bed is capable of burning several solid fuels, including coal, petroleum coke and tire-derived fuel. This diverse solid fuel mix provides opportunities to source fuel from several suppliers and provides cost advantages through controlled blending for optimal performance. Stockton has experienced success in blending fuels to minimize cost and maintain efficiency.

Stockton purchases coal under two coal supply contracts which expire in December 2009. The Project has typically entered into one-year agreements for its coal supply. Due to market conditions at the time the current contracts were executed, the Project's 2009 coal supply is priced significantly higher than previous years. Stockton also blends petroleum coke with coal to reduce fuel costs and has a one-year contract with a major northern California supplier of coke that expires on December 31, 2009. The Project can incorporate petroleum coke, up to 45% (by volume) into the overall fuel supply and still operate within its air quality permit emissions requirements. In 2009, the Project expects petroleum-coke to make up approximately 22% of its fuel supply.

The Project also utilizes tire-derived fuel for up to 10% of its fuel mixture. Tire-derived fuel provides an excellent source of lower-cost energy for the Project. Stockton currently purchases tire-derived fuel under an agreement that expires on December 31, 2009, which can be extended two additional one year terms by mutual consent.

The Project is evaluating utilizing biomass to supplement its fuel supply arrangements. In 2008, Stockton conducted several test burns of biomass with favourable results. In December 2008, the Project received approval from the California Air Resources Board to burn biomass up to 50% of the Project's fuel supply. Stockton's use of biomass as a fuel stock is expected to benefit the Project in two ways: through the reduction in the Project's carbon footprint, and the sale of biomass generation at higher prices as the market for renewable energy develops in California. By reducing its carbon footprint, the Project will have less exposure to the regulation of carbon emissions and the associated costs. Initially, in 2009, the Project expects to utilize biomass for 5-6% of its fuel requirements, potentially increasing up to 40% by 2012.

Operations & Maintenance

Air Products Energy Enterprises, L.P. ("APEE") a wholly-owned subsidiary of APCI, provides operating, maintenance and administrative services for the Stockton Project. APEE receives an operating fee, adjusted annually based on inflation and labour indices.

As an alternative to landfill disposal of the project's ash, Stockton has established programs with several local companies for the beneficial reuse of a majority of the ash produced by the Project. Stockton also maintains existing waste hauling and landfill disposal contracts for excess volumes of ash not utilized in beneficial reuse.

Factors Influencing Project Results

The Stockton Project derives a significant portion of its operating margin through energy revenues under the PG&E PPA. Energy revenues are based on PG&E's SRAC and actual energy delivered, adjusted for time of delivery. PG&E's SRAC energy pricing is largely based on the market price of delivered natural gas in California. Unless natural gas prices rise from their current historic low levels, due to the Project's high-priced coal supply, Stockton is expected to operate for a portion of 2009 at a negative operating margin. The enhancements to the PPA currently being sought with PG&E and the CPUC are expected to mitigate the impact of low natural gas prices and high coal supply costs. Stockton is evaluating alternatives, including potentially moth-balling the plant, in the event it is unsuccessful in obtaining modifications to its existing PPA.

Topsham Project

Description

The Topsham Project is a 14 MW hydroelectric facility located on the Androscoggin River at the Pejepscot dam near Topsham, Maine and commenced commercial operation in 1987 as a QF. The Topsham Project is leased and operated by Topsham Hydro Partners Limited Partnership ("Topsham"), a Minnesota limited partnership. A 100% undivided interest in the Topsham Project and a 100% undivided site interest in the Topsham Project site is owned by a financial institution, in its capacity as owner trustee for the benefit of a subsidiary of Atlantic Holdings (50%) and DaimlerChrysler Services North America LLC (50%) as owner participants. Electrical output is sold to CMP under a PPA that expires in 2011.

The following discussion deals only with the lease arrangements as they relate to the Atlantic Holdings indirect interest. Pursuant to a sale and lease back transaction, Topsham leases both the 50% Project and 50% site interest until November 17, 2011. At the end of the initial term, or any renewal term, as the case may be, of the Atlantic Holdings lease, Topsham has the option to renew the lease either for a period of two to 15 years at 50% of the average rate for the initial lease term or for a period of two years to as long as December 2070 at the market rate at time of renewal. Further, Topsham has the option to purchase both the Atlantic Holdings 50% Project and site interests on the last day of the initial term or any renewal term. Lease payments made by Topsham are based on certain Project operating cash flows. Certain of such payments are used to pre-pay amounts due under the note used to finance construction of the Project and are applied against a lease balloon payment due in November 2011.

A portion of the monies used to purchase the Project and site interests was borrowed from a financial institution and a secured note was issued representing this indebtedness. Indebtedness under this note is due November 17, 2011. As at December 31, 2008, approximately $45,000 remained outstanding under the note.

Capacity and Energy Sales

Power Purchase Agreement

Electrical output from the Topsham Project is sold to CMP pursuant to a PPA terminating on December 31, 2011. CMP has the option to terminate the PPA as of December 31, 2006 through 2010 if, as of December 31, 2005, 2006, 2007, 2008 or 2009, CMP does not have the sole right to provide electric service to customers in its now existing franchise territory who account for at least 50% of the total load being serviced on the applicable option date by all suppliers in the territory. If CMP exercises this termination option, CMP must make a termination payment to Topsham on the effective date of the termination.

CMP is required to pay for power generated by the Topsham Project based on a fixed-price schedule through December 2011.

Operations & Maintenance

Topsham operates the Project and provides all general and administrative services for the Project pursuant to an operation agreement in effect until the earlier of December 31, 2027 or upon Topsham becoming the owner of 100% of the Project and the site, subject to renewal or earlier termination.

THE COMPANY

The Company is a corporation continued under the *Business Corporations Act* (British Columbia).

Description of IPSs

General

As at December 31, 2008, there were 60,938,731 IPSs issued and outstanding. Each IPS represents: (a) one Common Share; and (b) Cdn$5.767 aggregate principal amount of Subordinated Notes.

The ratio of Common Shares to principal amount of Subordinated Notes represented by an IPS is subject to change in the event of a stock split, recombination or reclassification, or upon a partial redemption or repurchase of the Subordinated Notes.

Voluntary Separation and Recombination

At any time after the 45th day following the original issuance or upon the occurrence of a change of control of the Company, holders of IPSs may separate their IPSs into the Common Shares and Subordinated Notes represented thereby through their broker or other financial institution. Similarly, any holder of Common Shares and Subordinated Notes may, at any time, recombine the applicable number of Common Shares and principal amount of Subordinated Notes to form IPSs through their broker or other financial institution. As of December 31, 2008, 3,000 IPSs had been separated by their holders.

Automatic Separation

Upon the occurrence of any of the following, the IPSs will be automatically separated into the Common Shares and Subordinated Notes represented thereby:

- with respect to any holder of IPSs, acceptance by such holder of the Company's offer to repurchase the Subordinated Notes represented by that holder's IPSs in connection with a change of control of the Company;
- exercise by the Company of its right to redeem all or a portion of the Subordinated Notes which may be represented by IPSs at the time of such redemption;
- the date on which the outstanding principal amount of the Subordinated Notes becomes due and payable, whether at the stated maturity date or upon acceleration thereof; or
- if CDS is unwilling or unable to continue as securities depository with respect to the IPSs and the Company is unable to find a successor depository.

Book-Entry Settlement and Clearance

General

CDS acts as securities depository for the IPSs, the Subordinated Notes and the Common Shares represented by the IPSs, which are referred to collectively as the "Securities". The IPSs and the Subordinated Notes and the Common Shares represented by the IPSs are represented by one or more global notes and global stock certificates. The global notes and global stock certificates are issued as fully-registered in book-entry only form in the name of CDS or its nominee, CDS & Co. If an investor intends to purchase IPSs, an investor must do so through direct and indirect CDS participants. The participant through whom a purchase is made will receive a credit for the applicable number of IPSs on CDS' records. The ownership interest of each actual purchaser of the applicable security, referred to as a "beneficial owner", is to be recorded on the participant's records. Beneficial owners will not receive written confirmation from CDS of their purchases, but beneficial owners are expected to receive written confirmations providing details of the transaction, as well as periodic

statements of their holdings, from the CDS participant through which the beneficial owner entered into the transaction.

All interests in the Securities are subject to the operations and procedures of CDS. The following is a summary of those operations and is provided by the Company solely for convenience. The operations and procedures of each settlement system may be changed at any time. The Company is not responsible for those operations and procedures.

To facilitate subsequent transfers, all Securities deposited by direct CDS participants are registered in the name of CDS. The deposit of Securities with CDS and their registration in the name of CDS effect no change in beneficial ownership. CDS has no knowledge of the actual beneficial owners of the Securities. CDS' records reflect only the identity of the direct CDS participants to whose accounts such Securities are credited, which may or may not be the beneficial owners. The CDS participants will remain responsible for keeping account of their holdings on behalf of their customers.

Transfers of ownership interests in the Securities are affected by entries made on the books of the CDS participants acting on behalf of beneficial owners. Beneficial owners of Securities will not receive certificates representing their ownership interests in the applicable Security except in the event that use of the book-entry only system for the Securities is discontinued.

Cross-market transfers between CDS participants, on the one hand, and the Depository Trust Company ("DTC") participants, on the other hand, will be effected within CDS through DTC. To deliver or receive an interest in Securities held in a DTC account, an investor must send transfer instructions to DTC under the rules and procedures of that system and within the established deadlines of that system. If the transaction meets its settlement requirements, DTC will send instructions to its CDS depositary to take action to effect final settlement by delivering or receiving interests in the Securities in CDS and making or receiving payment under normal procedures for same-day funds settlement applicable to CDS. DTC participants may not deliver instructions directly to the CDS depositary that is acting for DTC.

Conveyance of notices and other communications by CDS to direct participants, by direct participants to indirect CDS participants, and by CDS participants to beneficial owners is governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

The Company and the Trustee under the Indenture make any payments on the Common Shares and Subordinated Notes to CDS. CDS' practice is to credit direct CDS participants' accounts on the payment date in accordance with their respective holdings shown on CDS' records unless CDS has reason to believe that it will not receive payment on the payment date. Payments by CDS participants to beneficial owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such participant and not of CDS, the Company or the Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time.

The Company and the Trustee under the Indenture are responsible for the payment of all amounts to CDS. CDS is responsible for the disbursement of those payments to its participants, and the participants are responsible for disbursements of those payments to beneficial owners.

CDS may discontinue providing its service as securities depository with respect to the IPSs, the Common Shares or the Subordinated Notes at any time by giving reasonable notice to the Company and the Trustee under the Indenture. If CDS discontinues providing its service as securities depository with respect to the IPSs and the Company is unable to obtain a successor securities depository, the beneficial owners will automatically take a position in the Common Shares and Subordinated Notes represented by the IPSs and the Company will print and deliver certificates representing Common Shares and Subordinated Notes to the beneficial owners or their nominees. If CDS discontinues providing its service as securities depository with respect to the Common Shares or Subordinated Notes and the Company is unable to obtain a successor

securities depository, the beneficial owners will automatically take a position in the securities and the Company will print and deliver certificates for the Common Shares and Subordinated Notes to the beneficial owners or their nominees.

The Company has the option of discontinuing the registration of any of the Securities through the book-entry only system at any time. In the event that the Company decides to discontinue use of the system of book-entry only system for any of the Securities, the Company will print and deliver certificates for the Common Shares and Subordinated Notes to the beneficial owners or their nominees.

The information in this section concerning CDS and CDS' book-entry only system has been obtained from sources that the Manager believes to be reliable, including CDS, but the Company takes no responsibility for its accuracy.

The Company will not have any responsibility or obligation to participants, or the persons for whom they act as nominees, with respect to:

- the accuracy of the records of CDS, its nominee, or any participant, as to any ownership interest in the Securities; or
- any payments to, or the providing of notice to, participants or beneficial owners.

Separation and Recombination

Any voluntary or automatic separation of IPSs, and any subsequent recombination of IPSs from Subordinated Notes and Common Shares, are to be accomplished by entries made by the CDS participants on behalf of beneficial owners. In any such case, the participant's account through which a separation or recombination is effected will be credited and debited for the applicable securities on CDS' records.

Procedures Relating to Subsequent Issuances

The Indenture and the agreements with CDS provide that, in the event there is a subsequent issuance of Subordinated Notes, the terms of the newly issued Subordinated Notes (including interest and maturity) will be identical in all material respects to the previously issued Subordinated Notes and all such Subordinated Notes will be traded under the same CUSIP number. Any such subsequently issued Subordinated Notes may be issued at a discount or premium to the stated principal amount.

Description of Share Capital

The authorized share capital of the Company consists of an unlimited number of Common Shares. As at December 31, 2008, there were 60,940,731 Common Shares issued and outstanding, substantially all of which were represented by IPSs.

Holders of Common Shares are entitled to receive dividends as and when declared by the board of directors of the Company and are entitled to one vote per Common Share on all matters to be voted on at all meetings of shareholders. Upon the voluntary or involuntary liquidation, dissolution or winding-up of the Company, the holders of Common Shares are entitled to share rateably in the remaining assets available for distribution, after payment of liabilities.

Description of Subordinated Notes

General

As at December 31, 2008, $320,973,888 (Cdn$390,946,196) aggregate principal amount of Subordinated Notes were outstanding. $288,528,650 (Cdn$351,427,895) of such Subordinated Notes were represented by IPSs and $32,431,034 (Cdn$39,501,000) of such Subordinated Notes were sold separately by private placement. $14,204 (Cdn$17,801) were represented by Subordinated Notes that were previously represented by IPSs but have been separated as of December 31, 2008.

The Subordinated Notes were issued under the Indenture. The following is a brief summary of the terms of the Indenture and is subject to, and is qualified in its entirety by reference to the Indenture, which is specifically incorporated herein by reference. The Indenture can be found on SEDAR at www.sedar.com.

Market

In certain circumstances, the Subordinated Notes and Common Shares represented by the IPSs will separate. There is no market through which such Subordinated Notes may be sold and purchasers may not be able to resell Subordinated Notes purchased by them.

Interest Rate

The interest rate on the Subordinated Notes is 11.0% per annum. Payments of interest, to the extent permitted by law, not made when due, will bear interest from the date such payment was due until paid at a default rate of 13.0% per annum.

Record and Payment Dates

Interest is paid monthly in arrears on the last business day of each month to holders of record on the last business day of the preceding month.

Maturity Date

The Subordinated Notes will mature on November 18, 2016.

Principal Repayment

The Subordinated Notes provide for the payment of interest only until the end of the term of the Subordinated Notes, at which time the principal balance will be payable by the Company.

Optional Redemption

On or after November 18, 2009, the Company may redeem the Subordinated Notes, at its option, at any time in whole and from time to time in part, upon not less than 30 nor more than 60 days' notice, for cash, at a redemption price equal to: (i) 105% of the principal amount of Subordinated Notes being redeemed where the redemption occurs on or after November 18, 2009 but before November 18, 2011; (ii) 104% of such amount where the redemption occurs on or after November 18, 2011 but before November 18, 2013; (iii) 103% of such amount where the redemption occurs on or after November 18, 2013 but before November 18, 2014; (iv) 102% of such amount where the redemption occurs on or after November 18, 2014 but before November 18, 2015; and (v) 101% of such amount where the redemption occurs on or after November 18, 2015 but before November 18, 2016, together with, in each case, accrued but unpaid interest to the date of redemption. Any exercise by the Company of its option to redeem Subordinated Notes, in whole or in part, will result in an automatic separation of the IPSs into Common Shares and Subordinated Notes. Change of Control

Upon the occurrence of a change of control, the Company will be required to make an offer to each holder of Subordinated Notes to repurchase that holder's Subordinated Notes at a price equal to 101% of the principal amount of the Subordinated Notes being repurchased, plus any accrued but unpaid interest to the date of repurchase. However, a holder of IPSs will not be able to have its Subordinated Notes repurchased unless such holder surrenders the IPSs to the depository, and receives delivery of the Common Shares and Subordinated Notes represented thereby.

Security and Guarantees

The Subordinated Notes are secured by a pledge of the Company's membership interests in Atlantic Holdings and are guaranteed by Atlantic Holdings and certain of its direct and indirect, wholly-owned subsidiaries, The guarantee of Atlantic Holdings is secured by a pledge of its membership interests in the Project Holding Entities and the guarantees of certain of Atlantic Holdings' direct and indirect wholly-owned subsidiaries are secured by pledges of the membership interests or other securities they hold in subsidiary entities subject to the provisions of agreements governing or affecting interests in such subsidiaries which may restrict or prevent pledges in certain cases.

At the time of the IPO, Onondaga Cogeneration L.P.'s guarantee of the Subordinated Notes was secured by a pledge of certain of the Onondaga Project assets. None of the other Project Operating Entities have provided a guarantee of the Subordinated Notes and none of the other Project assets are pledged to secure a guarantee of, or indebtedness under, the Subordinated Notes.

Ranking

The Subordinated Notes are secured subordinated indebtedness of the Company and are subordinated in right of payment, as set forth in the Indenture, to all existing and future secured senior indebtedness of the Company, including the Debentures and the Company's guarantee of Atlantic Holdings' obligations under the Amended Credit Facility, but rank senior to all unsecured indebtedness of the Company (including trade payables).

The indebtedness evidenced by each secured guarantee of the Subordinated Notes is secured subordinated indebtedness of each guarantor, and is subordinated in right of payment, as set forth in the Indenture, to all existing and future senior indebtedness of each such guarantor, including the Amended Credit Facility, but ranks senior to any unsecured indebtedness of each such guarantor (including trade payables).

Indebtedness evidenced by each unsecured guarantee of the Subordinated Notes is unsecured subordinated indebtedness of each such guarantor and is subordinated in right of payment, as set forth in the Indenture, to all existing and future secured indebtedness of such guarantor, including the Amended Credit Facility, and ranks *pari passu* in right of payment with all existing and future unsecured indebtedness of each such guarantor (including trade payables).

Restrictive Covenants

The Indenture contains covenants with respect to the Company that restrict:

- the incurrence of additional indebtedness;
- the payment of dividends on, and repurchase of, Common Shares;
- a number of other types of payments, including investments;
- specified sales of assets;
- specified transactions with affiliates;
- the creation of a number of liens; and
- consolidations, mergers and transfers of all or substantially all of the Company's assets.

The limitations and prohibitions described above are subject to a number of important qualifications and exceptions described in the Indenture.

Description of Debentures

As at December 31, 2008, $60.5 million (Cdn $60 million) aggregate principal amount of Debentures were outstanding.

The Debentures were issued under the Debenture Indenture. The following is a brief summary of the Debenture Indenture and is subject to, and is qualified in its entirety by reference to, the Debenture Indenture, which is specifically incorporated herein by reference. The Debenture Indenture can be found on SEDAR at www.sedar.com.

General

The aggregate principal amount of debentures authorized to be issued under the Indenture is unlimited. The Company may, from time to time, without the consent of the holders of the Debentures, issue additional debentures in addition to the Debentures offered hereby. The Debentures are issuable only in denominations of Cdn$1,000 and integral multiples thereof. The Debentures are available for delivery in book-entry form only through the facilities of CDS. Holders of beneficial interests in the Debentures do not have the right to receive physical certificates evidencing their ownership of Debentures except under certain circumstances described under "— Book Entry, Delivery and Form". No fractional Debentures will be issued.

The Debentures bear interest from the date of issue at a rate of 6.25% per annum payable semi-annually in arrears on April 30 and October 31 in each year (each, an "Interest Payment Date"). Interest is payable based on a 365-day year. The interest on the Debentures is payable in lawful money of Canada as specified in the Debenture Indenture. At the option of the Company, subject to regulatory approval, the Company may deliver IPSs to its agent who shall sell such IPSs on behalf of the Company in order to raise funds to satisfy all or any part of the Company's obligations to pay interest on the Debentures, but in any event, the holders of Debentures shall be entitled to receive cash payments equal to the interest payable on the Debentures. See "— IPS Interest Payment Election". Any amounts paid or deemed to be paid as interest in respect of the Debentures are subject to withholding tax as may be applicable.

The principal amount on the Debentures is payable in lawful money of Canada as further described under "— Payment upon Redemption or Maturity" and "— Redemption and Purchase" and "— Put Right Upon a Change of Control" below.

The Debentures are direct obligations of the Company and are secured and rank senior to the Company's obligations with respect to all existing and future Subordinated Indebtedness including the Subordinated Notes, but rank junior to all existing and future Senior Secured Indebtedness including the Amended Credit Facility and the Acquisition Credit Facility as further described under "— Ranking" below. The Indenture does not restrict the Company from incurring additional indebtedness for borrowed money or otherwise from mortgaging, pledging or charging its real or personal property or properties to secure any indebtedness or other financing.

Conversion Privilege

The Debentures are convertible at the holder's option into fully-paid, non-assessable and freely-tradeable IPSs at any time prior to 5:00 p.m. (Toronto time) on the earlier of the Maturity Date and the business day immediately preceding the date specified by the Company for redemption of the Debentures, at a conversion price of Cdn$12.40 per IPS (the "Conversion Price"), being a ratio of approximately 80.6452 IPSs for each Cdn$1,000 principal amount of Debentures. No adjustment will be made to the record date for distributions on IPSs issuable upon conversion or for interest accrued on Debentures surrendered for conversion; however, holders converting their Debentures will be entitled to receive, in addition to the applicable number of IPSs, accrued and unpaid interest in respect thereof for the period from the date of the latest Interest Payment Date to the date of conversion. Pursuant to the Debenture Indenture, a Debenture will be deemed to be surrendered for conversion on the date on which it is so surrendered in accordance with the provisions of the Debenture Indenture and, in the case of a Debenture so surrendered by post or other means of transmission, on the date on which it is received in proper form by the Debenture Trustee at its principal offices in Toronto, provided that if a Debenture is surrendered for conversion on a day on which the register of IPSs is closed, the holder of the Debentures entitled to receive IPSs shall become the holder of record of such IPSs as at the date on which such register is next reopened. Notwithstanding the foregoing, no Debentures may be converted on any Interest Payment Date and during the five business days preceding April 30 and October 31 in each year, as the registers of the Debenture Trustee will be closed during such periods.

Subject to the provisions thereof, the Debenture Indenture provides for the adjustment of the Conversion Price in certain events including: (a) the subdivision or consolidation of the outstanding IPSs; (b) the distribution of IPSs (or securities convertible into or exchangeable for IPSs) to all or substantially all holders of IPSs by way of dividend or distribution or otherwise; (c) the issuance of options, rights or warrants to holders of all or substantially all IPSs entitling them for a period of not more than 45 days to acquire IPSs or other securities convertible into or exchangeable for IPSs at less than 95% of the then Current Market Price of the IPSs; and (d) the distribution by the Company to all or substantially all holders of outstanding IPSs of (i) securities of any class other than IPSs, (ii) rights, options or warrants (excluding rights, options or warrants entitling the holders thereof for a period of not more than 45 days to subscribe for or purchase IPSs or securities convertible into IPSs), (iii) evidences of its indebtedness, or (iv) assets (excluding dividends or distributions paid (including payments on the Subordinated Notes) in the ordinary course). There will be no adjustment of the Conversion Price in respect of any event described in (a), (b), (c) or (d) above if, subject to prior regulatory approval, the holders of the Debentures are allowed to participate as though they had converted their Debentures prior to the applicable record date or effective date. The Company will not be required to make adjustments in the Conversion Price unless the cumulative effect of such adjustments would change the Conversion Price by at least 1%.

In the case of any reclassification or change (other than a change resulting only from consolidation or subdivision) of the IPSs (or either of the Common Shares or Subordinated Notes comprising the IPSs) or in case of any amalgamation, consolidation or merger of the Company with or into any other entity, or in the case of any sale, transfer or other disposition of the properties and assets of the Company as, or substantially as, an entirety to any other entity, or the liquidation, dissolution or winding-up of the Company, the terms of the conversion privilege will be adjusted so that each Debenture shall, after such reclassification, change, amalgamation, consolidation, merger sale or conveyance or liquidation, dissolution or winding-up or other similar transactions, be exercisable for the kind and amount of securities or property of the Company, or such continuing, successor or purchaser entity, as the case may be, which the holder thereof would have been entitled

to receive as a result of such reclassification, change, amalgamation, consolidation, merger or sale if on the effective date thereof it had been the holder of the number of IPSs into which the Debenture was convertible prior to the effective date of such reclassification, change, amalgamation, consolidation, merger or sale or conveyance or liquidation, dissolution or winding-up or other similar transactions.

Upon the conversion of Debentures into IPSs pursuant to the conversion privilege, the Company will allocate the fair market value of such Debentures between the Common Shares and Subordinated Notes represented by IPSs acquired on the conversion on a reasonable basis. Such determinations will be disclosed in the continuous disclosure documentation of the Company as filed with the applicable securities regulators from time to time and by purchasing a Debenture, the holder is deemed to agree to such allocation and agrees not to take a contrary position for any purpose.

No fractional IPSs will be issued on any conversion of the Debentures, but in lieu thereof the Company shall satisfy such fractional interest by a cash payment equal to the Current Market Price of such fractional interest.

Redemption and Purchase

The Debentures may not be redeemed by the Company on or prior to October 31, 2009 (except in the case of a change of control). Thereafter, but prior to the Maturity Date, the Debentures may be redeemed in whole or in part from time to time at the option of the Company on not more than 60 days' and not less than 30 days' prior notice, at a redemption price equal to the principal amount thereof plus accrued and unpaid interest, provided that the weighted average trading price of the IPSs on the TSX for the 20 consecutive trading days ending on the fifth trading day preceding the date on which notice of redemption is given (or, if IPSs are not listed on the TSX or any other market, the fair market value of the securities comprising an IPS as determined by an independent financial advisor retained by the Company) is at least 125% of the Conversion Price.

The Company or any of its affiliates has the right to purchase Debentures in the market, by tender or by private contract subject to regulatory requirements, provided however, that if an event of default under the Debenture Indenture has occurred and is continuing, the Company or any of its affiliates will not have the right to purchase the Debentures.

In the case of redemption of less than all of the Debentures, the Debentures to be redeemed will be selected by the Debenture Trustee on a *pro rata* basis or in such other manner as the Debenture Trustee deems equitable, subject to the consent of the TSX.

The Debenture Indenture contains a covenant that so long as Debentures are outstanding the Company will not redeem the Subordinated Notes unless it concurrently redeems the Debentures.

Payment Upon Redemption or Maturity

On redemption or on the Maturity Date, the Company will repay the indebtedness represented by the Debentures by paying to the Debenture Trustee in lawful money of Canada an amount equal to the principal amount of the outstanding Debentures, together with accrued and unpaid interest thereon.

IPS Interest Payment Election

Unless an event of default (as defined in the Debenture Indenture) has occurred and is continuing, the Company may elect, from time to time, subject to applicable regulatory approval, to issue and deliver freely tradeable IPSs to its agent for sale in order to raise funds to satisfy the Company's obligations to pay interest on the Debentures in accordance with the Indenture (the "IPS Interest Payment Election") in which event holders of the Debentures will be entitled to receive a cash payment equal to the interest payable from the proceeds of the sale of such IPSs by the agent. The Debenture Indenture provides that, upon such election, the agent will (i) accept delivery of IPSs from the Company; (ii) accept bids with respect to, and consummate sales of, such IPSs,

each as the Company shall direct in its absolute discretion; (iii) invest the proceeds of such sales in short-term Canadian government obligations which mature prior to the applicable Interest Payment Date and deliver proceeds to holders of Debentures sufficient to satisfy the Company's interest payment obligations; and (iv) perform any other action necessarily incidental thereto. The amount received by a holder in respect of interest will not be affected by whether or not the Company elects to utilize the IPS Interest Payment Election.

Neither the Company's making of the IPS Interest Payment Election nor the consummation of sales of IPSs pursuant thereto will (i) result in the holders of Debentures not being entitled to receive on the applicable Interest Payment Date cash in an aggregate amount equal to the interest payable on such Interest Payment Date; or (ii) entitle or require such holders to receive any IPSs in satisfaction of the interest payable on the applicable Interest Payment Date.

Cancellation

All Debentures converted, redeemed or purchased as aforesaid will be cancelled and may not be reissued or resold.

Security and Guarantees

The Debentures are secured by a pledge of the Company's membership interests in Atlantic Holdings and is guaranteed by Atlantic Holdings and certain of Atlantic Holdings' direct and indirect wholly-owned subsidiaries at the time of the closing of the Debenture Offering. The Guarantee of Atlantic Holdings is secured by a pledge of the membership interests of the Project Holding Entities and the Guarantees of certain Guarantors are secured by pledges of the membership interests or other securities they hold in subsidiary entities subject to the provisions of agreements governing or affecting interests in such subsidiaries which may restrict or prevent pledges in certain cases.

Onondaga's Guarantee is secured by a pledge of certain of the Onondaga Project assets. None of the other Project Operating Entities provided a Guarantee and none of the other Project assets were pledged to secure a guarantee of, or indebtedness under, the Debentures. As a result, in the event of a bankruptcy, liquidation or reorganization of any Project Operating Entity other than Onondaga Cogeneration Limited Partnership, such Project Operating Entity will be required to pay the holders of its debt and its trade creditors before any monies or assets would be available to distribute to its equity holders.

Ranking

The Debentures are secured indebtedness of the Company, rank senior to Subordinated Indebtedness, but rank junior to Senior Secured Indebtedness. Additionally, the Debentures rank senior to any unsecured indebtedness of the Company (including trade payables) to the extent of the security therefor.

The indebtedness evidenced by each secured Guarantee is secured indebtedness of each such Guarantor, and is subordinated in right of payment, as set forth in the Guarantee, to all existing and future Senior Secured Indebtedness of such Guarantor, including guarantees of the Senior Secured Indebtedness under the Amended Credit Facility and the Acquisition Credit Facility but ranks senior to guarantees of the Subordinated Notes and any unsecured indebtedness of each such Guarantor (including trade payables) to the extent of the security therefor.

The indebtedness evidenced by each unsecured Guarantee is unsecured subordinated indebtedness of each such Guarantor and is subordinated in right of payment, as set forth in the Guarantee, to all existing and future secured indebtedness of such Guarantor, including guarantees of the Senior Secured Indebtedness under the Amended Credit Facility and the Acquisition Credit Facility, and ranks *pari passu* in right of payment with all existing and future unsecured indebtedness of each such Guarantor (including trade payables) (unless stated otherwise in the instrument creating such Indebtedness).

The Debenture Indenture does not restrict the Company from incurring additional indebtedness for borrowed money or otherwise mortgaging, pledging or charging its real or personal property or properties to secure any indebtedness or other financing.

Put Right upon a Change of Control

Upon the occurrence of a Change of Control of the Company, each holder of Debentures may require the Company to purchase, on the Put Date as set out below, the whole or any part of such holder's Debentures at a price equal to 101% of the principal amount thereof (the "Put Price") plus accrued and unpaid interest up to, but excluding, the Put Date.

If 90% or more of the aggregate principal amount of the Debentures outstanding on the date of the giving of notice of the Change of Control have been tendered for purchase on the Put Date, the Company will have the right to redeem all the remaining Debentures on such date at the Put Price, together with accrued and unpaid interest up to, but excluding, such date. Notice of such redemption must be given to the Debenture Trustee prior to the Put Date and as soon as possible thereafter, by the Debenture Trustee to the holders of the Debentures not tendered for purchase. The principal on the Debentures will be payable in lawful money of Canada.

The Debenture Indenture contains notification provisions to the effect that:

> the Company will promptly give written notice to the Debenture Trustee of the occurrence of a Change of Control and the Debenture Trustee will thereafter give to the holders of Debentures a notice of the Change of Control, the repayment right of the holders of Debentures and the right of the Company to redeem untendered Debentures under certain circumstances; and
>
> a holder of Debentures, to exercise the right to require the Company to purchase its Debentures, must deliver to the Debenture Trustee, not less than five business days prior to the Put Date, written notice of the holder's exercise of such right, together with a duly endorsed form of transfer.

The Company will comply with the requirements of Canadian securities laws and regulations to the extent such laws and regulations are applicable in connection with the repurchase of the Debentures in the event of a Change of Control.

Modification

The rights of the holders of the Debentures as well as any other series of debentures that may be issued under the Indenture may be modified in accordance with the terms of the Debenture Indenture. For that purpose, among others, the Debenture Indenture contains certain provisions which make binding on all holders of Debentures resolutions passed at meetings of the holders of Debentures by votes cast thereat by holders of not less than 25% of the principal amount of the then outstanding Debentures present at the meeting or represented by proxy, or rendered by instruments in writing signed by the holders of not less than 66 2/3% of the principal amount of the then outstanding Debentures. In certain cases, the modification will, instead of or in addition to the foregoing, require assent by the holders of the required percentage of Debentures of each particularly affected series. Under the Debenture Indenture, the Debenture Trustee has the right to make certain amendments to the Debenture Indenture in its discretion, without the consent of the holders of Debentures.

Events of Default

The Debenture Indenture provides that an event of default in respect of the Debentures occurs if certain events described in the Debenture Indenture occur, including if any one or more of the following described events has occurred and is continuing with respect to the Debentures: (i) failure for 30 days to pay interest on the Debentures when due; (ii) failure to pay principal or premium, if any, on the Debentures, whether at maturity,

upon redemption, by declaration or otherwise; (iii) certain events of bankruptcy, insolvency or reorganization of the Company under bankruptcy or insolvency laws; (iv) failure to make any payment when due in respect of any indebtedness having an aggregate principal amount of more than $10,000,000; or (v) default in the observance or performance of any material covenant or condition of the Debenture Indenture and the continuance of such default for a period of 30 days after notice in writing has been given by the Debenture Trustee to the Company specifying the default and requiring the Company to rectify same. If an event of default has occurred and is continuing, the Debenture Trustee may, in its discretion, and shall, upon the request of holders of not less than 25% in principal amount of the then outstanding Debentures, declare the principal of (and premium, if any) and interest on all outstanding Debentures to be immediately due and payable. Generally, the Debenture Indenture provides that the Company will not make any payments when an event of default has occurred and is continuing under the Senior Secured Indebtedness.

Offers for Debentures

The Debenture Indenture contains provisions to the effect that if an offer is made for the Debentures then outstanding and not less than 90% of the principal amount of the Debentures then outstanding (other than Debentures held at the date of the offer by or on behalf of the offeror or associates or affiliates of the offeror) are taken up and paid for by the offeror, the offeror will be entitled to acquire the Debentures held by holders of Debentures who did not accept the offer on the terms offered by the offeror, provided that the holders of Debentures will have the right to elect to be paid the fair value of their Debentures by providing notice to the offeror and following the other procedures set forth in the Debenture Indenture.

Ownership Restrictions

There are ownership restrictions on the Debentures. The ownership restrictions that apply to the IPSs apply equally to the holders of the Debentures. For a discussion of these ownership restrictions, please see "— Limitations on ERISA Plan Ownership", "— Limitation on U.S. Resident Ownership" and "— Limitations on Ownership by Electric Utilities and Others".

Book Entry, Delivery and Form

Debentures are issued in the form of fully registered global Debentures (the "Global Debentures") held by, or on behalf of, CDS or its successor (the "Depository") as custodian for its participants.

All Debentures will be represented in the form of Global Debentures registered in the name of the Depository or its nominee. Purchasers of Debentures represented by Global Debentures will not receive Debentures in definitive form except in certain circumstances described in the Debenture Indenture. Rather, the Debentures will be represented only in "book-entry only" form (unless the Company, in its sole discretion, elects to prepare and deliver definitive Debentures in fully registered form). Beneficial interests in Global Debentures, constituting ownership of the Debentures, will be represented through book-entry accounts of institutions (including the underwriters to the offering of the Debentures) acting on behalf of beneficial owners, as direct and indirect participants of the Depository (the "participants"). Each purchaser of a Debenture represented by a Global Debenture will receive a customer confirmation of purchase from the underwriter or underwriters from whom the Debenture is purchased in accordance with the practices and procedures of the selling underwriter or underwriters. The practices of the underwriters may vary but generally customer confirmations are issued promptly after execution of a customer order. The Depository will be responsible for establishing and maintaining book-entry accounts for its participants having interests in Global Debentures.

If the Depository notifies the Company that it is unwilling or unable to continue as depository in connection with the Global Debentures, or if at any time the Depository ceases to be a clearing agency or otherwise ceases to be eligible to be a depository and the Company has not appointed a successor, or if the Company elects, in its sole discretion, to terminate the book-entry system, or if under certain circumstances described in the Debenture Indenture, an event of default has occurred, Global Debentures may be transferred by

the registered holder thereof and accordingly definitive certificates shall be issued to beneficial holders of Debentures (the "Definitive Debentures").

Transfer and Conversion of Debentures

Transfers of interests in Debentures represented by Global Debentures are effected through records maintained by the Depository for such Global Debentures or its nominees (with respect to interests of participants) and on the records of participants (with respect to interests of persons other than participants). Unless the Company elects, in its sole discretion, to prepare and deliver Definitive Debentures, beneficial owners who are not participants in the Depository's book-entry system, but who desire to purchase, sell or otherwise transfer ownership of or other interests in Global Debentures, may do so only through participants in the Depository's book-entry system. The ability of a beneficial owner of an interest in a Debenture represented by a Global Debenture to pledge the Debenture or otherwise take action with respect to such owner's interest in a Debenture represented by a Global Debenture (other than through a participant) may be limited due to the lack of a physical certificate.

Registered holders of Definitive Debentures may transfer such Debentures upon payment of taxes, duties or other charges incidental thereto, if any, by executing and delivering a form of transfer together with the Debentures to the Debenture Trustee at its principal offices in Toronto, Ontario, or such other city or cities as may from time to time be designated by the Company, whereupon new Debentures will be issued in authorized denominations in the same aggregate principal amount as the Debentures so transferred, registered in the names of the transferees. No transfer or conversion of a Debenture will be registered during the period beginning five business days before the day of the mailing of a notice of redemption of the Debentures and ending on the close of business on the day of such mailing or on any Interest Payment Date or during the period from the fifth business day preceding the Interest Payment Date.

Payments

Payments of interest and principal on each Global Debenture are made to the Depository or its nominee, as the case may be, as the registered holder of the Global Debenture. As long as the Depository or its nominee is the registered owner of a Global Debenture, such Depository or its nominee, as the case may be, will be considered the sole legal owner of the Global Debenture for the purposes of receiving payments of interest and principal on the Debentures and for all other purposes under the Debenture Indenture and the Debentures. The record date for the payment of interest is that day which is the fifth business day preceding the applicable Interest Payment Date. Interest payments on Global Debentures are made by electronic funds transfer or such other means as may be agreed to by the Debenture Trustee on the day interest is payable and delivered to the Depository or its nominee, as the case may be.

The Company understands that the Depository or its nominee, upon receipt of any payment of interest or principal in respect of a Global Debenture, will credit participants' accounts, on the date interest or principal is payable, with payments in amounts proportionate to their respective beneficial interest in the principal amount of such Global Debenture as shown on the records of the Depository or its nominee. The Company also understands that payments of interest and principal by participants to the owners of beneficial interests in such Global Debenture held through such participants will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name" and will be the responsibility of such participants. The responsibility and liability of the Company in respect of payments on Debentures represented by the Global Debenture is limited solely and exclusively, while the Debentures are registered in Global Debenture form, to making payment of any interest and principal due on such Global Debenture to the Depository or its nominee.

If Definitive Debentures are issued instead of or in place of Global Debentures, payments of interest on each Definitive Debenture will be made by electronic funds transfer, if agreed to by the holder of the Definitive Debenture, or by cheque dated the Interest Payment Date and mailed to the address of the holder appearing in the register maintained by the registrar for the Debentures as soon as practicable following the applicable

Interest Payment Date. Payment of principal at maturity will be made at the principal office of the paying agent in the City of Toronto (or in such other city or cities as may from time to time be designated by the Company) against surrender of the Definitive Debentures, if any.

Reports to Holders

The Company shall file with the Debenture Trustee, within 15 days after the filing thereof with the securities commission or securities regulatory authority in the provinces in which the Company is a reporting issuer (the "Securities Commissions"), copies of the Company's annual report and the information, documents and other reports that the Company is required to file with the Securities Commissions and deliver to holders of IPSs. Notwithstanding that the Company may not be required to remain subject to the reporting requirements of the Securities Commissions, the Company shall provide to the Debenture Trustee (a) within 90 days after the end of each fiscal year, the annual financial statements of the Company, and (b) within 45 days after the end of each of the first three fiscal quarters of each fiscal year, interim financial statements of the Company which in each case shall, at a minimum, contain such information as is required to be provided in financial statements under the laws of Canada or any province thereof to security holders of a company with securities listed on the TSX, whether or not the Company has any of its securities so listed. Each of such reports will be prepared in accordance with Canadian disclosure requirements and accounting principles generally accepted in Canada. The Company will provide copies of such information, documents and reports to holders of Debentures upon request.

Governing Law

Each of the Debenture Indenture and the Debentures are governed by, and construed in accordance with, the laws of the Province of Ontario and the federal laws of Canada applicable therein applicable to contracts executed and to be performed entirely in such Province.

Limitations on ERISA Plan Ownership

To avoid having the Company become subject to the fiduciary and prohibited transaction provisions of ERISA and Section 4975 of the Code, at no time may the IPSs, Subordinated Notes, Common Shares or Debentures be beneficially owned by any "ERISA Plan" (which includes plans subject to such statutory provisions and entities that, by regulation, are deemed to hold assets of such plans). Any transferee of beneficial ownership of IPSs, Subordinated Notes, Common Shares or Debentures (whether by initial purchase or subsequent transfer) will be deemed to represent to the Company that it is not an ERISA Plan. Any purported transfer (whether or not the result of a transaction entered into through the facilities of the TSX) that, if effective, would result in any ERISA Plan beneficially owning any IPSs, Subordinated Notes, Common Shares or Debentures will be void from the date of the purported transfer, and the ERISA Plan that pursuant thereto would purport to have beneficial ownership of the IPSs or Debentures will not acquire any interest in the IPSs, Subordinated Notes, Common Shares or Debentures. In the event of such a purported transfer, such IPSs, Subordinated Notes, Common Shares or Debentures will be transferred to a trust created by the Company and sold. The ERISA Plan will not have any beneficial interest in the trust, and the ERISA Plan's sole right with respect to the IPSs, Subordinated Notes, Common Shares or Debentures that were the subject of the purported transfer to the ERISA Plan will be to receive the net proceeds of sale of such IPSs, Subordinated Notes, Common Shares or Debentures by the trust. The Company may require any person who attempts to acquire IPSs, Subordinated Notes, Common Shares or Debentures or who otherwise is purported to beneficially own IPSs, Subordinated Notes, Common Shares or Debentures, to provide a written statement or affidavit to the Company stating such information as the Company may request in order to determine whether such person is an ERISA Plan or not.

The Indenture and the Debenture Indenture contain substantively identical provisions concerning prohibitions on ERISA Plan ownership of the Subordinated Notes and the Debentures, respectively, as described above, including the right to compel an ERISA Plan to dispose of the Subordinated Notes and/or the Debentures.

Limitation on U.S. Resident Ownership

The articles of incorporation of the Company provide that at no time may more than 100 U.S. persons (as determined by the Company) be the beneficial owners of the Company's securities, nor may any U.S. person be the beneficial owner of more than 10% of the IPSs, the Subordinated Notes, or the Common Shares. The Company may require declarations as to the jurisdictions in which beneficial owners of the Company's securities are resident. If the Company becomes aware that either of the foregoing limitations may be contravened, the transfer agent and registrar of the Company will make a public announcement and will not accept a subscription for the Company's securities from or issue or register a transfer of the Company's securities to a person unless the person provides a declaration that the person is not a U.S. person. If, notwithstanding the foregoing, the Company determines that more than 100 U.S. persons are beneficial owners of any class of the Company's securities (on either a non-diluted or fully-diluted basis), the Company may send a notice to the U.S. holders of such securities, chosen in inverse order to the order of acquisition or registration or in any manner as the Company may consider equitable and practicable, requiring them to sell their securities or a portion of their securities within a specified period of not less than 10 days. If the holders of the Company's securities receiving the notice have not sold the specified number of securities, or provided the Company with satisfactory evidence that they are not U.S. persons within that period, the Company may, on behalf of those holders of the Company's securities, sell those securities, and, in the interim, will suspend the voting and distribution rights attached to those securities. Upon that sale, the affected holders will cease to be holders of the securities, and their rights will be limited to receiving the net proceeds of the sale.

Limitation on Ownership by Electric Utilities and Others

The United States Congress enacted the *Energy Policy Act of 2005* ("EPAct 2005") on August 8, 2005. EPAct 2005 removed certain regulatory constraints on investment in utility power producers by repealing the PUHCA 1935 and enacting the *Public Utility Holding Company Act of 2005* ("PUHCA 2005"). EPAct 2005 also limited the requirement that electric utilities buy electricity from QFs to certain markets that lack competitive characteristics and eliminated the electric utility ownership limitation for QFs. Finally, EPAct 2005 amended and expanded the reach of FERC's corporate merger authority under section 203 of the FPA. While the new regulatory regime does mean some changes in terms of required filings and approvals, many of the regulatory issues related to the ownership Projects have not changed.

The Projects include QFs that qualify under FERC's rules implementing PURPA and EWGs under PUHCA 2005 with market-based rates on file with FERC pursuant to the FPA. Ownership of the Company is restricted in order to ensure that the Projects with market-based rates on file with FERC comply with representations made to FERC, and continue to qualify for market-based rates. Such ownership restrictions generally relate to persons or companies having equity ownership or operation of certain utility assets in the U.S. or affiliation with an entity that owns or operates such assets. As a result, the articles of incorporation of the Company provide that no U.S. entity (other than entities that have made certain regulatory filings such as Teton Holdings) may hold more than 10% of the IPSs or Common Shares. In addition, should any entity wish to hold more than 5% but less than 10% of the IPSs or Common Shares, that entity must agree to cooperate with the Company and provide information necessary to make any filings with FERC that may be required pursuant to the FPA. Further, the articles of incorporation of the Company provide that no person may own IPSs or Common Shares if such person (i) is affiliated with any franchised electric utility; (ii) has controlling ownership interests in any electric generating, transmission, or distribution facilities; (iii) is affiliated with any power marketers; (iv) is subject to regulation as a "public utility" under the FPA; or (v) is subject to regulation with respect to rates or to financial or organizational matters as an electric utility, public utility, or public service company or corporation under the laws of any state, unless such person satisfies the Company that the ownership of the IPSs or Common Shares by such person will not adversely affect the order issued under the FPA with respect to certain Projects, or the Projects' qualification for market-based rates under the FPA.

Determination of such potential adverse effect is at the sole discretion of the Company, and the Company may elect to strictly enforce any or all of the restrictions set forth above against such entity. If the Company becomes aware that any of the foregoing restrictions may be contravened, the transfer agent and

registrar of the Company will make a public announcement and will not accept a subscription for IPSs or Common Shares from or issue or register a transfer of IPSs or Common Shares to a person unless the person provides a declaration that the person is not an entity described above. If, notwithstanding the foregoing, the Company determines that an owner of IPSs or Common Shares violates the foregoing restrictions, the Company may send a notice to such owner of IPSs or Common Shares requiring it to provide specified information to the Company such that Company can determine whether such person's ownership may have an adverse affect upon the Company. Upon such determination, the Company may send a further notice requiring such owner to sell its IPSs or Common Shares within a specified period of not less than 10 days. If the holder of IPSs or Common Shares receiving the notice has not sold the IPSs or Common Shares, as applicable, or provided the Company with satisfactory evidence that it does not contravene the foregoing restrictions, the Company may, on behalf of that holder of IPSs or Common Shares, sell those IPSs or Common Shares, and, in the interim, will suspend the voting and distribution rights attached to those IPSs or Common Shares. Upon that sale, the affected holder will cease to be a holder of the IPSs or the Common Shares, as applicable, and its rights will be limited to receiving the net proceeds of the sale.

Interest Payments and Distribution Policy

Distributions of the Company are paid in Canadian dollars unless a holder of IPSs, Common Shares or Subordinated Notes elects to receive distributions in U.S. dollars. Holders of IPSs, Common Shares or Subordinated Notes that elect to receive U.S. dollar distributions will receive the U.S. dollar Equivalent Amount of distributions by the Company. A holder of IPSs, Common Shares or Subordinated Notes may from time to time elect to change the currency of the distributions it receives on all or any part of the IPSs, Common Shares or Subordinated Notes it holds from Canadian dollars to U.S. dollars or vice versa upon notice to the securities broker through which the holder holds its IPSs, Common Shares or Subordinated Notes.

The Company pays interest on the Subordinated Notes and dividends on the Common Shares (if declared) on the last business day of each month to holders of record at the close of business on the last business day of the preceding month.

The Company currently has a policy of paying equal monthly dividends on the Common Shares, subject to applicable law and the covenants contained in the Amended Credit Facility and the Indenture, after:

- satisfying its debt service obligations under any credit facilities or other agreements with third parties, if any;
- making interest payments at the rate of 11.0% per annum of the aggregate principal amount of the Subordinated Notes outstanding;
- satisfying its other operating and administrative expenses, including withholding and other applicable taxes; and
- retaining adequate liquidity for working capital and other expenses.

The Company may make additional distributions in excess of monthly dividends during the year, as the Company's board of directors may determine in its sole discretion.

The Indenture and the Amended Credit Facility contain restrictions on the ability of the Company to declare and pay dividends on the Common Shares. The board of directors of the Company may, in its discretion, modify or repeal the Company's dividend policy. No assurances can be made that the Company will pay dividends at the level contemplated in the future or at all.

The following table summarizes the monthly distributions declared by the Company.

	Years Ended December 31				
	2004[1]	2005	2006	2007	2008
Dividend per Common Share (Cdn$)	$0.0437	$0.3760	$0.4060	$0.4260	$0.4266
Interest Payment on Subordinated Note (Cdn$)	$0.0758	$0.6344	$0.6344	$0.6348	$0.6348
Total Distribution per IPS (Cdn$)	**$0.1195**	**$1.0104**	**$1.0404**	**$1.0608**	**$1.0608**

(1) includes distributions since Company's inception on November 18, 2004.

Management has designated dividends paid on the Common Shares as eligible dividends for purposes of the *Income Tax Act* (Canada) (the "Tax Act"). To the extent that the Company makes a valid designation in respect of any dividends paid on the Common Shares, holders of Common Shares that are individuals resident in Canada for purposes of the Tax Act will be entitled to the enhanced gross-up and dividend tax credit mechanism applicable to eligible dividends.

Administration

The Company has no executive officers and engages the Manager to provide certain services pursuant to the Management Agreement. Under the Management Agreement, the Manager, if requested by the Company, has agreed to: (i) assist the Company in complying with its continuous disclosure obligations under applicable securities legislation; (ii) provide or cause to be provided to holders of securities of the Company, all information to which they are entitled under the constating documents of the Company and the Indenture and applicable laws; (iii) monitor compliance of the Company with applicable laws; (iv) provide for the calculation of interest payments and distributions to holders of IPSs and the Separate Subordinated Notes; and (v) assist in the preparation, planning and coordination of meetings of the board of directors of the Company and the holders of Common Shares of the Company. The Company may directly retain professionals and other service providers from time to time to provide advice and other administrative services directly to the Company.

RISK FACTORS

An investment in the IPSs or the Debentures and the Common Shares and Subordinated Notes represented by IPSs, involves a number of risks in addition to those described under "Forward Looking Statements". In addition to other information contained in this annual information form, prospective investors should give careful consideration, in light of their own financial circumstances, to the following factors. Any of the matters highlighted in the risk factors could have a material adverse effect on the Company's results of operations, business prospects or financial condition, the cash available to the Company for distribution to holders of IPSs, Debentures, Common Shares and Subordinated Notes or on the market price or value of IPSs, Debentures, Common Shares, or Subordinated Notes.

Risks Related to the Business and the Projects

Revenue May be Reduced Upon Expiration or Termination of PPAs

Power generated by the Projects, in most cases, is sold under PPAs that expire at various times. In addition, these PPAs may be subject to termination in certain circumstances, including default by the Project owner or operator. When a PPA expires or is terminated, it is possible that the price received by the relevant Project for power under subsequent arrangements may be reduced significantly. It is possible that subsequent power purchase arrangements may not be available at prices that permit the operation of the Project on a profitable basis. If this occurs, the affected Project may temporarily or permanently cease operations.

The Projects Depend on their Electricity, Thermal Energy and Transmission Services Customers

Each Project relies on one or more PPAs, steam sales agreements or other agreements with one or more utilities or other customers for a substantial portion of its revenue. The amount of cash available for distribution to holders of IPSs, Common Shares and Subordinated Notes is highly dependent upon customers under such agreements fulfilling their contractual obligations. There is no assurance that these customers will perform their obligations or make required payments to the Project Operating Entities.

Certain Projects are Exposed to Fluctuations in the Price of Electricity

While a majority of the off-takers of the Projects are contractually obligated to purchase electricity under long-term PPAs, those Projects with power purchase arrangements based on market pricing will be exposed to fluctuations in the wholesale price of electricity. In addition, should any of the long-term PPAs expire or terminate, the Manager or the relevant Project operator will be required to either negotiate new PPAs or sell into the electricity wholesale market, in which case the prices for electricity will depend on market conditions at the time.

Projects May Not Operate as Planned

The revenue generated by the Projects is dependent, in whole or in part, on the amount of electric energy and steam generated by them. The ability of the Projects to generate the maximum amount of power to be sold to customers under the PPAs is the primary determinant of the amount of cash that will be distributed to the Company, and that will in turn be available for distribution to holders of IPSs, Common Shares, Subordinated Notes and Debentures. With respect to each of the Projects, there is a risk of equipment failure due to wear and tear, latent defect, design error or operator error, among other things, which could adversely affect revenues and cash available for distribution. To the extent that the Projects' equipment requires longer than forecast down times for maintenance and repair, or suffers disruptions of power generation for other reasons, the amount of cash available for distribution may be adversely affected.

In general, the Projects transmit electric power to the transmission grid for purchase under the PPAs through a single, main step up transformer. As a result, the transformer represents a single point of vulnerability and may exhibit no abnormal behaviour in advance of a catastrophic failure that could cause a temporary

shutdown of the facility until a spare transformer can be found or a replacement manufactured. In some cases, a spare transformer may be shared among several facilities. If the reason for a shutdown is outside of the control of the operator, the Projects may be able to make a force majeure claim under the Project contracts such as the PPA, fuel supply, steam sales agreement, a Project-level debt agreement or otherwise mitigate impacts through business interruption insurance policies. If successful, such a claim may prevent a default or reduce monetary losses under such contracts. However, a force majeure claim may be challenged by the contract counterparty and, to the extent the challenge is successful, it may have a materially adverse effect on the Project.

The Projects Depend on Suppliers Under Fuel Supply Agreements and Increases in Fuel Costs may Adversely Affect the Profitability of the Projects

Revenues in respect of the Projects may be affected by the availability, or lack of availability, of a stable supply of fuel at reasonable or predictable prices. To the extent possible, the Projects attempt to match fuel cost setting mechanisms in supply agreements to PPA energy payments formulas. To the extent that fuel costs are not matched well to PPA energy payments, increases in fuel costs may adversely affect the profitability of the Projects.

The amount of energy generated at the Projects is highly dependent on suppliers under certain fuel supply agreements fulfilling their contractual obligations. The loss of significant fuel supply agreements or an inability or failure by any supplier to meet its contractual commitments may adversely affect cash distributions by the Company.

Upon the expiry or termination of existing fuel supply agreements, the Manager or Project operators will have to renegotiate these agreements or may need to source fuel from other suppliers. There can be no assurance that the Manager or Project operators will be able to renegotiate these agreements or enter into new agreements on similar terms. Furthermore, there can be no assurance as to availability of the supply or pricing of fuel under new arrangements and it can be very difficult to accurately predict the future prices of fuel.

The amount of energy generated at the Projects is dependent upon the availability of natural gas, coal, oil or biomass. There can be no assurance that the long-term availability of such resources will remain unchanged.

The Projects Depend on a Favourable Regulatory Regime

The profitability of the Projects is in part dependent upon the continuation of a favourable regulatory climate with respect to the continuing operations and the future growth and development of the independent power industry. Should the regulatory regime in an applicable jurisdiction be modified in a manner which adversely affects the Projects, including increases in taxes and permit fees, cash available for distribution may be adversely affected. The failure to obtain all necessary licences or permits, including renewals thereof or modifications thereto, may also adversely affect cash available for distribution.

Operations are Subject to the Provisions of Various Energy Laws and Regulations

Generally, in the United States, the Company's projects are subject to regulation by the FERC regarding the terms and conditions of wholesale service and rates, as well as by state agencies regarding PPAs entered into by QF projects and the siting of the generation facilities. The majority of the Company's generation is sold by QF projects under PPAs that required approval by state authorities.

On August 8, 2005, EPAct 2005 was enacted, which removed certain regulatory constraints on investment in utility power producers by repealing the PUHCA 1935 and enacting the PUHCA 2005. EPAct 2005 also limited the requirement that electric utilities buy electricity from QFs to certain markets that lack competitive characteristics. Finally, EPAct 2005 amended and expanded the reach of FERC's corporate merger approval authority under section 203 of the FPA. FERC has issued final rulemakings implementing these provisions of EPAct 2005.

If any Project that is a QF were to lose its status as a QF, then such Project may no longer be entitled to exemption from provisions of PUHCA 2005 or from provisions of the FPA and state law and regulations. Such Project may be able to obtain exempt wholesale generator status to maintain its exemption from the provisions of PUHCA 2005, however there can be no assurance provided that the Company's Projects will be able to obtain such exemptions. Loss of QF status could trigger defaults under covenants to maintain QF status in the PPAs, steam sales agreements and Project-level debt agreements and if not cured within allowed cure periods, could result in termination of agreements, penalties or acceleration of indebtedness under such agreements, plus interest.

The Projects would also have to file with FERC for market-based rates or file for acceptance for filing of the rates set forth in the applicable PPA, and its rates would then be subject to initial and potentially subsequent reviews by FERC under the FPA, which could result in reductions to the rates.

The Projects require licenses, permits and approvals which can be in addition to any required environmental permits. No assurance can be provided that we will be able to obtain, comply with and renew, as required, all necessary licenses, permits and approvals for these facilities. If we cannot comply with and renew as required all applicable regulations, our business, results of operations and financial condition could be adversely affected.

EPAct 2005 provides incentives for various forms of electric generation technologies, which may subsidize our competitors. In addition, pursuant to EPAct 2005, the FERC selected an electric reliability organization which imposes mandatory reliability rules and standards. Among other things, FERC's rules implementing these provisions allow such reliability organizations to impose sanctions on generators that violate their new reliability rules.

The Company cannot provide assurance that the introductions of new laws, or other future regulatory developments, will not have a material adverse impact on our business, operations or financial condition.

Future FERC Rate Determinations Could Negatively Impact Path 15 Opco's Cash Flows

The stability of Path 15 Opco's cash flows will continue to be subject to the risk related to the FERC's authority to adjust the expected formulation of revenues upon its rate review every three years. The cost-of-service methodology currently applied by the FERC is well established and transparent, however certain inputs in the FERC's determination of rates are subject to its discretion, including in response to protests from intervenors in such rate cases, which include return on equity and the recovery of certain extraordinary expenses. Unfavourable decisions on these matters could adversely affect the cash flow, financial position and results of operations of Path 15 Opco and Path 15 Holdco, and the Company, and could adversely affect the cash available for distribution by the Company.

Predicting Project Cash Flows Over the Long Term Is Difficult

Due to the many uncertainties described in this risk factors section that could materially affect future revenues or expenses, it can be difficult to make long term projections of the Company's operating margins.

The Projects are Subject to Significant Environmental and Other Regulations

The Projects are subject to numerous and significant federal, state and local laws, including statutes, regulations, by-laws, guidelines, policies, directives and other requirements governing or relating to, among other things: air emissions; discharges into water; the storage, handling, use, transportation and distribution of dangerous goods and hazardous and residual materials, such as chemicals; the prevention of releases of hazardous materials into the environment; the prevention, presence and remediation of hazardous materials in soil and groundwater, both on and off site; land use and zoning matters; and workers' health and safety matters. As such, the operation of the Projects carries an inherent risk of environmental, health and safety liabilities

(including potential civil actions, compliance or remediation orders, fines and other penalties), and may result in the Projects being involved from time to time in administrative and judicial proceedings relating to such matters.

Environmental laws and regulations have generally become more stringent over time, and this trend may continue. In particular, the EPA has promulgated regulations under the federal Clean Air Interstate Rule ("CAIR") requiring additional reductions in nitrogen oxides, or NOX and sulphur dioxide, or SO_2, emissions, beginning in 2009 and 2010 respectively, and has also promulgated regulations requiring reductions in mercury emissions from coal-fired electric generating units, beginning in 2010 with more substantial reductions in 2018. Moreover, certain of the states in which we operate have promulgated air pollution control regulations which are more stringent than existing and proposed federal regulations. The CAIR program underwent several legal challenges which resulted in the DC Circuit Court vacating the program on July 11, 2008. EPA was instructed by the Court to completely overhaul the program. On December 23, 2008, the DC Circuit Court remanded, without vacature, EPA's CAIR program. EPA is currently working with the states involved in the program to reinstate it and while doing so, making changes as required in the initial Court ruling.

Under the CAIR program, regulations are under consideration that would modify the existing program of distribution of NO_X allocations at no cost to generators, to an auction based program for all allocations.

Ongoing public concerns about emissions of carbon dioxide and other greenhouse gases ("GHG") from power plants have resulted in proposed laws and regulations at the federal, state and regional levels that, if they were to take effect substantially as proposed, would likely apply to Project operations. For example, a proposed multi-state carbon dioxide cap-and-trade program known as the Regional Greenhouse Gas Initiative ("RGGI") would apply to the Company's fossil fuel facilities in the Northeast region. The RGGI program went into effect on January 1, 2009. Two regional quarterly CO2 auctions have already occurred. CO2 allocations are now a trade commodity, currently averaging in the $3.50 to $4.00/ton range. The State of Florida is conducting stakeholder meetings as part of the process of developing greenhouse gas contract regulations. They have held their most recent stakeholders meeting in January, 2009. Discussion then indicated favouring a program similar to that of RGGI.

In 2006, the State of California passed legislation initiating two programs to control/reduce the creation of GHG. The two laws, more commonly known as AB 32 and SB 1368, are currently in the regulatory rulemaking phase which will involve public comment and negotiations over specific provisions. Development towards the implementation of this program continues.

Under AB 32 (the California Global Warming Act of 2006) the California Air Resources Board ("CARB") is required to adopt a GHG emissions cap on all major sources (not limited to the electric sector). In order to do so, it must adopt regulations for the mandatory reporting and verification of GHG emissions and to reduce state-wide emissions of GHG to 1990 levels by 2020. This will most likely require that electric generating facilities reduce their emissions of GHG or pay for the right to emit by the implementation date of January 1, 2012. The program has yet to be finalized and the decision as to whether allocations will be distributed or auctioned will be determined in the rulemaking process that is currently underway. Discussion to date favors an allocation auction-based program.

SB 1368 added the requirement that the California Energy Commission, in consultation with the California Public Utilities Commission ("CPUC") and the CARB establish a GHG emission performance standard and implement regulations for power purchase agreements that exceed five years entered into prospectively by publicly-owned electric utilities. The legislation directs the CEC to establish the performance standard as one not exceeding the rate of GHG emitted per megawatt-hour associated with combined-cycle, gas turbine baseload generation. Provisions are under consideration in the rulemaking to allow facilities that have higher CO2 emissions to be able to negotiate PPA's for up to a five-year period or sell power to entities not subject to SB 1368. This statute may limit Stockton's ability to extend its PPA with PG&E (which currently expires in early 2009) beyond the five year limit.

In addition to the regional initiatives, legislation for the regulation of GHG has been introduced at the federal level and if passed, may eventually override the regional efforts with a national cap and trade program.

Significant expenditures may be required for either capital expenditures or the purchase of allowances under any or all of these programs to keep the Projects' facilities compliant with environmental laws and regulations. The Projects' PPAs do not allow for the pass through of emissions allowance or emission reduction capex costs. If it is not economical to make those expenditures it may be necessary to retire or mothball facilities, or restrict or modify our operations to comply with more stringent standards.

The Projects have obtained environmental permits and other approvals that are required for their operations. Compliance with applicable laws and future changes to them is material to the Company's businesses. Although the Manager believes the operations of the Projects are currently in material compliance with applicable environmental laws, licences, permits and other authorizations required for the operation of the Projects and although there are environmental monitoring and reporting systems in place with respect to all the Projects, there is no guarantee that more stringent laws will not be imposed, that there will not be more stringent enforcement of applicable laws or that such systems may not fail, which may result in material expenditures. Failure by the Projects to comply with any environmental, health or safety requirements, or increases in the cost of such compliance, including as a result of unanticipated liabilities or expenditures for investigation, assessment, remediation or prevention, could result in additional expense, capital expenditures, restrictions and delays in the Projects' activities, the extent of which cannot be predicted.

Increasing Competition Could Adversely Affect the Performance of the Company and the Projects

The power generation industry is characterized by intense competition, and the Projects encounter competition from utilities, industrial companies and other independent power producers, in particular with respect to un-contracted output. In recent years, there has been increasing competition among generators in an effort to obtain power sales agreements, and this competition has contributed to a reduction in electricity prices in certain markets where supply has surpassed demand plus appropriate reserve margins. In addition, many states are implementing or considering regulatory initiatives designed to increase competition in the U.S. power industry.

ArcLight May Manage Entities that Compete with the Company

The officers of the Manager are full-time employees of the Manager and devote their time and efforts exclusively to or for the benefit of the business of Atlantic Holdings and the Company. ArcLight and their affiliates and employees or agents are engaged or invest directly or indirectly in a variety of other companies or other entities involved in owning, managing or advising on or otherwise engaged in the business of the generation, production, transmission, distribution, purchase and sale of electricity, other forms of energy-related projects, infrastructure projects, utility projects or other businesses.

Affiliates of ArcLight currently act, and may hereafter act, as managers to investment funds whose investment criteria encompass investments in power generation, transmission and distribution and related facilities in Canada and the U.S. In particular, an affiliate of ArcLight is the general partner of Funds I, Fund II, Fund III and ArcLight Energy Partners Fund IV, L.P. ("Fund IV") which invest in power generation, transmission and distribution assets as well as power-related fuel, services and equipment businesses, primarily in the United States. Existing and future agreements governing investment funds managed by affiliates of ArcLight, including the agreements governing Fund I, Fund II, Fund III, and Fund IV require, and are expected to require in the case of future agreements, that suitable investments for such investment funds identified by ArcLight first be offered to the investment funds. The Management Support Agreement (as defined below) requires that ArcLight and its affiliates give the Manager the opportunity to pursue, on behalf of the Company and Atlantic Holdings, investment opportunities that do not fit within the investment guidelines for Fund I, Fund II, Fund III and Fund IV, or other investment funds managed by ArcLight or its affiliates or that do fit within such investment guidelines but which such investment funds determine not to pursue. None of ArcLight or its affiliates is prohibited by the Management Agreement or any other agreement with the Company from

competing with the Company, or from acquiring, investing in, or providing administrative or managerial services to, a competitor of the Company, nor is the Manager precluded from competing with ArcLight entities when acquiring or investing in assets or companies.

The Company Has Limited Control Over the Management Decisions at Certain Projects

In most cases, the Projects are not wholly-owned by the Company, and in some cases the Company has limited control over the operation of the Projects. Third-party operators manage the operations of many of the Projects. As such, the Company must rely on the technical and management expertise of these third-party operators, although typically the Company is represented on a management or operating committee if it doesn't own 100% of a project. To the extent that such third party operators do not fulfill their obligations to manage the operations of the Projects or are not effective in doing so, the amount of cash available for distribution may be adversely affected.

Sufficient Capital May Not be Available to Fund Acquisitions, Investments, Expansions or Capital Expenditures

Future acquisitions, investments, expansions and other capital expenditures by the Company and its subsidiaries will be financed by cash generated from operations, sales of additional securities of the Company and borrowings. There can be no assurance that sufficient capital will be available on acceptable terms to fund acquisitions, investments, capital expenditures or expansion projects.

The Company May Face Significant Competition for Acquisitions and May Not Successfully Integrate Acquisitions

The Company's business plan includes growth through identifying suitable acquisition or investment opportunities, pursuing such opportunities, consummating acquisitions or investments and effectively integrating acquisitions or investments with the Company's business. There can be no assurance that the Manager will be able to identify attractive acquisition candidates in the power industry in the future, that the Company will be able to make acquisitions or investments on an accretive basis or that acquisitions or investments will be successfully integrated into the Company's existing operations.

Although the U.S. power industry is continuing to undergo consolidation and may offer attractive acquisition and investment opportunities, the Manager believes that the Company is likely to confront significant competition for those opportunities and, due to the constriction in the availability of capital resources for acquisitions, investments and other expansion, to the extent that any opportunities are identified, the Company may be unable to effect acquisitions or investments.

Any acquisition or investment may involve potential risks, including an increase in indebtedness, the inability to successfully integrate operations, the potential disruption of the Company's ongoing business and the diversion of management's attention from other business concerns and the possibility that the Company pays more than the acquired company or interest is worth. There may also be liabilities that the Manager failed to discover, or was unable to discover, in its due diligence prior to the consummation of the acquisition or investment, and the Company may not be indemnified for some or all these liabilities. In addition, the Company's funding requirements associated with acquisitions or investments and integration costs may reduce the funds available to the Company to make distributions.

Operations are Subject to a Number of Natural and Inherent Risks

The occurrence of a significant event which disrupts the ability of the Projects to produce or sell power for an extended period, including events which preclude existing customers from purchasing power, could have a material adverse effect on the amount of cash that will be available for distribution to holders of IPSs, Common Shares and Subordinated Notes and Debentures. A certain portion of the events that might give rise to force majeure may, however, be mitigated by the Projects' insurance programs.

Insurance May Not be Sufficient to Cover All Losses

While the Manager believes that the Projects' insurance coverage addresses all material insurable risks, provides coverage that is similar to what would be maintained by a prudent owner/operator of similar facilities, and are subject to deductibles, limits and exclusions which are customary or reasonable given the cost of procuring insurance, current operating conditions and insurance market conditions, there can be no assurance that such insurance will continue to be offered on an economically feasible basis, nor that all events that could give rise to a loss or liability are insurable, nor that the amounts of insurance will at all times be sufficient to cover each and every loss or claim that may occur involving the assets or operations of the Projects or the Company.

Financing Arrangements Could Impact the Business of the Company

Current or future borrowings by the Company or its subsidiaries will increase the level of financial risk to the Company and, to the extent that the interest rates are not fixed or that borrowings are refinanced at different rates, will increase the sensitivity of cash available for distribution to interest rate variations. Contractual arrangements in respect of those borrowings may also adversely affect cash available for distribution. In addition, most of the Projects currently have term loan or other financing arrangements in place with various lenders. These financing arrangements are typically secured by all of the Project assets and contracts as well as the equity interests in the Project Operating Entities (including those owned by the Company). The terms of these financing arrangements generally impose many covenants and obligations on the part of the Project Operating Entity and other borrowers and guarantors. For example, some agreements contain requirements to maintain specified debt service coverage ratios before cash may be distributed from the Project to the Company. In many cases, a default by any party under other Project operating agreements (such as a PPA or a steam sales agreement) will also constitute a default under the Project's term loan or other financing arrangement. Failure to comply with the terms of these term loans or other financing arrangements, or events of default thereunder, may prevent cash distributions by the Project or the Project Operating Entity and may entitle the lenders to demand repayment and enforce their security against Project assets. In addition, if an event of default should occur, the lenders are entitled to take possession of the equity interests in Project Operating Entities held by the owners of the Project that have been pledged to such lenders.

The failure of the Company to refinance or repay any indebtedness ranking senior to the Subordinated Notes (including indebtedness outstanding under the Amended Credit Facility and indebtedness to holders of the Debentures) when due would constitute a default under such indebtedness. Under such circumstances, it is expected that distributions by the Company to holders of IPSs would not be permitted until such indebtedness was refinanced or repaid and the Company may be required to sell assets or take other actions, including the initiation of bankruptcy proceedings or the commencement of an out-of-court debt restructuring.

Equity Interests in the Project Operating Entities may be Subject to Transfer Restrictions

In addition to the pledges referred to above, the partnership, or other agreements governing some of the Project Operating Entities may limit a partner's ability to deal with its interest. Specifically, such agreements may prohibit any sale, pledge, transfer, assignment or other conveyance of the interest in a Project Operating Entity without the consent of the other partners or shareholders. In some cases, other partners may have rights of first offer or rights of first refusal in the event of a proposed sale or transfer. Such restrictions may limit or prevent the Company from managing its investments in the Project Operating Entities in the manner it sees fit, and may have an adverse effect on the Company's ability to sell its investments.

The Projects' Operations are Subject to the Risk of Future Proceedings

The Projects' operations are subject to all operating hazards and risks normally incidental to the generation of electricity. As a result, at any given time, the Projects, Project Operating Entities and other entities associated with the operation of the Projects may be defendants in various legal proceedings and litigation arising in the ordinary course of business. The Projects maintain insurance policies with insurers in

amounts and with coverages and deductibles that the Manager believes to be reasonable and prudent. However, there can be no assurance that this insurance will be adequate to protect the Projects from all material expenses related to potential future claims for loss or damage or that these levels of insurance will be available in the future at economical prices. A significant judgment against any Project or Project Operating Entity, the loss of a significant permit or other approval or the imposition of a significant fine or penalty could have a material adverse effect on the Company's business, financial condition and future prospects and could adversely affect cash distributions by the Company.

The Project Operating Entities are Exposed to Risks Inherent in the Use of Derivative Instruments

The Project Operating Entities may use derivative instruments, including futures, forwards, options and swaps, to manage their commodity and financial market risks. In addition, the Project Operating Entities purchase and sell commodity-based contracts in the natural gas, electricity and oil markets for trading purposes. In the future, the Project Operating Entities could recognize financial losses on these contracts as a result of volatility in the market values of the underlying commodities or if a counterparty fails to perform under a contract. In the absence of actively quoted market prices and pricing information from external sources, the valuation of these contracts involves judgement or use of estimates. As a result, changes in the underlying assumptions or use of alternative valuation methods could affect the reported fair value of these contracts.

Risks Related to the Structure of the Company

The Company is Dependent on the Projects for virtually all Cash Available for Distributions

The Company is dependent on the operations and assets of the Projects through its indirect ownership of interests in the Projects. The Company's ability to make payments on the Subordinated Notes and the Debentures and to make cash distributions to holders of IPSs and Common Shares is dependent on the ability of Atlantic Holdings to make distributions to the Company, which in turn is dependent on the ability of the Project Holding Entities and the partnerships and other entities in which they hold interests, directly or indirectly, to make distributions to Atlantic Holdings. The actual amount of cash available for payments to holders of Subordinated Notes and the Debentures and for distribution to holders of IPSs and Common Shares depends upon numerous factors, including profitability, changes in revenues, fluctuations in working capital, availability under existing credit facilities, capital expenditure levels, applicable laws, compliance with contracts and contractual restrictions contained in the instruments governing any indebtedness. Any reduction in the amount of cash available for distribution, or actually distributed, by the Projects or Atlantic Holdings will reduce the amount of cash available for the Company to make payments to holders of Subordinated Notes and the Debentures and distributions to holders of IPSs and Common Shares. While the Company is contractually obligated to make interest payments on the Subordinated Notes, cash distributions by the Company on the Common Shares, including the Common Share component of an IPS, are not guaranteed and could fluctuate based on the performance of the Projects. Generally, the interest in the Projects held indirectly by the Company is 50% or less. Accordingly, the Company's influence on the operations and assets of the Projects may be limited.

Distribution of all Available Cash May Restrict Potential Growth of Atlantic Holdings and the Company

The payout by the Company and Atlantic Holdings of substantially all of their operating cash flow will make additional capital and operating expenditures dependent on increased cash flow or additional financing in the future. Lack of these funds could limit the future growth of the Company and Atlantic Holdings and their cash flow. In addition, the Company may be precluded from pursuing otherwise attractive acquisitions or investments because they may not be accretive to the Company on a short-term basis.

Future Distributions are not Guaranteed

While the Company is contractually obligated to make interest payments on the Subordinated Notes and the Debentures, the Company's board of directors or Atlantic Holdings' board of managers may, in their respective discretion, amend or repeal the existing distribution policy relating to equity distributions. Future equity distributions from these companies, if any, will depend on, among other things, the results of operations, cash requirements, financial condition, contractual restrictions, business opportunities, provisions of applicable law and other factors that the board of directors or managers may deem relevant. Either of these boards of directors or managers may decrease the level of equity distributions provided for in their existing distribution policies or entirely discontinue such distributions.

Exchange Rate Fluctuations May Impact the Amount of Cash Available for Distribution by the Company

A substantial portion of the Company's payments to holders of IPSs, Common Shares, Subordinated Notes and Debentures may be denominated in Canadian dollars. Conversely, all of the Projects' revenues and expenses, together with distributions received by Atlantic Holdings from the Projects, are denominated in U.S. dollars. As a result, the Company is exposed to currency exchange rate risks.

Although Atlantic Holdings has entered into hedging arrangements to mitigate this exchange rate risk through 2011, there can be no assurance that these arrangements will be sufficient to fully protect against this risk. If hedging transactions do not fully protect against this risk, changes in the currency exchange rate between U.S. and Canadian dollars could adversely affect cash distributions by the Company. The costs associated with the conversion of U.S. dollars to Canadian dollars and these hedging arrangements are borne by Atlantic Holdings.

Indebtedness Could Negatively Impact the Business of the Company and the Projects

The degree to which the Company is leveraged on a consolidated basis could have important consequences to the holders of IPSs, Common Shares, Subordinated Notes and Debentures**,** including:

- the Company's ability in the future to obtain additional financing for working capital, capital expenditures or other purposes may be limited;
- the Company may be unable to refinance indebtedness on terms acceptable to the Company or at all;
- defaults under Senior Indebtedness may prevent the Company from making payments on the Subordinated Notes and the Debentures;
- a significant portion of the Company's cash flow (on a consolidated basis) is likely to be dedicated to the payment of the principal of and interest on its indebtedness, including the Subordinated Notes and the Debentures, thereby reducing funds available for future operations, capital expenditures and/or dividends on its Common Shares; and
- the Company may be limited in its ability to withstand competitive pressures.

The Company May Not be Able to Repurchase the Subordinated Notes and/or Debentures Upon a Change of Control

Upon the occurrence of certain specific kinds of change of control events, the Company will be required to offer to repurchase outstanding Subordinated Notes and/or Debentures at 101% of the principal amount thereof plus accrued and unpaid interest, if any, to the date of repurchase. However, it is possible that the Company will not have sufficient funds at the time of the change of control to make any required repurchases. Failure to purchase tendered notes would constitute a default under the Indenture, which, in turn, would constitute a default under the Amended Credit Facility.

Changes in the Company's Creditworthiness May Affect the Value of the IPSs, Common Shares and Subordinated Notes and the Debentures

The perceived creditworthiness of the Company, Atlantic Holdings and their respective subsidiaries that have guaranteed the Subordinated Notes, as well as changes in ratings of the IPSs, may affect the market price or value and the liquidity of the IPSs, Common Shares, Subordinated Notes and Debentures.

Restrictive Covenants in Credit Facilities Could Impact the Business of the Company

The Amended Credit Facility contains restrictive covenants that limit the discretion of Atlantic Holdings with respect to certain matters. The ability of Atlantic Holdings to make distributions is subject to the restrictive covenants contained in the Amended Credit Facility. If an event of default occurs under the Amended Credit Facility or other senior indebtedness of Atlantic Holdings and the lender enforces a guarantee provided by the Company, the Company will be restricted or prevented from making distributions on its Common Shares and from making payments on the Subordinated Notes and the Debentures.

Future Issuances of IPSs or Common Shares Could Result in Dilution

The Company's articles of incorporation authorize the issuance of an unlimited number of Common Shares for such consideration and on such terms and conditions as are established by the board of directors without the approval of any shareholders. Additional IPSs or Common Shares may be issued by the Company in connection with a future financing or acquisition by the Company. The issuance of additional IPSs or Common Shares may dilute an investor's investment in the Company and reduce distributable cash per Common Share or per IPS.

Investment Eligibility

There can be no assurance that the Common Shares and Subordinated Notes represented by the IPSs will continue to be qualified investments under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans and registered education savings plans. The Tax Act imposes penalties for the acquisition or holding of non-qualified or ineligible investments.

Recent Canadian Federal Income Tax Proposals

On June 22, 2007, Bill C-52, which significantly modifies the Canadian federal income tax rules applicable to certain publicly listed trusts and partnerships, received Royal Assent. An investment in IPSs does not involve a publicly listed trust or partnership, but an investment in IPSs shares certain characteristics with investments in publicly listed trust or partnership entities that are the subject of the new legislation. The proposals of October 31, 2006 first announcing the proposed rules indicated that although the details outlined therein reflected the then present intentions of the government, any aspect of these measures may be changed accordingly and possibly with retroactive effect if there should emerge structures or transactions that are clearly devised to frustrate the policy objectives underlying the proposals. Management believes that the proposed rules do not apply to the Company and do not alter the tax consequences of an investment in Common Shares and Subordinated Notes represented by IPSs. However, there is no assurance that Canadian federal income tax laws and administrative policies will not be changed in a manner that adversely affects the holders of Common shares and Subordinated Notes represented by IPSs.

U.S. Federal Income Tax Risks

There can be no assurance that U.S. federal income tax laws and IRS administrative policies respecting the U.S. federal income tax consequences generally applicable to a holder of Common Shares and Subordinated Notes, as represented by IPSs, will not be changed in a manner which adversely affects Non-U.S. Holders.

There is no authority that directly addresses the tax treatment of securities similar to the Subordinated Notes which are offered in circumstances similar to the Offering (i.e., as part of a unit that includes common shares of the Company). In light of this absence of direct authority, it cannot be concluded with certainty that the Subordinated Notes will be treated as debt for U.S. federal income tax purposes, and, although the Company takes the position that the Subordinated Notes are debt for U.S. federal income tax purposes, there can be no assurance that this position will not be challenged by the IRS. If such a challenge were sustained, some or all of the interest payments on the Subordinated Notes would be recharacterized as non-deductible distributions with respect to the Company's equity, and the Company's net taxable income which is effectively connected income and thus its U.S. federal income tax liability would be materially increased. As a result, the Company's after-tax cash flow would be reduced and the Company's ability to make interest payments on Subordinated Notes and distributions with respect to Common Shares could be materially and adversely impacted.

Certain U.S. Tax Considerations May Discourage Third Parties from Pursuing a Tender Offer or other Change of Control Transaction

Under certain circumstances, Code Section 163(j) limits a corporation's deductions for interest paid to related foreign persons exempt from U.S. tax. For these purposes, a corporation and a creditor of the corporation will generally be "related" if the creditor owns, directly or by attribution, more than 50% of the corporation by vote or value. The purchase of an IPS should be treated for U.S. tax purposes as a purchase of both an equity interest and a creditor's interest in the Company. As a result, a purchase by any non-U.S. person of more than 50% of the IPSs could result in the Company's interest deductions being limited with respect to the Subordinated Notes forming part of those IPSs or otherwise owned by such person. Furthermore, if any non-U.S. person owns, directly or by attribution, 10% or more of the outstanding voting stock of the Company (including stock owned through IPSs), or certain other relationships exist, then the Company may be required to withhold U.S. tax at a rate of up to 30% on interest payable on any Subordinated Notes owned by that person (including Subordinated Notes owned through IPSs), unless an exemption or reduced rate of U.S. withholding tax applies. Either of these factors could discourage third parties from pursuing a tender offer or other change of control transaction with respect to the Company, which otherwise might have led to a premium being paid for IPSs.

The Company May Not be Able to Make all Principal Payments on the Subordinated Notes

The Subordinated Notes will mature on November 18, 2016. The Company may not be able to refinance the principal amount of the Subordinated Notes in order to repay the principal outstanding or may not have generated enough cash from operations to meet this obligation. There is no guarantee that the Company will be able to repay the outstanding principal amount upon maturity of the Subordinated Notes.

As a result of the subordinated nature of the guarantees of the Subordinated Notes, upon any distribution to creditors of Atlantic Holdings in a bankruptcy, liquidation or reorganization or similar proceeding relating to Atlantic Holdings or its property or assets, the holders of Atlantic Holdings' senior indebtedness will be entitled to be paid in full in cash before any payment may be made with respect to the Subordinated Notes under the guarantee provided by Atlantic Holdings. In the event of a bankruptcy, liquidation or reorganization or similar proceeding relating to any of the Project Operating Entities or the Projects (other than the Onondaga Project), the holders of the Subordinated Notes will not have a claim against the assets of such Projects.

Holders of IPSs, Common Shares, Subordinated Notes and Debentures May Have Limited Liquidity

Neither the IPSs nor the Common Shares have an extensive public market history. No assurance can be made that an active trading market for the IPSs will be sustained in the future, and the Company currently does not expect that an active trading market for the Common Shares will develop until the Subordinated Notes or Debentures mature. The Common Shares will not be posted for trading on the Toronto Stock Exchange until there exists a sufficient public distribution (for the purposes of the listing requirements of the Toronto Stock Exchange) of Common Shares that are held separately from Subordinated Notes. There is no intention to list the Subordinated Notes on any stock exchange. BMO Nesbitt Burns Inc. has previously advised the Company that

it intends to facilitate a secondary market in the Subordinated Notes and Common Shares subject to customary market practice and applicable legal and regulatory requirements and limitations. However, BMO Nesbitt Burns Inc. is not obligated to do so and may discontinue any such activities, if commenced, at any time and without notice. Moreover, if and to the extent that BMO Nesbitt Burns Inc. facilitates a market for the Subordinated Notes and Common Shares, there can be no assurance that such market would provide sufficient liquidity for any holder of any such securities.

The Market Price for the IPSs, Common Shares or Subordinated Notes May be Volatile

There has been limited public market for income participating securities. Factors such as variations in the Company's financial results, announcements by the Company, the Projects or others, developments affecting the business of the Company or the Projects, general interest rate levels, the market price of the Common Shares and general market volatility could cause the market price of the IPSs, the Common Shares or the Subordinated Notes to fluctuate significantly.

In addition, future sales or the availability for sale of substantial amounts of IPSs or Common Shares or a significant principal amount of Subordinated Notes or Debentures in the public market could adversely affect the prevailing market price of the IPSs, the Common Shares and the Subordinated Notes and could impair the Company's ability to raise capital through future sales of its securities.

Risks Related to the Debentures

Repayment of the Debentures

The Debentures mature on October 31, 2011. The Company may not be able to refinance the principal amount of the Debentures in order to repay the principal outstanding or may not have generated enough cash from operations to meet this obligation. There is no guarantee that the Company will be able to repay the outstanding principal amount upon maturity of the Debentures.

As a result of the subordinated nature of the guarantees of the Debentures, upon any distribution to creditors of Atlantic Holdings in a bankruptcy, liquidation or reorganization or similar proceeding relating to Atlantic Holdings or its property or assets, the holders of Atlantic Holdings' senior indebtedness will be entitled to be paid in full in cash before any payment may be made with respect to the Debentures under the guarantee provided by Atlantic Holdings. In the event of a bankruptcy, liquidation or reorganization or similar proceeding relating to any of the Project Operating Entities or the Projects (other than the Onondaga Project), the holders of the Debentures will not have a claim against the assets of such Projects.

Trading Market for Debentures

The Debentures may trade at a discount from their offering price depending on prevailing interest rates, the market for similar securities, the performance of the Company and other factors. No assurance can be given as to whether an active trading market will be maintained for the Debentures. To the extent that an active trading market for the Debentures is not maintained, the liquidity and trading prices for the Debentures may be adversely affected.

Prior Ranking Indebtedness

The Debentures rank junior to all existing and future Senior Secured Indebtedness, including the Amended Credit Facility and the Acquisition Credit Facility. See "Description of Debentures — Ranking".

Absence of Covenant Protection

The Debenture Indenture does not restrict the ability of the Company or any of its subsidiaries from incurring additional indebtedness for borrowed money or otherwise from mortgaging, pledging or charging its real or personal property or properties to secure any indebtedness or other financing. The Debenture Indenture

does not contain any provisions specifically intended to protect holders of the Debentures in the event of a future leveraged transaction involving the Company or any of its subsidiaries.

Redemption Prior to Maturity

The Debentures may be redeemed, at the option of the Company, after October 31, 2009 and prior to the Maturity Date in whole or in part, at a redemption price equal to the principal amount thereof, together with any accrued and unpaid interest subject to certain conditions described under "Description of Debentures — Redemption and Purchase". Holders of Debentures should assume that this redemption option will be exercised if the Company is able to refinance at a lower interest rate or it is otherwise in the interest of the Company to redeem the Debentures.

Inability of the Company to Purchase Debentures

The Company will be required to offer to purchase all outstanding Debentures upon the occurrence of a Change of Control. However, it is possible that following a Change of Control, the Company will not have sufficient funds at that time to make the required purchase of outstanding Debentures or that restrictions contained in other indebtedness will restrict those purchases. See "Description of Debentures — Put Right Upon a Change of Control".

Conversion Following Certain Transactions

In the event of certain transactions, pursuant to the terms of the Debenture Indenture, each Debenture will become convertible into securities, cash or property receivable by a holder of IPSs in the kind and amount of securities, cash or property as if such holder had converted the Debentures into IPSs prior to completion of the transaction. This change could substantially reduce or eliminate any potential future value of the conversion privilege associated with the Debentures. For example, if the Company were acquired in a cash merger, each Debenture would become convertible solely into cash that would no longer be convertible into securities whose value would vary depending on the Company's future prospects and other factors. See "Description of Debentures — Conversion Privilege".

U.S. Federal Income Tax Risks

There can be no assurance that U.S. federal income tax laws and IRS administrative policies respecting the U.S. federal income tax consequences generally applicable to a holder of Debentures or Common Shares and Subordinated Notes, as represented by IPSs, will not be changed in a manner which adversely affects Non U.S. Holders.

There is no authority that directly addresses the tax treatment of securities similar to the Debentures. In light of this absence of direct authority, it cannot be concluded with certainty that the Debentures will be treated as debt for U.S. federal income tax purposes, and, although the Company intends to take the position that the Debentures are debt for U.S. federal income tax purposes, there can be no assurance that this position will not be challenged by the IRS. If such a challenge were sustained, interest payments on the Debentures would be recharacterized as non deductible distributions with respect to the Company's equity, and the Company's net taxable income which is effectively connected income and thus its U.S. federal income tax liability would be materially increased. As a result, the Company's after tax cash flow would be reduced and the Company's ability to make interest payments on the Debentures and Subordinated Notes and distributions with respect to Common Shares could be materially adversely impacted.

MARKET FOR SECURITIES

The IPSs are listed and posted for trading on the TSX under the symbol ATP.UN. The following table sets forth the price ranges and volume of trading of the outstanding IPSs as reported by the TSX for the periods indicated.

Period	High (Cdn$)	Low (Cdn$)	Volume
January 2008	11.00	9.90	2,127,800
February 2008	10.65	10.08	2,092,400
March 2008	10.50	9.67	2,021,100
April 2008	10.38	9.90	2,572,400
May 2008	10.38	9.88	1,539,800
June 2008	10.16	7.37	3,189,100
July 2008	8.86	6.28	7,206,400
August 2008	9.30	7.08	3,178,400
September 2008	9.09	6.83	2,268,200
October 2008	8.22	5.00	2,872,600
November 2008	8.53	4.90	3,653,400
December 2008	8.39	6.66	2,473,000

The Convertible Debentures are listed and posted for trading on the TSX under the symbol ATP.DB. The following table sets forth the price ranges and volume of trading of the outstanding Convertible Debentures as reported by the TSX for the periods indicated.

Period	High (Cdn$)	Low (Cdn$)	Volume (Cdn$)
January 2008	101.00	99.00	951,000
February 2008	102.00	100.01	467,000
March 2008	102.00	100.56	497,000
April 2008	101.03	98.01	663,000
May 2008	101.00	99.00	2,920,000
June 2008	101.00	99.50	1,166,000
July 2008	101.00	99.50	741,000
August 2008	102.00	100.50	123,000
September 2008	102.00	98.00	771,000
October 2008	99.00	85.25	583,000
November 2008	97.75	91.00	395,000
December 2008	94.80	75.00	466,000

DIRECTORS, OFFICERS AND MANAGEMENT

The Company

Directors of the Company

The Company's articles of continuance do not provide for a minimum or maximum of directors, and there are no residency requirements. The directors of the Company are Irving Gerstein, Kenneth Hartwick, John McNeil, William Whitman and Barry Welch, the first four of whom are unrelated to and independent (for regulatory purposes) of the Company and its subsidiaries, the Former Investors and the Manager. Directors will be elected at each annual meeting of shareholders of the Company. The term of office for each of the directors will expire at the time of the next annual meeting of shareholders of the Company. A director may be removed by a resolution passed by a majority of the shareholders or may resign. The vacancy created by the removal of a director must be filled at the shareholder meeting at which he or she was removed. A vacancy not so filled at a shareholder meeting, or created by the resignation of a director, may be filled by a quorum of the remaining directors. A quorum for meetings of directors is a majority of the directors, provided that where the number of directors is two, both directors must be present to constitute a meeting. If there is no quorum of directors, a special meeting of shareholders must be called to fill vacancies.

The directors supervise the activities and manage the affairs of the Company, including acting for, voting on behalf of and representing the Company as a holder of membership interests in Atlantic Holdings.

Governance of the Company

In lieu of a corporate governance and compensation committee, the directors are directly responsible for developing the Company's approach to governance issues, filling vacancies among the directors and periodically reviewing the composition and effectiveness of the directors, the contribution and compensation of individual directors and oversight of Holdings. The directors also review and approve awards for the Manager's employees' under Atlantic Holdings' long term incentive plan, which was approved by the Company's shareholders at the annual and special meeting of shareholders held on June 7, 2006.

The board of directors is also responsible for adopting and periodically reviewing and updating the written disclosure policy for the Company and its subsidiaries. This policy, among other things:

- articulates the legal obligations of the Company, its affiliates and their respective directors, managers, officers and employees with respect to confidential information;
- identifies spokespersons of the Company, who are the only persons authorized to communicate with third parties such as analysts, media and investors;
- provides guidelines on the disclosure of forward-looking information; and
- provides guidelines to prevent the selective disclosure of material information and to ensure that if selective disclosure of material information does occur, a news release is issued immediately.

Remuneration of the Non-Management Directors (Amounts in actual dollars)

Compensation for non-management directors of the Company is $40,000 per year and $1,500 per director for attending board or committee meetings in person. The Chairman of the board and the Chairman of the audit committee each receive an additional $10,000 per year. Non-management directors receive $500 for attending meetings by phone. Directors are reimbursed for out-of-pocket expenses for attending board meetings. Under the deferred share unit plan adopted by the Company's board of directors on April 24, 2007 (the "DSU Plan"), each non-management director is entitled to elect to have fees paid to them by the Company for their services as directors contributed to the DSU Plan. For further details on the DSU Plan, please see the Company's information circular relating to the annual and special meeting of shareholders of the Company held on June 6, 2007. Directors participate in the insurance and indemnification arrangements described below.

Management and Administration

The Company has no executive officers and engages the Manager to provide certain services pursuant to the Management Agreement. The Company may directly retain professionals and other service providers from time to time to provide advice and other administrative services directly to the Company.

The following table sets out the name, province or state of residence, positions with the Company and Atlantic Holdings and principal occupation of the individuals who are directors of the Company as at the date hereof.

Name and Province/State of Residence	Position(s)	Principal Occupation
IRVING GERSTEIN (1), ... Ontario, Canada	Chairman of the Board of Directors of the Company	Corporate Director; Senator (Senate of Canada)
KENNETH HARTWICK (1), ... Ontario, Canada	Director and Chairman of the Audit Committee of the Company	CEO and President, Ontario Energy Savings Corp.
JOHN MCNEIL (1) ..... Ontario, Canada	Director of the Company	President, Barker, Dunn & Rossi (Canada)
WILLIAM WHITMAN (1) ..... New Jersey, U.S.A.	Director of the Company	Senior Vice President, NW Financial Holdings LLC
BARRY WELCH ..... Massachusetts, USA	Director of the Company and Manager of Atlantic Holdings	President and Chief Executive Officer of the Manager

(1) Member of the audit committee of the Company.

As of December 31, 2008, the directors of the Company and executive officers of the Manager, as a group, beneficially owned, directly or indirectly, or exercised control or direction over, 80,351 IPSs, representing approximately 0.1% of the outstanding IPSs of the Company.

Biographies

Senator Irving R. Gerstein, C.M., O.Ont: Senator Gerstein has been a director of the Company since October 2004. He is a retired executive. Senator Gerstein is a director of Medical Facilities Corporation, Student Transportation of America Ltd., Student Transportation of America ULC and Economic Investment Trust Limited. He previously served as a director of other public issuers, including CTV Inc., Traders Group Limited, Guaranty Trust Company of Canada, Confederation Life Insurance Company and Scott's Hospitality Inc., and as an officer and director of Peoples Jewellers Limited. Senator Gerstein is a Member of the Order of Canada and a Member of the Order of Ontario and was appointed to the Senate of Canada in December 2008. He is an honorary director of Mount Sinai Hospital (Toronto), having previously served as Chairman of the Board, Chairman Emeritus and a director over a period of 25 years, and is currently a member of its Research Committee. Senator Gerstein received his BSc. in Economics from the University of Pennsylvania (Wharton School of Finance and Commerce). During Senator Gerstein's service as a director of each of Peoples Jewellers

Limited and Confederation Life Insurance Company bankruptcy proceedings were initiated (and, in the case of Peoples Jewellers Limited, claims were made against senior executives of the company, including Senator Gerstein); all of the creditor and other claims were settled. Senator Gerstein also entered into a settlement of personal claims arising primarily from participation in a Peoples Jewellers Limited share incentive plan.

Kenneth Hartwick, C.A.: Mr. Hartwick has been a director of the Company since October 2004. Ken Hartwick has over 13 years of management experience in the energy sector, and 20 years experience in the financial sector. Mr. Hartwick's experience in the energy industry spans several markets having played an integral role as Energy Savings' Chief Financial Officer since April 2004 launching Energy Savings' businesses in Alberta, British Columbia, Indiana, and Texas as well as growing the businesses already established in Manitoba, Ontario, Quebec, Illinois, and New York. As well as serving as the current President and CEO for Energy Savings, an integrated retailer of commodity products, Mr. Hartwick understand the issues facing generation businesses through his role on the Board of the Atlantic Power Corporation. He has been engaged in the energy industry with one of the largest distribution companies in North America, Hydro One Inc, gaining increasing executive-level responsibility throughout his career there, and providing strategic direction as Ontario transitions towards a competitive energy marketplace.

John McNeil: Mr. McNeil has been a director of the Company since October 2004. Mr. McNeil is President of BDR NorthAmerica Inc. ("BDR") an energy consulting company based in Toronto. Ontario. Prior to his appointment at BDR in 2000, Mr. McNeil was Managing Director Investment Banking with Scotia Capital Inc. from 1996 to 1999. Previously, he was a Senior Vice-President and Director of ScotiaMcLeod Inc. from 1991 to 1995. Mr. McNeil has extensive expertise in the areas of asset management models, capitalization, mergers and acquisitions, business and enterprise valuations, capital markets and market ratings and has worked extensively throughout North America and Europe. Mr McNeil has been a member of the Electricity Task Force of The Toronto Board of Trade since 1996. Mr. McNeil specializes in the electric power sector and his major focus in recent years has been in the field of corporate and enterprise unbundling and reconstitution resulting from the restructuring of the electricity sector in North America. Mr. McNeil received a B.A. (Honours) from Queens University, a Bachelor of Laws from the University of Toronto and a Master of Business Administration from the University of British Columbia.

William Whitman: Mr. Whitman has been a director of the Company since December 2006. Mr. Whitman is currently an independent consultant advising and representing clients on energy-from-waste matters. Prior to April, 2008, he was Senior Vice President of NW Financial Group, LLC ("NW"), an investment bank specializing in municipal finance. Mr. Whitman has over twenty years of experience in structuring and managing waste-to-energy projects. At NW, Mr. Whitman helps clients structure and finance projects, providing essential public services such as waste disposal and water treatment. From July 2003 to March 2004, Mr. Whitman was a contract employee of MSW Energy Holdings LLC ("MSW"), where he fulfilled the duties of Chief Financial Officer. MSW owns a 50% indirect membership interest in Ref-Fuel Holdings LLC, which is one of the largest owners and operators of waste-to-energy projects in the United States. Prior to joining MSW, Mr. Whitman played a leading role in the start-up and management of Covanta's (formerly Ogden Corporation) waste-to-energy business from 1987 to 2002. At Covanta, Mr. Whitman directed financial operations, resolved contract and client issues and generally helped to manage day-to-day operations. He was also involved in the structuring and financing of several of the waste-to-energy projects and led the restructuring of distressed projects. Mr. Whitman served as Chief Financial Officer of Ogden Energy Group from 1990 to 2001 and Senior Vice-President of Covanta from 2001 to 2002. During Mr. Whitman's service as a senior officer of Covanta, Covanta filed voluntary petitions for reorganization under Chapter 11 of the U.S. Bankruptcy Code. On March 10, 2004, Covanta and 79 of its affiliates, comprising Covanta's energy and water businesses, were acquired by Danielson Holding Corporation. With the closing of this transaction, Covanta and these affiliates emerged from bankruptcy protection. Mr. Whitman received a Bachelor of Science degree in Environmental Engineering from Syracuse University and a Master of Business Administration from Carnegie Mellon University.

Barry Welch: Mr. Welch has been President and Chief Executive Officer of the Manager since October 1, 2004, a manager of Atlantic Holdings since November 2004, and a director of the Company since

June 2007. Prior to joining the Manager, Mr. Welch was the Senior Vice President and head or co-head of the Bond & Corporate Finance Group of John Hancock from 2000 to 2004. Mr. Welch served on several committees at John Hancock, including its Pension Investment Advisory Committee and Investment Operating Committee. Mr. Welch was Chairman of John Hancock's Bond Investment Committee and reported monthly on investment portfolio, strategy and activity to the Committee of Finance of John Hancock's board of directors. Mr. Welch also led the development and approval of Hancock's involvement with Fund I and served as a member of Fund I's Investment Committee. Previously at John Hancock, Mr. Welch headed the Bond and Corporate Finance Group's Power and Energy investment team. From 1989 to 2004, he was involved indirectly or oversaw $25 billion of investments in over 1,000 utility, project finance and oil & gas transactions. Prior to joining John Hancock, Mr. Welch spent over three years as a developer of power projects at Thermo Electron Corporation's Energy Systems Division (later known as Thermo Ecotek). There he was involved in greenfield development of natural gas, wood and waste-to-energy projects, as well as asset management roles for operating plants. Mr. Welch received a Bachelors of Science in Mechanical and Aerospace Engineering from Princeton University and a Master of Business Administration from Boston College. Mr. Welch serves on the board of Directors of the Walker Home and School in Needham, Massachusetts.

Management

Atlantic Holdings has no executive officers. Management and administrative services are provided to Atlantic Holdings by the Manager pursuant to the Management Agreement.

Insurance Coverage for Directors and Managers and Indemnification

The Company has obtained a policy of insurance for the directors of the Company and for the managers of Atlantic Holdings. Under the policy, each of the Company and Atlantic Holdings has reimbursement coverage to the extent that it has indemnified the directors or managers. The policy includes securities claims coverage, insuring against any legal obligation to pay on account of any securities claims brought against the directors of the Company or the managers of Atlantic Holdings. The total limit of liability is shared among the directors of the Company and the managers of Atlantic Holdings so that the limit of liability will not be exclusive to any one of the respective directors or managers.

The by-laws of the Company and the Operating Agreement for Atlantic Holdings provide for the indemnification of their respective directors, managers and officers (if any) from and against liability and costs in respect of any action or suit brought against them in connection with the execution of their duties of office, subject to certain limitations.

The Manager

The Manager is a Delaware limited liability company formed by ArcLight and the Former Investors. The names, states of residence, positions with the Manager and principal occupations of the officers of the Manager, if different from position(s) held with the Manager, together with brief biographies of those who are not members of the board of managers of Atlantic Holdings, are set out below. Each of the officers listed in the table below are full-time employees of the Manager. In addition to the officers listed below, the Manager has contracted with ArcLight to obtain certain support services and for possible secondment of ArcLight employees from time to time as appropriate to assist the Manager in fulfilling its responsibilities under the Management Agreement.

Name and State of Residence	Position(s)	Principal Occupation, if different from position(s) held with the Manager
BARRY WELCH..... Massachusetts, USA	President and Chief Executive Officer	—
PATRICK WELCH ..... Massachusetts,USA	Chief Financial Officer and Corporate Secretary	—

PAUL RAPISARDA Massachusetts, USA	Managing Director, Asset Management and Acquisitions	—

Additional Biographies

Patrick Welch, CPA: Mr. Welch, who is not related to Barry Welch, has been the Chief Financial Officer and Corporate Secretary of the Manager since May 2006, and has an extensive background in the energy and independent power industries. Mr. Welch's previous position was Vice President and Controller of DCP Midstream, LP ("DCP") and DCP Midstream Partners, LP ("DCPLP") headquartered in Denver, Colorado. DCP is a private midstream natural gas company owned by Spectra Energy and ConocoPhillips and DCPLP is a public master limited partnership sponsored by DCP. In these roles, Mr. Welch was responsible for all accounting, budgeting, SEC and financial reporting and compliance with Section 404 of the *Sarbanes-Oxley Act of 2002* for DEFS and DCPLP. Prior to that, Mr. Welch held various positions at Dynegy Inc. in Houston, Texas, including Vice President and Controller for Dynegy Generation, and Assistant Corporate Controller. Prior to Dynegy, Mr. Welch was a Senior Audit Manager in the Energy, Utilities and Mining Practice of PricewaterhouseCoopers LLP, predominantly in Houston, Texas, where he served several major energy clients. Mr. Welch received his bachelor's degree from the University of Central Oklahoma and is a Certified Public Accountant.

Paul Rapisarda: Mr. Rapisarda has 25 years of experience in energy, utility and independent power investment banking. From 2001 to early 2008 he was a Principal with Compass Advisors, a boutique M&A advisory firm in New York, where he was involved in numerous strategic advisory, restructuring and principal transactions in the energy and power sectors. Prior to Compass Advisors, Mr. Rapisarda held senior positions with the energy and utilities investment banking teams at Schroders, Merrill Lynch and BT Securities. Prior to that he was a Managing Director and Co-Head, Utilities and Structured Finance, at Drexel Burnham Lambert. While at Drexel, he also worked with the firm's chief financial officer in making direct tax-oriented investments on the firm's behalf. Over the course of his career, Mr. Rapisarda has worked on a broad range of capital markets and advisory transactions including substantial experience in cross-border and emerging markets. He earned his Bachelors degree from Amherst College and his MBA from Harvard Business School.

Management Agreement

The Manager has been engaged to provide or cause to be provided management and administrative services to Atlantic Holdings and its subsidiaries pursuant to the terms of the Management Agreement. These management and administrative services include: (i) representing Atlantic Holdings' interests in the Project Holding Entities and their subsidiaries and overseeing the operation of the Projects; (ii) assisting in the development, implementation and monitoring of strategic plans; (iii) assisting in the development an annual budget and an annual distributable cash forecast; (iv) assisting with treasury, legal and compliance, financing and risk assessment activities; (v) reviewing the budgets and schedules for major maintenance proposed for the Projects; (vi) assisting in the preparation of financial reports in respect of the Projects and any future projects; (vii) assisting in the negotiation of material agreements; (viii) monitoring compliance with the annual budget, applicable laws and distributable cash forecast; (ix) assisting in and supervising the analysis of potential acquisitions, investments and dispositions; (x) carrying out or supervising the making of acquisitions, dispositions and investments; (xi) retaining accountants, lawyers, consultants, investment bankers and other such professional advisers; and (xii) assisting in the preparation, planning and coordination of meetings of the board of managers of Atlantic Holdings and holders of membership interests in Atlantic Holdings.

Under the Management Agreement, the Manager, if requested by the Company, has also agreed to provide certain administrative services to the Company including: (i) assisting the Company in complying with its continuous disclosure obligations under applicable securities legislation; (ii) providing or causing to be provided to holders of securities of the Company, all information to which they are entitled under the constating documents of the Company, the Indenture and applicable laws; (iii) monitoring compliance of the Company with applicable laws; (iv) advising on and negotiating any financings by the Company; (v) providing for the calculation and distribution of interest payments and distributions to holders of IPSs, the Subordinated Notes and any other securities issued by the Company; and (vi) assisting in the preparation, planning and coordination of meetings of the board of directors of the Company and holders of Common Shares of the Company.

Pursuant to the Management Agreement, a number of material actions may not be authorized by the Manager without first obtaining the approval of the managers of Atlantic Holdings or the board of directors of the Company, as applicable, including: (i) adopting, amending or materially deviating from annual budget; (ii) taking any action by or on behalf of a Project Holding Entity, any subsidiary of a Project Holding Entity or any Project Operating Entity that may have a material impact on the annual distributable cash forecast; (iii) disposing of any material assets; and (iv) raising capital by way of an issuance of securities of Atlantic Holdings or the Company. Without the approval of a majority of the Atlantic Holdings' managers and the approval of a majority of the Company's directors who are independent of the Manager, its affiliates and associates, the Manager**,** on behalf of Atlantic Holdings or the Company or a subsidiary or affiliate of Atlantic Holdings or the Company, may not (i) enter into any material transaction with the Manager or an affiliate of the Manager; or (ii) amend any existing material terms of the Management Agreement or fees payable thereunder.

In consideration for providing the management and administrative services under the Management Agreement, the Company pays the Manager: (i) an annual management fee; (ii) payments representing cost reimbursement; and (iii) an incentive fee. The annual management fee is an amount equal to approximately $343,000, subject to adjustment for any future acquisitions or investments on the basis that the annual fee will increase by an amount agreed between the Manager, Atlantic Holdings and the Company, as approved by the directors of the Company who are independent of the Manager and its affiliates and associates, taking into consideration the increased service levels required and the resource requirements imposed as a result of or created by such acquisition or investment. The annual fee is subject to adjustment for inflation and is payable monthly in advance on the first business day of each month. In addition, the Path 15 Project directly pays the Manager an annual fee of $266,000, which is subject to adjustment for inflation. The Manager is entitled to be reimbursed for all out-of-pocket costs and expenses reasonably incurred by the Manager or its affiliates in carrying out the management and administrative services including reasonable allocations for charges incurred by the Manager for services provided by ArcLight pursuant to the agreement described below and for any other services provided by affiliates of the Manager (which charges are reimbursed on a cost recovery basis). The allocations for such charges are subject to the approval by the managers of Atlantic Holdings and the directors of the Company independent of the Manager and its affiliates and associates either by the annual budget approval or by specific authorization.

The incentive fee is designed to enhance the profitability and cash flow of Atlantic Holdings and thus, that of the Company. The Manager is entitled to an annual incentive fee equal to 25% of the product obtained by multiplying (i) the excess of the cash distributed per IPS (or, following the redemption, repurchase or maturity of all of the Subordinated Notes or separation of all of the IPSs, per Common Share) in any fiscal year over the Targeted Cash Distribution by (ii) the weighted average number of IPSs and Common Shares not represented by IPSs outstanding for the relevant calendar year or part thereof, subject to customary anti-dilution provisions. The incentive fee will be adjusted in any given fiscal year to account for any period less than a full year during which the Manager provides services under the Management Agreement. The incentive fee will also be adjusted in various other circumstances, including certain events which affect the capital of the Company.

The Management Agreement has an initial 20-year term through November 2024 and will be automatically renewed for additional five-year terms unless, at least six months prior to the expiration of the then current term, a majority of the managers of Atlantic Holdings and a majority of the directors of the Company who are independent of the Manager and its affiliates and associates determine that the Management Agreement will not be renewed and notify the Manager accordingly. Atlantic Holdings and the Company have the right to terminate the Management Agreement earlier in circumstances of: (i) bankruptcy, insolvency or receivership of the Manager; (ii) fraud, wilful default or gross negligence committed by the Manager; or (iii) default by the Manager in the performance of a material obligation under the Management Agreement, if (1) such default is not caused by an event of force majeure, and (2) such default is not cured within 60 days of written notice being given by Atlantic Holdings to the Manager of the default, or if such default is not reasonably capable of being cured within 60 days, the Manager has not taken all reasonable steps to cure such default as soon as possible thereafter but in any event within 120 days. The Manager has the right to terminate the Management Agreement earlier (i) in the event of (1) the bankruptcy, insolvency or receivership of Atlantic

Holdings or the Company, or (2) a default by Atlantic Holdings or the Company in the performance of a material obligation under the Management Agreement (other than as a result of the occurrence of a force majeure event) which is not remedied within 60 days after notice thereof has been delivered, or if such default is not reasonably capable of being cured within 60 days, or if such default is not reasonably capable of being cured within 60 days, Atlantic Holdings or the Company has not taken all reasonable steps to cure such default as soon as possible thereafter but in any event within 120 days; or (ii) upon 90 days' prior written notice to Atlantic Holdings and the Company.

Atlantic Holdings or the Company may terminate the Management Agreement upon 90 days' prior written notice if: (i) while Atlantic Power Management Holdings, LLC ("APM") owns the Manager, ArcLight should cease to be the manager of the members of APM; or (ii) APM sells the Manager and ArcLight ceases to have a significant influence over the operation of the Manager, in either case, without the prior written consent of the managers of Atlantic Holdings and the directors of the Company who are independent of the Manager and its affiliates and associates, which consents shall not be unreasonably withheld.

No party shall sell or assign its rights or obligations under the Management Agreement to a third party without the prior written consent of the other parties, which consent may not be unreasonably withheld (unless the assignee is not a reputable and experienced manager), except (i) in the case of Atlantic Holdings or the Company, to a bona fide lender as security, including as security for any guarantee granted by Atlantic Holdings or the Company in respect of the obligations of its affiliates to any third party or parties providing bona fide financing to such affiliates; or (ii) in the case of the Manager, to a direct or indirect wholly-owned subsidiary of APM the sole member of the Manager, or any entity controlled by ArcLight.

The Manager may delegate the performance of any of its duties and obligations under the Management Agreement, but no such delegation will relieve the Manager of its responsibilities for ensuring the performance of its duties and obligations under the Management Agreement. The Manager may, with the prior approval of a majority of the managers of Atlantic Holdings and the approval of a majority of the directors of the Company who are independent of the Manager and its affiliates and associates, contract with affiliates to provide services to the Company and Atlantic Holdings not otherwise provided for in the Management Agreement, such as advisory and investment banking services.

The Manager, its affiliates and associates and any person who is serving or shall have served as a director, manager, officer, employee, subcontractor, secondee or agent of the Manager shall be indemnified and saved harmless by Atlantic Holdings and, if services are being or have been provided to the Company, the Company from and against all losses, claims, damages, liabilities, obligations, costs and expenses (including judgments, fines, penalties, amounts paid in settlement and counsel and accountants' fees) of whatsoever kind or nature incurred by, borne by or asserted against any of such indemnified parties in any way arising from or related in any manner to the Management Agreement, unless such claims arise principally and directly from the fraud, wilful default or gross negligence of the Manager, its affiliates or associates or any person who is serving or shall have served as a director, manager, officer, employee, subcontractor, secondee or agent of the Manager.

The Manager and ArcLight have entered into an agreement (the "Management Support Agreement") which provides that certain ArcLight employees will be available to provide administrative and office support services to the Manager and that ArcLight employees may be seconded to the Manager from time to time as appropriate to enable the Manager to fulfill its responsibilities under the Management Agreement. Services and resources provided by ArcLight under the Management Support Agreement will be provided to the Manager on a cost recovery basis. The Management Support Agreement requires ArcLight and its affiliates to give the Manager the opportunity to pursue, on behalf of the Company and Atlantic Holdings, investment opportunities that do not fit within the investment guidelines for Fund I, Fund II or other investment funds managed by ArcLight or its affiliates or that do fit within such investment guidelines but which such investment funds determine not to pursue.

Conflicts of Interest

ArcLight and its affiliates and their employees or agents are engaged or invest directly or indirectly in a variety of other companies or other entities involved in owning, managing or advising on or otherwise engaged in the business of the generation, production, transmission, distribution, purchase and sale of electricity, other forms of energy-related projects, infrastructure projects, utility projects or other businesses.

Affiliates of ArcLight currently act, and may hereafter act, as managers to investment funds whose investment criteria encompass investments in power generation facilities in Canada and the U.S. In particular, affiliates of ArcLight are the general partners of Fund I, Fund II, Fund III and Fund IV, which invest in power generation, transmission and distribution assets as well as power-related fuel, services and equipment businesses, primarily in the United States. Existing and future agreements governing investment funds managed by affiliates of ArcLight, including the agreements governing Fund I and Fund II, require, and are expected to require in the case of future agreements, that suitable investments for such investment funds identified by ArcLight first be offered to the investment funds. The Management Support Agreement requires that ArcLight and its affiliates give the Manager the opportunity to pursue, on behalf of the Company and Atlantic Holdings, investment opportunities that do not fit within the investment guidelines for Fund I, Fund II or other investment funds managed by ArcLight or its affiliates or that do fit within such investment guidelines but which such investment funds determine not to pursue. None of ArcLight or its affiliates is prohibited by any agreement with Atlantic Holdings or the Company from competing with Atlantic Holdings or the Company, or from acquiring, investing in, or providing administrative or managerial services to, a competitor of Atlantic Holdings or the Company.

AUDIT COMMITTEE

The Company has established an audit committee comprised of four directors: Kenneth Hartwick (Chair), Irving Gerstein, William Whitman and John McNeil, each of whom is considered "independent" and "financially literate" within the meaning of Multilateral Instrument 52-110 – *Audit Committees*. The audit committee is responsible for the oversight and supervision of the accounting and financial reporting practices and procedures of the Company, the adequacy of internal accounting controls and procedures and the quality and integrity of financial statements of the Company. The independent auditors of the Company report directly to the audit committee. In addition, the audit committee is responsible for directing the auditors' examination of specific areas and for recommending to the Company's board of directors the selection of independent auditors of the Company. The charter of the audit committee is attached hereto as Appendix "A".

Relevant Education and Experience of Audit Committee Members

In addition to each member's general business experience, the education and experience of each audit committee member that is relevant to the performance of his responsibilities as an audit committee member is set forth in their respective biographies above under "Directors, Officers and Management".

External Auditor Service Fees

During the years ended December 31, 2008 and 2007, the Company retained its principal accountant, KPMG LLP, to provide services in the categories and for the amounts that follow (Cdn$):

Audit fees	2008	2007
Atlantic Corporate	335,000	385,000
Project Partnerships	448,127	404,789
Total audit fees	783,127	789,789
Audit related fees	217,500	216,000
Tax fees	435,975	568,866
Other	24,500	-

The nature of each category of fees is described below.

Audit related fees

Audit related fees were paid for reviews of interim financial statements in both 2008 an 2007.

Tax Fees

Tax fees were paid for tax compliance services and tax advice and planning, including preparation of U.S. federal and state and Canadian federal and provincial tax returns and supporting schedules, as well as information forms.

Other

Other fees were paid for a training course on International Financial Reporting Standards given to the Company by KPMG.

Pre-Approval Policies and Procedures

The Company's audit committee has adopted specific policies and procedures for the engagement of non-audit services. The policies and procedures for such engagement are set out in the audit committee's charter attached hereto as Appendix "A".

Audit Committee Oversight

At no time since the commencement of the Company's most recently completed financial year has a recommendation of the audit committee to nominate or compensate an external auditor not been adopted by the board of directors of the Company.

LEGAL PROCEEDINGS

In the ordinary course of business, the Company and its subsidiaries and each Project Operating Entity may, from time to time, be subject to various pending and threatened lawsuits in which claims for monetary damages are asserted. To the knowledge of the Company, none of the Company or its subsidiaries or any Project Operating Entity is involved in any legal proceeding which is expected to have a material effect on the Company and no legal proceedings of a material nature are pending or to the knowledge of the Company threatened against the Company or its subsidiaries or any Project Operating Entity.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

To the knowledge of the Company, except as may be described elsewhere in this annual information form, no director, manager or executive officer of the Company or any of its subsidiaries, no executive officer of the Manager, no person or company that is the director or indirect beneficial owner of, or who exercises control or direction over, more than 10% of any class or series of the outstanding voting securities of the Company and no associate or affiliate of any of the foregoing persons or companies, has or has had any material interest, direct or indirect, in any transaction that has materially affected or will materially affect the Company since the closing of the IPO.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the IPSs and the Common Shares is Computershare Investor Services Inc. at its principal office in Toronto, Ontario.

MATERIAL CONTRACTS

The only material contracts, other than contracts entered into in the ordinary course of business, that were entered into within the financial year ended December 31, 2008, or prior to the year ended December 31, 2008 but which are still in effect, by the Company and/or Atlantic Holdings are as follows:

- the Indenture described under "The Company – Description of Subordinated Notes";
- the Operating Agreement described under "Atlantic Holdings – Operating Agreement";
- the Management Agreement described under "Directors, Officers and Management – Management Agreement;
- the Amended Credit Facility, particular provided under "Glossary of Terms";
- the Debenture Indenture described under "The Company – Description of Debentures".

Copies of these contracts can be found on SEDAR at www.sedar.com. Additionally, copies of these agreements may also be examined at the head and principal office of the Company during normal business hours.

INTERESTS OF EXPERTS

KPMG LLP, the auditor of the Company, has been named as having prepared or certified a statement, report or valuation described or included in a filing, or referred to in a filing, made under National Instrument 51-102 – *Continuous Disclosure Obligations* by the Company during, or relating to, the Company's financial year ended December 31, 2008. KPMG is independent of the Company within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario.

ADDITIONAL INFORMATION

Additional information relating to the Company may be found on SEDAR at www.sedar.com.

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities, is contained in the Company's information circular relating to the annual and special meeting of shareholders of the Company held on June 6, 2007. Additional financial information is provided in the Company's financial statements and management's discussion and analysis for the year ended.

APPENDIX "A"

ATLANTIC POWER CORPORATION

AUDIT COMMITTEE

CHARTER

The Audit Committee (the "**Committee**") of Atlantic Power Corporation (the "**Company**") is established in order to assist the board of directors of the Company in their oversight activities. The purpose of the Committee is to assist the board in its oversight and supervision of:

- the integrity of the Company's accounting and financial reporting practices and procedures,
- the adequacy of the Company's internal accounting controls and procedures,
- the quality and integrity of the Company's consolidated financial statements, and
- the independence and performance of the Company's independent auditor.

Composition:

- The board of directors of the Company shall elect annually from among its members a committee to be known as the Audit Committee to be composed of three directors who qualify as "independent directors" within the meaning of "independence" in Multilateral Instrument 52-110 – Audit Committees (the "Audit Committee Rule") and each of whom is "financially literate" (or will become so within a reasonable period of time following his or her appointment) within the meaning of the Audit Committee Rule.[1]

- A member of the Committee who sits on the board of directors/managers of an affiliated entity is exempt from the requirement that he or she be independent if that member, except for being a director/manager (or member of a board committee) of the Company and the affiliated entity, is otherwise independent of the Company and the affiliated entity, provided that the board has determined that appointing such member to the Committee will not materially adversely affect the ability of the Committee to act independently.

- If a member of the Committee ceases to be independent for reasons outside that member's reasonable control, that member is exempt from the requirement to be independent for a period ending on the later of:

  (a) the next annual meeting of the Company; and

  (b) the date that is six months from the occurrence of the event which caused the member to not be independent,

  provided that the board of directors has determined that appointing such member to the Committee will not materially adversely affect the ability of the Committee to act independently.

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[1] See "Definitions" with this Audit Committee Charter.

- Where the death, disability or resignation of a member of the Committee has resulted in a vacancy on the Committee that the board is required to fill, a member appointed to fill such vacancy is exempt from the requirements to be independent and financially literate for a period ending on the later of:

  (a) the next annual meeting of the Company; and

  (b) the date that is six months from the day the vacancy was created,

  provided that the board of directors has determined that appointing such member to the Committee will not materially adversely affect the ability of the Committee to act independently.

Reports:

The Committee shall report to the board of directors of the Company on a regular basis and, in any event, before the public disclosure by the Company of its quarterly and annual financial results. The reports of the Committee shall include any issues of which the Committee is aware with respect to the quality or integrity of the Company's consolidated financial statements, its compliance with legal or regulatory requirements, and the independence and performance of the Company's independent auditor.

Responsibilities:

Subject to the powers and duties of the board of directors of the Company, the board hereby delegates to the Committee the following powers and duties to be performed by the Committee on behalf of and for the board of directors of the Company:

Financial Statements and Other Financial Information

The Committee shall:

(i) review the Company's consolidated annual audited financial statements and related documents prior to any public disclosure of such information;

(ii) review the Company's consolidated interim unaudited financial statements and related documents prior to any public disclosure of such information;

(iii) following a review with management and the independent auditor of such annual and interim consolidated financial statements and related documents, recommend to the board of directors of the Company the approval of such financial statements and related documents;

(iv) review with management and/or the independent auditor all critical policies and practices used as well as significant management estimates and judgements and any changes in accounting policies or financial reporting requirements that may affect the Company's consolidated financial statements;

(v) review with management and/or the independent auditor the treatment in the financial statements of any significant transactions and other potentially difficult matters;

(vi) conduct an annual and semi-annual review of the expenses of the Manager and the Company;

(vii) review a summary provided by the Company's legal counsel of the status of any material pending or threatened litigation, claims and assessments respecting the Company and its subsidiaries; and

(viii) review the other annual financial reporting documents as well as management's discussion and analysis and earnings press releases of the Company prior to any disclosure to the public.

Financial Reporting Control Systems

The Committee shall:

(i) require management to implement and maintain appropriate internal controls, and use reasonable efforts to satisfy itself as to the adequacy of the Company's policies for the management of risk and the preservation of assets and the fulfillment of legislative and regulatory requirements;

(ii) annually, in consultation with management, the independent auditor and, if applicable, the officer or employee responsible for the internal audit function, review, evaluate and assess the adequacy and integrity of the Company's consolidated financial reporting processes and internal controls, and discuss significant financial risk, exposures and the steps management has taken to monitor, control and report such exposures;

(iii) if applicable, meet separately with the officer or employee responsible for the internal audit function to discuss any matters that the Committee or independent auditor believe should be discussed in private;

(iv) submit to the board of directors of the Company and the boards of directors/managers of its subsidiaries any recommendations the Committee may have from time to time with respect to financial reporting, accounting procedures and policies and internal controls;

(v) review reports from senior officers of the Company and its subsidiaries outlining any significant changes in financial risks facing the Company;

(vi) review the management letter of the independent auditor and the responses to suggestions made;

(vii) review any new appointments to senior positions of the Company, its subsidiaries and Atlantic Power Management, LLC with financial reporting responsibilities (such review may be carried out by the Chairman of the Committee);

(viii) satisfy itself that adequate procedures are in place for the review of the Company's disclosure of the Company's financial information extracted or derived from the Company's consolidated financial statements (other than the financial statements, management's discussion and analysis and earnings press releases) and periodically assess the adequacy of those procedures;

(ix) establish procedures for:

the receipt, retention and treatment of complaints received by the Company or its subsidiaries regarding accounting, internal accounting controls or auditing matters; and

the confidential, anonymous submission by employees of the Company or its subsidiaries of concerns regarding questionable accounting or auditing matters;

(x) review and approve the Company's (and its respective subsidiaries') hiring policies regarding partners, employees and former partners and employees of the present and former independent auditors of the Company; and

(xi) obtain assurance from the independent auditor regarding the overall control environment and the adequacy of accounting system controls.

(xii) review employee expense reports of the officers of the Manager on a semi-annual basis (performed by Chairman)

(xiii) review a summary of bank account of the Company on a semi-annual basis (performed by Chairman)

Independent Auditor

The Committee shall:

(i) review the audit plan with the independent auditor;

(ii) discuss in private with the independent auditor matters affecting the conduct of its audit and other corporate matters;

(iii) review the performance and the remuneration of the Company's independent auditor;

(iv) recommend to the board of directors of the Company each year the retention or replacement of the independent auditor to be nominated for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Company and the remuneration of the independent auditor;

(v) if there is a plan to change the independent auditor, review all issues related to the change and the steps planned for an orderly transition;

(vi) annually review and recommend for approval to the shareholders the terms of engagement and the remuneration of the independent auditor;

(vii) oversee the work of the independent auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Company, including the resolution of disagreements between management and the independent auditor regarding financial reporting;

(viii) discuss with the Company's independent auditor the quality and not just the acceptability of the Company's accounting principles;

(ix) meet with the Company's independent auditor on a regular basis in the absence of management;

(x) relay its expectations to the Company's independent auditor from time to time including its expectation that (i) any disagreements of a material nature with management be brought to the attention of the Committee, (ii) the independent auditor is accountable to the Committee and the board, each as representatives of the shareholders and must report directly to the Committee, (iii) any irregularities in the financial information be reported to the Committee, (iv) the independent auditor explains the process undertaken by it in auditing or reviewing the Company's financial disclosure, (v) the independent auditor discloses to the Committee any significant changes to accounting policies or treatment of the Company, (vi) the independent auditor discloses to the Committee any

reservations it may have about the financial statements or its access to materials and/or persons in reviewing or auditing such statements, and (vii) the independent auditor discloses any conflict of interest that may arise in its engagement;

(xi) review at least annually the non-audit services provided by the Company's independent auditor for the purposes of getting assurance that the performance of such services will not compromise the independence of the independent auditor; and

(xii) pre-approve all non-audit services to be provided to the Company or its subsidiary entities by its independent auditor or the independent auditor of its subsidiary entities,[2] provided that the Committee may delegate to one or more independent members the authority to pre-approve non-audit services in satisfaction of this requirement. The pre-approval of non-audit services by any member to whom authority has been delegated must be presented to the full Committee at its first scheduled meeting following such pre-approval.

Structure:

- The Committee shall appoint one of its members to act as Chairman of the Committee. The Chairman will appoint a secretary who will keep minutes of all meetings (the "Secretary"). The Secretary does not have to be a member of the Committee or a director and can be changed by simple notice from the Chairman.

- The Committee will meet as many times as is necessary to carry out its responsibilities but in no event will the Committee meet less than once a year. Meetings will be at the call of the Chairman. Notwithstanding the foregoing, the independent auditor of the Company or any member of the Committee may call a meeting of the Committee on not less than 48 hours' notice.

- No business may be transacted by the Committee except at a meeting of its members at which a quorum of the Committee is present or by a resolution in writing signed by all the members of the Committee. A majority of the members of the Committee shall constitute a quorum provided that if the number of members of the Committee is an even number one half of the number of members plus one shall constitute a quorum.

- Any member of the Committee may be removed or replaced at any time by the board of directors of the Company and shall cease to be a member of the Committee as soon as such member ceases to be a director. Subject to the foregoing, each member of the Committee shall hold such office until the next annual meeting of shareholders after his or her election as a member of the Committee.

- The independent auditor of the Company shall be entitled to receive notice of every meeting of the Committee and, at the expense of the Company, to attend and be heard thereat.

- The time at which and the place where the meetings of the Committee shall be held, the calling of meetings and the procedure in all respects of such meeting shall be determined by the Committee, or otherwise determined by resolution of the board of directors.

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[2] The Committee may satisfy the pre-approval requirement if: (a) the aggregate amount of all the non-audit services that were not pre-approved is reasonably expected to constitute no more than five per cent of the total amount of fees paid by the Company and its subsidiary entities to the Company's independent auditor during the fiscal year in which the services are provided; (b) the services were not recognized by the Company or the subsidiary entity of the Company at the time of the engagement to be non-audit services; and (c) the services are promptly brought to the attention of the Committee and approved, prior to the completion of the audit, by the Committee or by one or more members of the Committee to whom authority to grant such approvals has been delegated by the Committee. The pre-approval requirement applies to audit and non-audit services at subsidiary entities which are operated or otherwise controlled by the Company.

- The members of the Committee shall be entitled to receive such remuneration for acting as members of the Committee as the board of directors may from time to time determine.

Independent Advice:

In discharging its mandate the Committee shall have the authority to retain and receive advice from special legal, accounting or other advisors.

Annual Evaluation:

At least annually, the Committee shall, in a manner it determines to be appropriate:

- Perform a review and evaluation of the performance of the Committee and its members, including the compliance of the Committee with its terms of reference.
- Review and assess the adequacy of its terms of reference and recommend to the board of directors of the Company any improvements to its terms of reference that the Committee determines to be appropriate.

Limitation:

Nothing in this charter is intended to or shall have the effect of limiting or impairing the independent decision making authority or responsibility of any board of directors/managers of a subsidiary of the Company mandated by applicable law.

Definitions:

"**financially literate**" means the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's consolidated financial statements.

Meaning of Independence – an audit committee member is independent if he or she has no direct or indirect material relationship with the Company.[3]

"**material relationship**" means a relationship which could, in the view of the board of directors of the Company, be reasonably expected to interfere with the exercise of a member's independent judgement. Without limiting the generality of the foregoing, the following individuals are considered to have a material relationship with the Company:[4]

an individual who is, or has been within the last three years, an employee or executive officer[5] of the Company;

an individual whose immediate family member is, or has been within the last three years, an executive officer of the Company;

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[3] For the purpose of the definitions of "independent director" and "material relationship" in this section, "Company" includes a subsidiary entity of the Company and a parent of the Company, as applicable.

[4] An individual will not be considered to have a material relationship with the Company solely because he or she had a relationship identified in this definition if that relationship ended before March 30, 2004. An individual will not be considered to have a material relationship with the Company solely because the individual or his or her immediate family member has previously acted as an interim chief executive officer of the Company or acts, or has previously acted, as a chair or vice-chair of the board of directors or of any board committee of the Company on a part-time basis.

5 An "executive officer" includes any individual who performs a policy-making function in respect of the entity.

an individual who:

is a partner[6] of a firm that is the Company's internal or external auditor,

is an employee of that firm, or

was within the last three years a partner or employee of that firm and personally worked on the Company's audit within that time;

an individual whose spouse, minor child or stepchild, or child or stepchild who shares a home with the individual:

is a partner of a firm that is the Company's internal or external auditor,

is an employee of that firm and participates in its audit, assurance or tax compliance (but not tax planning) practice, or

was within the last three years a partner or employee of that firm and personally worked on the Company's audit within that time;

an individual who, or whose immediate family member, is or has been within the last three years, an executive officer of an entity if any of the Company's current executive officers serves or served at that same time on the entity's compensation committee; and

an individual who received, or whose immediate family member who is employed as an executive officer of the Company received, more than $75,000 in direct compensation[7] from the Company during any 12 month period within the last three years.[8]

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6 A partner does not include a fixed income partner whose interest in the firm that is the internal or external auditor is limited to the receipt of fixed amounts of compensation (including deferred compensation) for prior service with that firm if the compensation is not contingent in any way on continued service.

7 Direct compensation does not include: (a) remuneration for acting as a member of the board of directors or of any board committee of the Company; and (b) the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the Company if the compensation is not contingent in any way on continued service.

8 An individual who: (a) has a relationship with the Company pursuant to which the individual may accept, directly or indirectly, any consulting, advisory or other compensatory fee from the Company or any subsidiary entity of the Company, other than as remuneration for acting in his or her capacity as a member of the board of directors or any board committee, or as a part-time chair or vice-chair of the board or any board committee; or (b) is an affiliated entity of the Company or any of its subsidiary entities, is considered to have a material relationship with the Company. The indirect acceptance by an individual of any consulting, advisory or other compensatory fee includes acceptance of a fee by: (a) an individual's spouse, minor child or stepchild, or a child or stepchild who shares the individual's home; or (b) an entity in which such individual is a partner, member, an officer such as a managing director occupying a comparable position or executive officer, or occupies a similar position (except limited partners, non-managing members and those occupying similar positions who, in each case, have no active role in providing services to the entity) and which provides accounting, consulting, legal, investment banking or financial advisory services to the Company or any subsidiary entity of the Company. Compensatory fees do not include the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the Company if the compensation is not contingent in any way on continued service.