



ALGONQUIN POWER INCOME FUND

(an open ended investment trust created under the laws of the Province of Ontario)

NOTICE OF ANNUAL AND SPECIAL MEETING OF UNITHOLDERS

NOTICE IS HEREBY GIVEN that an annual and special meeting (the “**Meeting**”) of the unitholders of Algonquin Power Income Fund (the “**Fund**”) will be held on April 24, 2008 at 4:00 p.m. (Eastern Time) at the offices of Blake, Cassels & Graydon LLP, 23rd Floor, 199 Bay Street, Toronto, Ontario, for the following purposes:

1. to receive the financial statements of the Fund for the fiscal period ended December 31, 2007, together with the report of the auditors thereon;
2. to appoint auditors and authorize the trustees (the “**Trustees**”) of the Fund to fix the auditors’ remuneration;
3. to appoint the Trustees of the Fund;
4. to consider, and if thought advisable, pass an extraordinary resolution proposing amendments to the Declaration of Trust, relating to the indemnification of the Trustees and executive officers of the Fund, as more particularly set out in Schedule “A” to the accompanying management information circular;
5. to consider, and if thought advisable, pass a resolution to ratify, confirm and approve the adoption of the unitholder rights plan approved by the Trustees on March 20, 2008; and
6. to transact such other business as may properly come before the Meeting or any adjournment thereof.

The accompanying management information circular provides additional information relating to the matters to be dealt with at the Meeting and forms part of this notice.

DATED at Toronto, Ontario this 20th day of March, 2008.

By order of the Trustees

(Signed) Kenneth Moore

If you are unable to attend the Meeting in person, please complete, sign and return the enclosed form of proxy to the Fund, c/o CIBC Mellon Trust Company, in the envelope provided for that purpose, or deliver it by hand to the Fund, c/o CIBC Mellon Trust Company, 320 Bay Street, P.O. Box 1, Toronto, Ontario, M5H 4A7, so as to arrive not later than 4:00 p.m. (Eastern Time) on Tuesday, April 22, 2008 or deposit it with the chair of the Meeting before the commencement of the Meeting.

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ALGONQUIN POWER INCOME FUND
MANAGEMENT INFORMATION CIRCULAR

March 20, 2008

SOLICITATION OF PROXIES

This management information circular (“Circular”) is furnished in connection with the solicitation of proxies by or on behalf of the management of Algonquin Power Income Fund (the “Fund”) for use at the annual and special meeting (the “Meeting”) of unitholders (“Unitholders”) of the Fund to be held on April 24, 2008 at 4:00 p.m. (Eastern Time) at the offices of Blake, Cassels & Graydon LLP, 23rd Floor, 199 Bay Street, Toronto, Ontario or any adjournment thereof. The solicitation will be made primarily by mail, but proxies may also be solicited personally, in writing or by telephone by employees of Algonquin Power Management Inc. (the “**Manager**”), the trustees (“**Trustees**”) of the Fund or by the Fund’s transfer agent, CIBC Mellon Trust Company, at a nominal cost. The costs of solicitation will be borne by the Fund.

The information contained in this Circular is given as at March 20, 2008, unless otherwise indicated. All dollar amounts in this Circular are expressed in Canadian dollars unless otherwise indicated.

APPOINTMENT OF PROXIES

The persons named in the enclosed form of proxy are Trustees. **Each Unitholder has the right to appoint a person other than any person named in the enclosed form of proxy, who need not be a Unitholder, to represent the Unitholder at the Meeting.** This right may be exercised by inserting the name of the person to be appointed by the Unitholder in the space provided in the form of proxy and by striking out the names of the management nominees or by completing another proper form of proxy.

To be effective, proxies must be deposited with the Fund, c/o CIBC Mellon Trust Company, 320 Bay Street, P.O. Box 1, Toronto, Ontario, M5H 4A6, not later than 4:00 p.m. (Eastern Time) on Tuesday, April 22, 2008 or, if the Meeting is adjourned, not later than 48 hours, excluding Saturdays and holidays, preceding the time of such adjourned meeting. Proxies may also be delivered to the chair of the Meeting before the commencement of the Meeting or any adjournment thereof.

Special Instructions for Non-Registered Unitholders

Only registered Unitholders, or the persons that they appoint as their proxies, are permitted to attend and vote at the Meeting. However, in many cases, units (the “**Units**”) of the Fund beneficially owned by a Unitholder (a “**Non-Registered Holder**”) are registered:

- (a) in the name of an intermediary that the Non-Registered Holder deals with such as banks, trust companies, securities dealers or brokers and trustees or administrators of registered plans; or
- (b) in the name of a depository (such as CDS Clearing and Depository Services Inc.) of which the intermediary is a participant.

In accordance with the requirements of National Instrument 54-101, the Fund will be distributing copies of the meeting materials to intermediaries for further distribution to Non-Registered Holders. Intermediaries are required to forward the meeting materials to Non-Registered Holders and receive voting instructions from them unless a Non-Registered Holder has waived the right to receive the meeting materials. Intermediaries often use service companies to forward the meeting materials to Non-Registered Holders. Generally, Non-Registered Holders who have not waived the right to receive the meeting materials will:

- (a) be given a voting instruction form which must be completed and signed by the Non-Registered Holder in accordance with the voting instruction form (which may, in some cases, permit the completion of the voting instruction form by telephone, fax or internet); or
- (b) less typically, be given a proxy which has already been signed by the intermediary, restricted as to the number of Units beneficially owned by the Non-Registered Holder, but which is otherwise uncompleted. The Non-Registered Holder who wishes to submit the proxy should otherwise properly complete and deposit it with the Fund or CIBC Mellon Trust Company, as described above. This proxy need not be signed by the Non-Registered Holder.

The purpose of these procedures is to permit Non-Registered Holders to direct the voting of the Units which they beneficially own. Should a Non-Registered Holder who receives a proxy signed by the intermediary wish to attend and vote at the Meeting in person (or have another person attend and vote on behalf of the Non-Registered Holder), the Non-Registered Holder should strike out the names of the persons named in the proxy and insert the name of the Non-Registered Holder (or such other person) in the blank space provided. A Non-Registered Holder who receives a voting instruction form should follow the corresponding instructions on the form. **Non-Registered Holders should carefully follow the instructions of their intermediaries and their intermediaries' service companies on the request for instructions or proxy form provided to them.**

REVOCATION OF PROXIES

A Unitholder who has given a proxy may revoke the proxy by an instrument in writing, including another proxy, duly executed by the Unitholder or by his or her attorney authorized in writing, deposited with the Fund as provided above. A Unitholder may also revoke a proxy in any other manner permitted by law, but prior to the exercise of such proxy in respect of any particular matter.

VOTING OF UNITS

On any ballot that may be called for, the persons designated in the enclosed form of proxy will vote for, vote against or withhold from voting the Units in respect of which they are appointed by proxy in accordance with instructions of the Unitholder indicated on the proxy. If a Unitholder has specified in his or her form of proxy how his or her Units will be voted or withheld from voting, the Units will be voted accordingly. **In the absence of instructions with respect to a particular resolution, the Units will be voted in favour of the resolution as indicated under the appropriate heading in this Circular.**

The enclosed form of proxy confers discretionary authority with respect to amendments or variations to the matters identified in the notice of meeting and other matters which may properly come before the Meeting. At the date of this Circular, management of the Fund is not aware of any amendments, variations or other matters to come before the Meeting.

VOTING UNITS

On March 20, 2008, the Fund had outstanding a total of 73,724,280 Units, each carrying the right to one vote per Unit. All Unitholders of record at the close of business on March 25, 2008, the record date established for notice of the Meeting, will be entitled to vote at the Meeting, or any adjournment thereof, either in person or by proxy.

As of March 20, 2008, to the knowledge of the Trustees and officers of the Manager, no person beneficially owned, directly or indirectly, or exercised control or direction over, Units carrying more than 10% of the votes attached to all Units.

MATTERS TO BE ACTED ON AT THE MEETING

Receipt of Financial Statements

The audited consolidated financial statements of the Fund for its fiscal year ended December 31, 2007 will be presented at the Meeting.

Appointment of Auditors

The persons named in the enclosed form of proxy intend to vote in favour of the resolution appointing KPMG LLP, Chartered Accountants, Toronto, Ontario, as auditors of the Fund to hold office until the next annual meeting of Unitholders or until their successors are appointed and authorizing the Trustees to fix the remuneration of the auditors, in each case, unless the Unitholder who has given the proxy has directed that the Units represented thereby be withheld from voting in respect of the appointment of auditors. KPMG LLP were first appointed auditors of the Fund on September 8, 1997.

For the financial years ended December 31, 2007 and December 31, 2006, KPMG LLP charged the following fees to the Fund:

<u>Services</u>	<u>2007 Fees (\$)</u>	<u>2006 Fees (\$)</u>
Audit Fees	340,000	330,000
Audit-Related Fees ⁽¹⁾	381,900	443,894
Tax Fees ⁽²⁾	319,000	247,800
All Other Fees	Nil	Nil

Notes:

- (1) For assurance and related services that are reasonably related to the performance of the audit or review of the Fund's financial statements and not reported under Audit Fees, including prospectus advice, accounting advice, French translation services and audits of Algonquin Sanger Power LLC, Litchfield Park Service Company and the Long Sault Partnership.
- (2) For tax compliance, advice and planning services.

Audit Committee

Disclosure regarding (a) composition of the Fund's audit committee (the "**Audit Committee**"); (b) the relevant education and experience of the members of the Audit Committee; and (c) the Audit Committee's pre-approval policies and procedures may be found in the Fund's annual information form for its financial year ended December 31, 2007 (the "**Annual Information Form**") under the heading "Audit Committee", which section is hereby incorporated by reference herein.

In addition, a copy of the Audit Committee's charter can be found at Schedule B to the Annual Information Form.

Appointment of Trustees

The Fund currently has three Trustees. Under the Fund's declaration of trust (the "**Declaration of Trust**"), the Trustees are to be appointed annually either by resolution of a majority of votes cast at a meeting of Unitholders or by a resolution in writing executed by Unitholders holding at least 66 2/3% of the outstanding Units of the Fund.

The persons named in the enclosed form of proxy intend to vote for the appointment as Trustees the proposed nominees whose names are set out below, unless the Unitholder who has given such proxy has directed that the Units represented thereby be withheld from voting in the appointment of Trustees. Management does not contemplate that any of the proposed nominees will be unable to serve as a Trustee but, if that should occur for any reason prior to the Meeting, the persons named in the enclosed form of proxy reserve the right to vote for another nominee in their discretion. Each Trustee appointed at the Meeting will hold office until the next annual meeting or until his or her successor is duly elected or appointed in accordance with the

Declaration of Trust. Each Trustee will also serve as a member of the Fund's Audit Committee and Corporate Governance Committee.

The following table sets forth the name and background information with respect to the three persons proposed for nomination for appointment as Trustees, including present principal occupation and a brief employment history, the date each such person was first elected as Trustee, and the number of Units beneficially owned, directly or indirectly, or over which control or direction is exercised, by such person (as furnished by the respective nominee) and the dollar value of such Units as of March 20, 2008:

<u>Name and Municipality of Residence</u>	<u>Principal Occupation and Employment History</u>	<u>Served as Trustee from</u>	<u>Number of Units Beneficially Owned (Dollar Value as of March 20, 2008⁽¹⁾)</u>
Christopher J. Ball Toronto, Ontario, Canada Age: 56	Christopher J. Ball is currently the Executive Vice President of Corpfinance International Limited, an investment banking boutique firm. From 1982 to 1988, Mr. Ball was Vice President at Standard Chartered Bank of Canada with responsibilities for the Canadian branch operation. Prior to that, Mr. Ball held various managerial positions with the Canadian Imperial Bank of Commerce. He is also a Director of the Independent Power Association of British Columbia.	October 22, 2002	14,200 ⁽²⁾ (\$103,518)
Kenneth Moore Toronto, Ontario, Canada Age: 49	Kenneth Moore is currently the Managing Partner of NewPoint Capital Partners Inc., an investment banking firm. From 1993 to 1997, Mr. Moore was a senior partner at Crosbie & Co., another Toronto mid-market investment banking firm. Prior to investment banking, he was a Vice-President at Barclays Bank where he was responsible for a number of leveraged acquisitions and restructurings. Mr. Moore holds a Chartered Financial Analyst designation and has completed the Chartered Director program of the Directors College (McMaster University and the Conference Board) and has the certification of Ch. Dir. (Chartered Director).	December 18, 1998	18,000 (\$131,220)

<u>Name and Municipality of Residence</u>	<u>Principal Occupation and Employment History</u>	<u>Served as Trustee from</u>	<u>Number of Units Beneficially Owned (Dollar Value as of March 20, 2008⁽¹⁾)</u>
George L. Steeves Aurora, Ontario, Canada Age: 57	Mr. Steeves is the Principal of True North Energy, an energy consulting firm. From January 2001 to April 2002, Mr. Steeves was a division manager of Earthtech Canada Inc. Prior to January 2001, he was the president of Cumming Cockburn Limited, an engineering firm, and has extensive financial expertise in acting as a Chairman, director and/or audit committee member of public and private companies, including the Fund, Borealis Hydroelectric Holdings Inc. and KMS Power Income Fund. Mr. Steeves has completed the Chartered Director program of the Directors College (McMaster University and the Conference Board) and has the certification of Ch. Dir. (Chartered Director). He received a Bachelor and Masters of Engineering from Carlton University and holds the Professional Engineering designation in Ontario and British Columbia.	September 8, 1997	16,818 ⁽³⁾ (\$122,603)

Notes:

(1) The closing price of the Trust Units on March 20, 2008 was \$7.29.

(2) Mr. Ball directly owns 3,000 Units and Cyntoria Financial Services Inc. (a private corporation owned by Mr. Ball and his spouse) owns 11,200 Units. Mr. Ball exercises control and direction over the Units owned by Cyntoria Financial Services Inc.

(3) Mr. Steeves' directly owns 13,904 Units and Mr. Steeves' spouse owns 2,914 Units. Mr. Steeves exercises control and direction over the Units owned by his spouse.

Amendment of Declaration of Trust

Section 9.10 of the Declaration of Trust provides that the Trustees and officers of the Fund, and former trustees and officers of the Fund, shall be indemnified and reimbursed out of the Fund's assets for, among other things, any costs, charges and expenses reasonably incurred as a result of any civil, criminal or administrative proceedings involving such individuals as a consequence of his or her performance of his or her duties as a Trustee or officer of the Fund.

The Trustees are of the view that it is in the best interests of the Fund to amend the Declaration of Trust so as to (a) include the costs of investigations and defending any claims to the types of costs and expenses that Trustees and officers of the Fund can be indemnified for; and (b) to limit the circumstances for which indemnification under Section 9.10 will not be provided by the Fund to instances where such individuals did not act honestly and in good faith with a view to the best interests of the Fund.

This proposed amendment to the Declaration of Trust would:

- (a) help bridge any coverage gaps between the indemnification provisions in the Declaration of Trust and the current liability insurance in place for the Trustees and executive officers of the Fund;
- (b) make Section 9.10 of the Declaration of Trust more consistent with the indemnification provisions set out in the *Canada Business Corporations Act* which are broader in scope than the equivalent provisions in the *Business Corporations Act* (Ontario) (of which Section 9.10 was originally based upon); and
- (c) bring Section 9.10 of the Declaration of Trust:
 - (i) in conformity with current practices of Canadian issuers which typically provide indemnification to their officers, directors and trustees for investigation and defence costs; and
 - (ii) more in line with indemnity agreements already provided to the Trustees and officers and directors of the Fund's subsidiaries and affiliates.

Unitholders will be asked to consider, and if thought advisable, pass the extraordinary resolution set out in Schedule "A" attached hereto to so amend the Declaration of Trust.

The persons named in the enclosed form of proxy intend to vote in favour of the extraordinary resolution to so amend the Declaration of Trust, unless the Unitholder who has given the proxy has directed that the Units represented thereby be voted against such resolution. In order to be effective, this resolution must be approved by holders representing at least 66 2/3% of all issued and outstanding Units which are represented at the Meeting.

Approval of the Unitholder Rights Plan

At the Meeting, Unitholders will be asked to consider and, if deemed advisable, to approve, with or without variation, a resolution (the "**Rights Plan Resolution**") to confirm the adoption and to ratify the unitholder rights plan approved by the Trustees on March 20, 2008 (the "**Rights Plan**"). The text of the Rights Plan Resolution is attached as Schedule "B" hereto.

Background

The Fund and CIBC Mellon Trust Company (the "**Rights Agent**") entered into an agreement dated as of March 20, 2008 to implement the Rights Plan. The Rights Plan creates a right (which may only be exercised if a person acquires control of 20% or more of the Units) for each Unitholder, other than the person that acquires 20% or more of the Units, to acquire additional Units at one-half of the market price at the time of exercise. This significantly dilutes the Unit position of the person that acquires 20% or more of the Units and practically prevents that person from acquiring control of 20% or greater of the Units unless the Rights Plan has been withdrawn or the buyer makes a Permitted Bid (as discussed below). The most common

approaches that a buyer may take to have a rights plan withdrawn are to negotiate with the Trustees to have the rights plan waived, or to apply to a securities commission to order withdrawal of the Rights Plan if the Fund cannot develop an auction. Both of these approaches will give the Trustees more time and control over any sale process and increase the likelihood of a better offer to the Fund's Unitholders. See "Objectives of the Rights Plan" below.

Under the terms of the Rights Plan, the continued existence of the Rights Plan must be approved and reconfirmed by the Independent Unitholders (as defined in the Rights Plan) on or before the date of the Fund's 2011 annual meeting. An "Independent Unitholder" is generally any Unitholder other than an "Acquiring Person" (as defined in the Rights Plan) and its associates and affiliates. As of the date of this Circular, the Fund is not aware of any Unitholder that would not be considered an Independent Unitholder, and therefore it is anticipated that all Unitholders will be eligible to vote their Units on the resolution set forth in Schedule "B" hereto.

Summary of the Rights Plan

A summary of the key features of the Rights Plan is attached as Schedule "C" hereto. All capitalized terms used in this section of the Circular and Schedule "C" have the meaning set forth in the Rights Plan unless otherwise indicated. The complete text of the Rights Plan is available on the System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com.

Objectives of the Rights Plan

The Rights Plan was approved by the Trustees (a) in order to conform with the current practices of a significant number of Canadian reporting issuers who now have rights plans in place; and (b) as a protective measure in anticipation of the increased interest in income trusts which will result from new Canadian federal taxation laws applicable to trust entities which will take effect in 2011.

The primary objectives of the Rights Plan are to ensure that, in the context of a bid for control of the Fund through an acquisition of the Units, the Trustees have sufficient time to explore and develop alternatives for maximizing Unitholder value, to provide adequate time for competing bids to emerge, to ensure that Unitholders have an equal opportunity to participate in such a bid and to give them adequate time to properly assess the bid and lessen the pressure to tender typically encountered by a securityholder of an issuer that is subject to a bid. The Rights Plan in no way prohibits a change of control of the Fund in a transaction that is fair and in the best interests of all Unitholders of the Fund. The rights of Unitholders holders to seek a change in the management of the Fund or to influence or promote action of the Manager or the Trustees in a particular manner will not be affected by the Rights Plan. The approval of the Rights Plan does not affect the duty of a Trustee to act honestly and in good faith with a view to the best interests of the Fund and the Unitholders.

In approving the Rights Plan, the Trustees considered the following concerns inherent in the existing legislative framework governing take-over bids in Canada:

- a) **Time.** Current legislation permits a take-over bid to expire in 35 days. The Trustees are of the view that this generally is not sufficient time to permit securityholders to

consider a take-over bid and to make a reasoned and considered decision. The Rights Plan provides a mechanism whereby the minimum expiry period for a Take-over Bid must be 60 days after the date of the bid and the bid must remain open for a further period of ten business days after the Offeror publicly announces that the Units deposited or tendered and not withdrawn constitute more than 50% of the Units outstanding held by Independent Unitholders (generally, Unitholders other than the Offeror or Acquiring Person (someone who beneficially owns greater than 20% of the outstanding Units), their Associates and Affiliates, and Persons acting jointly or in concert with the Offeror or Acquiring Person). The Rights Plan is intended to provide Unitholders with adequate time to properly evaluate the offer and to provide the Trustees with sufficient time to explore and develop alternatives for maximizing Unitholder value. Those alternatives could include identifying other potential bidders, conducting an orderly auction or developing a restructuring alternative which could enhance Unitholder value.

- b) ***Pressure to Tender.*** A Unitholder may feel pressured to tender to a bid that the Unitholder considers to be inadequate out of a concern that failing to tender may result in the Unitholder being left with illiquid or minority discounted securities in the Fund. The Rights Plan provides a mechanism in the Permitted Bid provision that is intended to ensure that a Unitholder may remove the uncertainty as to whether a majority of Unitholders will support a take-over bid from the decision to tender to the take-over bid by requiring that a take-over bid remain open for acceptance for a further 10 Business Days following public announcement that more than 50% of the Units held by Independent Unitholders have been deposited and not withdrawn as at the initial date of take-up or payment by the buyer. This mechanism therefore will lessen any undue pressure to tender that may be encountered by a securityholder of an issuer that is the subject of a take-over bid.
- c) ***Unequal Treatment.*** While existing securities legislation has substantially addressed many concerns of unequal treatment, there remains the possibility that control of an issuer may be acquired pursuant to a private agreement in which a small group of securityholders dispose of their securities at a premium to market price which premium is not shared with other securityholders. In addition, a person may slowly accumulate securities through stock exchange acquisitions which may result, over time, in an acquisition of control without payment of fair value for control or a fair sharing of a control premium among all securityholders. The Rights Plan addresses these concerns by applying to all acquisitions of greater than 20% of the Units, to better ensure that Unitholders receive equal treatment.

General Impact of the Rights Plan

It is not the intention of the Trustees, in approving the Rights Plan, to secure the continuance of existing Trustees, executive officers or the Manager, nor to avoid a bid for control of the Fund in a transaction that is fair and in the best interests of Unitholders. For example, through the Permitted Bid mechanism, described in more detail in the summary of the Rights Plan above, Unitholders may tender to a bid which meets the Permitted Bid criteria without triggering the Rights Plan, regardless of the acceptability of the bid to the Trustees. Furthermore, even in the context of a bid that does not meet the Permitted Bid criteria, the

Trustees will continue to be bound to consider fully and fairly any bid for the Units in any exercise of their discretion to waive application of the Rights Plan or redeem the Rights. In all such circumstances, the Trustees must act honestly and in good faith with a view to the best interests of the Fund and its Unitholders.

The Rights Plan does not preclude any Unitholder from utilizing the proxy mechanism under applicable securities laws to promote a change in the Trustees, executive officers or the Manager, and has no effect on the rights of holders of outstanding Units to requisition a meeting of Unitholders in accordance with the provisions of applicable securities legislation, or to enter into agreements with respect to voting their Units. The definitions of “Acquiring Person” and “Beneficial Ownership” have been developed to minimize concerns that the Rights Plan may be inadvertently triggered or triggered as a result of an overly broad aggregating of holdings of institutional Unitholders and their clients.

The Rights Plan will not interfere with the day-to-day operations of the Fund. The issuance of the Rights does not in any way alter the financial condition of the Fund, impede its business plans or alter its financial statements.

In summary, the Trustees believe that the dominant effect of the Rights Plan will be to enhance Unitholder value and to ensure equal treatment of all Unitholders in the context of an acquisition of control.

Canadian Federal Income Tax Considerations

Under the provisions of the *Income Tax Act* (Canada) (the “**Tax Act**”), the issue of the Rights can give rise to a taxable benefit which must be included in the income of Unitholders. However, no amount would be required to be included in the income of Unitholders if the Rights do not have any value at the date of issue. The Fund considers that the Rights, when issued, will have negligible monetary value, there being only a remote possibility that the Rights will ever be exercised.

Assuming that the Rights have no value, Unitholders will not be required to include any amount in income or be subject to withholding tax, under the Tax Act as a result of the issuance of the Rights. The Rights will be considered to have been acquired at no cost. The holders of Rights may have an income inclusion, or be subject to tax, under the Tax Act if the Rights are exercised or otherwise disposed of.

The statements set out above are based on the current provisions of the Tax Act and the regulations thereunder (the “**Regulations**”) and all proposals to amend the Tax Act and the Regulations publicly announced by or on behalf of the Department of Finance, prior to the date hereof and on an understanding of the administrative policies and assessing practices of the Canada Revenue Agency (the “**CRA**”) made publicly available prior to the date hereof. Except as set out above, this summary does not take into account or anticipate any amendments to the Tax Act, the Regulations or the administrative policies and assessing practices of the CRA, whether by legislative, governmental or judicial decision or action. These statements do not consider any provincial, territorial or foreign tax considerations.

These statements are of a general nature only and are not intended to constitute nor should it be construed to constitute legal or tax advice to any particular Unitholder. Unitholders are advised to consult their own tax advisors regarding the consequences of acquiring, holding, exercising or otherwise disposing of their Rights, taking into account their own particular circumstances and any applicable tax laws.

Eligibility for Investment in Canada

If issued on the date hereof, the Rights would be qualified investments under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, registered education savings plans, deferred profit savings plans and registered disability savings plans for purposes of the Tax Act so long as the Rights continue to be exercisable solely for Units and provided that the Units continue to be qualified investments for the relevant plan for purposes of the Tax Act and provided that the Fund deals at arm's length for purposes of the Tax Act with each person that is an annuitant, beneficiary, and employer or a subscriber under the governing plan of the plan trust.

Vote Required

Unitholder approval of the Rights Plan is not required by law but is required by applicable stock exchange rules. The Rights Plan is subject to Toronto Stock Exchange ("TSX") approval. The Rights Plan Resolution must be approved by a simple majority of 50% plus one vote of the votes cast by the Independent Unitholders at the Meeting. If the Rights Plan Resolution is not passed at the Meeting, the Rights Plan will be of no force and effect.

Recommendation of the Trustees

The Trustees have reviewed the Rights Plan for conformity with current practices of Canadian issuers with respect to shareholder/unitholder rights plan design. Based on their review, the Trustees have determined that it is advisable and in the best interests of the Fund and its Unitholders that the Fund have in place a unitholder rights plan in the form of the Rights Plan. Accordingly, the Trustees unanimously recommend a vote in favour of the adoption of the Rights Plan. Effective March 20, 2008, the Fund resolved to adopt the Rights Plan, subject to regulatory approval and approval by the Independent Unitholders at the Meeting. The Fund has been advised that the Trustees intend to vote all Units held by them in favour of the approval of the Rights Plan.

In the absence of a contrary instruction, the persons named in the enclosed form of proxy intend to vote in favour of the Rights Plan Resolution, unless the Unitholder who has given the proxy has directed that the Units represented thereby be voted against such resolution. In order to be effective, this resolution must be approved by a simple majority of 50% plus one vote of the votes cast by the Independent Unitholders at the Meeting.

The Trustees reserve the right to alter any terms of or not proceed with the Rights Plan at any time prior to the Meeting if the Trustees determine that it would be in the best interests of the Fund and its Unitholders to do so, in light of subsequent developments.

REMUNERATION OF TRUSTEES

Trustees are entitled to receive remuneration from the Fund in the amount of \$24,000 per year. As well, the Chairperson of each of the Trustees, the Audit Committee and the Corporate Governance Committee are entitled to receive additional remuneration from the Fund in the amount of \$5,000 per year.

Trustees are also entitled to receive additional remuneration for attending meetings of the Trustees or of a committee of the Trustees in the amount of \$1,500 per meeting in person and \$750 for meetings attended by telephone. The Trustees are entitled to be reimbursed for their reasonable out-of-pocket expenses incurred in connection with the conduct of Fund business. In the fiscal year ended December 31, 2007, the Fund paid each Trustee a total of \$71,500 on account of retainer and meeting attendance fees.

The following table provides a summary of remuneration paid to each Trustee for the fiscal year ended December 31, 2007:

Trustee	Annual Trustee Remuneration	Audit Committee Remuneration	Corporate Governance Committee Remuneration	Trustee Meeting Remuneration ⁽¹⁾	Reasonable Out-of-Pocket Expenses	Total Remuneration for 2007
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Kenneth Moore Chairman of the Trustees	24,000	7,500	6,000	34,250	Nil	71,750
Christopher J. Ball Chairman of the Audit Committee	24,000	7,500	6,000	34,250	334.80	71,750
George Steeves Chairman of the Corporate Governance Committee	24,000	7,500	6,000	34,250	Nil	71,750

Notes:

- (1) Amounts disclosed represent the aggregate remuneration paid to each Trustee for (a) attending quarterly meetings, the annual Unitholder meeting, the annual budget approval meeting and business development meetings; and (b) acting as chair of the Trustees or a Trustee committee.

MANAGEMENT OF THE FUND

Management Agreement

General

Algonquin Power Fund (Canada) Inc. (“**Algonquin Canada**”), Algonquin Holdco Inc. and Algonquin Power Trust (collectively, “**Algonquin**”) and the Manager, a corporation wholly-owned by Chris Jarratt, Ian Robertson, David Kerr and John Huxley (the principals of Algonquin

Power Corporation Inc.), are parties to a management agreement (the “**Management Agreement**”) under which the Manager provides management services (the “**Management Services**”) for the Fund businesses. The Management Services provided include advice and consultation concerning business planning, support, guidance and policy making and general management services. Senior officers of the Manager also act as senior officers of the Fund's related entities. Specific functions performed by the Manager include: (i) managing accounting and financial services; (ii) assisting in the preparation of financial statements; (iii) negotiating and communicating with third parties with respect to contractual and other matters; (iv) arranging external professional and non-professional services; (v) assisting in providing human resources; and (vi) advising on acquisitions and sales of subsidiaries and/or businesses.

In exercising its powers and discharging its duties under the Management Agreement, the Manager is required to exercise the degree of care, diligence and skill that a reasonable, prudent advisor or manager having responsibility for management of a similar business would exercise in comparable circumstances.

The Manager is compensated for its services as follows: (i) the Manager is paid an annual fee (\$867,311 for the fiscal year ended December 31, 2007) per calendar year payable in quarterly instalments, and adjusted annually for changes in the Canadian consumer price index (the “**Annual Fee**”); (ii) the Manager is paid incentive fees based on 25% of distributable cash per Trust Unit (“**Distributable Cash**”) in excess of \$0.92 per annum (the “**Incentive Fee**”); and (iii) the Manager is reimbursed for its costs and expenses incurred in the performance of the Management Services (together with the Annual Fee and the Incentive Fee, the “**Management Fees**”).

For the fiscal period ended December 31, 2007, the Fund, directly or indirectly, paid to the Manager a total of \$0.9 million, including the Annual Fee, benefits expenses and reimbursement of out-of-pocket expenses incurred in connection with its duties under the Management Agreement. A total of \$0.8 million in Incentive Fees were paid to the Manager in 2007.

The Management Agreement’s term expires on December 31, 2012 and on expiry of the initial term, is renewable for rolling five year terms. The Manager may terminate the Management Agreement at any time on twelve (12) months’ notice (a “**Convenience Termination**”). Algonquin or the Manager may terminate the Management Agreement immediately in the event of the insolvency or receivership of the other party or in the case of default by the other party in a material obligation under the Management Agreement which is not remedied within thirty (30) days, other than a failure of performance which results from an event of force majeure (collectively, an “**Insolvency/Default Termination**”). From and after the effective date of a Convenience Termination or Insolvency/Default Termination, the Manager shall not be entitled to any Annual Fee or Incentive Fee for the periods subsequent to the effective date of such termination but shall be paid all Management Fees accrued and unpaid to the effective date of termination.

Algonquin may also terminate the Management Agreement on thirty (30) days notice to the Manager if (a) there is a substantial deterioration in the businesses of Algonquin and the Unitholders approve the termination by extraordinary resolution (a “**Business Deterioration**”).

Event”) or (b) there is a change of control of the Manager, other than a change of control to which the Fund consents (a **“Change of Control Event”**).

In the event the Management Agreement is terminated pursuant to a Business Deterioration Event, the Fund shall pay the Manager, in addition to any other amounts owing to the Manager as the Annual Fee and the Incentive Fee to the effective date of termination, a termination fee in an amount equal to the aggregate amount of the Annual Fee and Incentive Fee that was payable by the Fund to the Manager in respect of the calendar year immediately preceding the year in which such termination is effective.

If the Management Agreement is terminated due to a Change of Control Event, the Fund shall pay the Manager in addition to any other amounts owing to the Manager as Management Fees to the effective date of termination, a termination fee in an amount equal to the aggregate of:

- (a) the Annual Fee otherwise payable for the five-year period following the effective date of termination, adjusted annually for changes in the Canadian consumer price index; and
- (b) an amount equal to the net present value, calculated using a discount rate equal to the rate payable under a ten-year Government of Canada bond on the business day immediately prior to the effective date of termination plus 2.5%, of the projected Incentive Fee payable to the Manager over the five-year period commencing on the effective date of termination, based on a five-year forecast of Distributable Cash from the effective date of termination prepared by the Manager, and reported on, in customary form, by the Fund’s auditors, subject to the usual qualifications applicable to financial forecasts.

The Management Agreement contains provisions to regulate any conflicts of interest which may arise and provides for indemnification by the Manager of Algonquin in certain circumstances. The Management Agreement may be assigned by the Manager only with the consent of Algonquin.

The head office of the Manager is located at 2845 Bristol Circle, Oakville, Ontario L6H 7H7.

Operations Supervisory Agreement

Algonquin and Algonquin Power Systems Inc. (**“Power Systems”**), which is owned by the same shareholders as the Manager, are parties to an operations supervisory agreement (the **“Operations Supervisory Agreement”**), pursuant to which Power Systems provides certain operations related services (the **“Operations Supervisory Services”**) which are beyond the scope of the operations and maintenance services agreements which have been entered into between the entities which own the various facilities and Power Systems. Specific functions include: (i) planning of capital repairs; (ii) compliance monitoring for environmental permits; and (iii) administration of power purchase agreements. It contains similar provisions regarding standard of care and conflicts of interest as the Management Agreement.

Power Systems does not receive any payment of fees in connection with its services under the Operations Supervisory Agreement and is paid on a cost reimbursement basis only.

For the fiscal period ended December 31, 2007, the Fund, directly or indirectly, paid to Power Systems a total of \$17.4 million, which amounts relate solely to expenses for which Power Systems was reimbursed pursuant to the Operations Supervisory Agreement.

The Operations Supervisory Agreement is coterminous with the Management Agreement.

The head office of Power Systems is located at 2845 Bristol Circle, Oakville, Ontario L6H 7H7.

Administration Agreement

The Manager administers the Fund pursuant to an administration agreement (the “**Administration Agreement**”) entered into between the Fund and the Manager under which it is responsible for the administration and management of the affairs of the Fund. Specific functions include, among other things: (i) preparing all returns, filings and documents; (ii) providing advice with respect to the Fund’s obligations as a reporting issuer; (iii) providing investor relations services; and (iv) providing audit, accounting, engineering, legal, insurance and other professional services. The Administration Agreement contains similar provisions regarding standard of care as the Management Agreement.

The Manager is reimbursed for its reasonable out-of-pocket expenses incurred in administering the Fund. These expenses are included in the \$0.9 million, including reimbursable expenses, paid to the Manager under the Management Agreement for the fiscal period ended December 31, 2007.

The Administration Agreement is coterminous with the Management Agreement.

Directors and Senior Officers of the Manager, Power Systems and the Fund

The name and municipality of residence and office held with the Manager, Power Systems and/or the Fund of each director and senior officer of the Manager, Power Systems and the Fund are as follows:

Name and Municipality of Residence

Office

Christopher K. Jarratt
Oakville, Ontario

Chief Executive Officer and Director, Algonquin Power Management Inc. and Director, Algonquin Power Systems Inc.

Ian E. Robertson
Oakville, Ontario

Vice-President and Director, Algonquin Power Management Inc. and Director, Algonquin Power Systems Inc.

David C. Kerr
Toronto, Ontario

Vice-President, Secretary and Director, Algonquin Power Management Inc. and Secretary and Director, Algonquin Power Systems Inc.

David Bronicheski
London, Ontario

Chief Financial Officer, Algonquin Power Management Inc., Algonquin Power Systems Inc. and Algonquin Power Income Fund

Messrs. Jarratt, Robertson and Kerr, together with Mr. John Huxley (a former director and officer of the Manager and Power Systems), collectively own all of the issued and outstanding shares of each of the Manager and Power Systems.

Mr. Bronicheski became an officer of the Fund, the Manager and Power Systems on September 17, 2007.

The Manager, Power Systems and their directors, officers and shareholders hold, in the aggregate, 74,800 Units as of March 20, 2008.

EXECUTIVE COMPENSATION

Statement of Executive Compensation

The following table provides a summary of compensation for the fiscal years ended December 31, 2005, December 31, 2006 and December 31, 2007:

- (a) earned by David Bronicheski, an employee of Algonquin Power Trust, a wholly-owned subsidiary trust of the Fund, who is also Chief Financial Officer of the Fund and the Manager;
- (b) earned by Peter Kampian, a former employee of Algonquin Power Trust, and a former Chief Financial Officer of the Fund and the Manager; and
- (c) payable by the Manager to its three most highly compensated executive officers (whose total annual salary and bonus for the fiscal year ended December 31, 2007 exceeded \$150,000), to the extent such compensation is attributed to the Management Fees or other payments from the Fund to the Manager for the Management Services.

With the exception of a Chief Financial Officer, the Fund does not have any other executive officers, including a Chief Executive Officer, as these roles are performed by the Manager. No other executive officers of the Manager provided Management Services to the Fund during the fiscal year ended December 31, 2007, other than those executive officers of the Manager listed in the table below.

Summary Compensation Table

Name and Principal Position	Financial Year	Annual Compensation			All Other Compensation ⁽²⁾
		Salary	Bonus	Other Annual Compensation ⁽¹⁾	
		(\$)	(\$)	(\$)	(\$)
David Bronicheski ⁽³⁾ , Chief Financial Officer, Algonquin Power Income Fund and Algonquin Power Management Inc.	2007	52,500	20,000	Nil	4,085
	2006	-	-	-	-
	2005	-	-	-	-
Peter Kampian ⁽⁴⁾ , Former Chief Financial Officer, Algonquin Power Income Fund and Algonquin Power Management Inc.	2007	62,786	60,000	Nil	3,767
	2006	217,659	60,000	Nil	12,539
	2005	202,200	75,000	Nil	6,065
Chris Jarratt, Chief Executive Officer and Director, Algonquin Power Management Inc.	2007	170,290	Nil	Nil	10,217
	2006	166,299	Nil	Nil	9,978
	2005	161,927	Nil	Nil	4,858
Ian Robertson, Vice-President and Director, Algonquin Power Management Inc.	2007	170,290	Nil	Nil	10,217
	2006	166,299	Nil	Nil	9,978
	2005	161,927	Nil	Nil	4,858
David Kerr, Vice-President, Secretary and Director, Algonquin Power Management Inc.	2007	170,290	Nil	Nil	10,217
	2006	166,299	Nil	Nil	9,978
	2005	161,927	Nil	Nil	4,858

Notes:

- (1) Perquisites and other personal benefits do not exceed the lesser of \$50,000 and 10% of the total of the annual salary and bonus and are therefore not reported.
- (2) Amounts shown for Mr. Bronicheski and Mr. Kampian represent Algonquin Power Trust's contributions for them under a deferred profit sharing plan for Algonquin employees (the "DPSP"). Under the DPSP, Algonquin Power Trust contributes 6% of annual salary for the executive officers of the Fund to a Group RRSP. In prior years, Algonquin Power Trust matched employee contributions to a maximum of 3% of annual salary. Amounts shown for Messrs. Jarratt, Robertson and Kerr, who do not participate in the DPSP, are RRSP contribution payments made by the Manager directly to such individuals equal to 6% of their respective salaries for 2007. Prior to 2006, this amount was equal to 3% of their respective salaries. The Fund reimbursed the Manager for such RRSP contribution payments.

- (3) Mr. Bronicheski commenced his employment as Chief Financial Officer of the Fund and the Manager on September 17, 2007. Amount shown is for salary paid by the Fund to Mr. Bronicheski for the period commencing September 17, 2007 to December 31, 2007.
- (4) Mr. Kampian's employment as Chief Financial Officer of the Fund and the Manager ended on April 6, 2007. Amount shown for 2007 is for salary paid by the Fund to Mr. Kampian for the period commencing January 1, 2007 to April 6, 2007.
- (5) The Manager was reimbursed a total of \$53,000 by the Fund for the fiscal year ended December 31, 2007 for premiums paid by the Manager for life insurance policies for which an affiliate of the Manager, Algonquin Power Corporation Inc., is the beneficiary. Messrs. Jarratt, Robertson, Kerr and Huxley are the sole shareholders of Algonquin Power Corporation Inc. Currently, these policies have a total cash surrender value of \$221,000.

The Fund does not have an option plan or any other similar form of unit-related or long term incentive compensation plan or arrangement. The Fund does not have any defined benefit or actuarial plan pursuant to which retirement or similar benefits are paid to Trustees or executive officers of the Fund (or any other officers of the Manager) or any of their respective associates.

Executive Officer Employment Agreement

David Bronicheski

Algonquin Power Trust, a wholly-owned subsidiary of the Fund, entered into an executive employment agreement with Mr. Bronicheski on September 5, 2007 (the "**Employment Agreement**"). The Employment Agreement has an indefinite term and provides for benefits and a base salary of \$195,000 per annum (which is subject to an annual salary review), and a bonus plan (the "**Bonus Plan**") with an annual bonus of up to twenty-five percent (25%) of Mr. Bronicheski's base salary if certain pre-set objectives are achieved. Mr. Bronicheski is also entitled to and has received a one-time signing bonus in the gross aggregate amount of \$20,000.

Upon termination without cause, Mr. Bronicheski is entitled to the following amounts in lieu of notice:

- (a) a lump sum payment equal to 9 months of base salary (at the then applicable base salary rate) plus an additional month of base salary for each full year of completed employment (to a maximum of 24 months);
- (b) a lump sum payment equal to the average amount paid under the Bonus Plan for each of the three previous years; and
- (c) continuation of benefits for 9 months plus one additional month for each year of completed service (to a maximum of 24 months).

If Mr. Bronicheski is terminated for cause, he will not be entitled to any advance notice of termination or payment in lieu of notice. Mr. Bronicheski may resign at any time during the term of the Employment Agreement by providing two weeks' prior written notice to Algonquin

Power Trust. Upon resignation, he will not be entitled to any payment other than any amounts that Algonquin Power Trust is required to pay in accordance with applicable laws, including payment of accrued but unused vacation and expenses owing.

Within twelve months following a change in control of Algonquin Power Trust, if Mr. Bronicheski is terminated or chooses to resign, Mr. Bronicheski is entitled to receive compensation equal to the following:

- (a) a lump sum payment equal to 9 months of base salary (at the then applicable base salary rate) plus an additional 2 months of base salary for each full year of completed employment (to a maximum of 24 months);
- (b) a lump sum payment equal to the average amount paid under the Bonus Plan for each of the three previous years; and
- (c) continuation of benefits for 9 months plus two additional months for each year of completed service (to a maximum of 24 months).

Report on Executive Compensation

The Fund's compensation policy is designed to incorporate a "pay for performance" philosophy. The policy has been established to encourage and reward employees on the basis of individual and business performance. Compensation for employees is comprised of two components – base salary and annual bonus incentive.

Base Salary

Base salaries are established at levels which are meant to be competitive with other companies, investment trusts and entities similar to and of comparable size to the Fund. Base salaries are determined following an assessment of the employee's past performance, experience, level of responsibility and importance of the position. Base salaries are not based on any specific relationship to the performance of the Fund and are typically reviewed annually by the Manager in consultation with the Trustees.

Annual Bonus Incentive

Employees are entitled to participate in an incentive bonus plan. Bonuses are calculated and paid annually under the bonus plan. The allocation of bonuses among all participants is determined annually by the Manager in consultation with the Trustees.

No outside compensation consultant was engaged by the Corporate Governance Committee in determining the compensation payable in 2007.

This report is submitted by the Corporate Governance Committee of the Trustees.

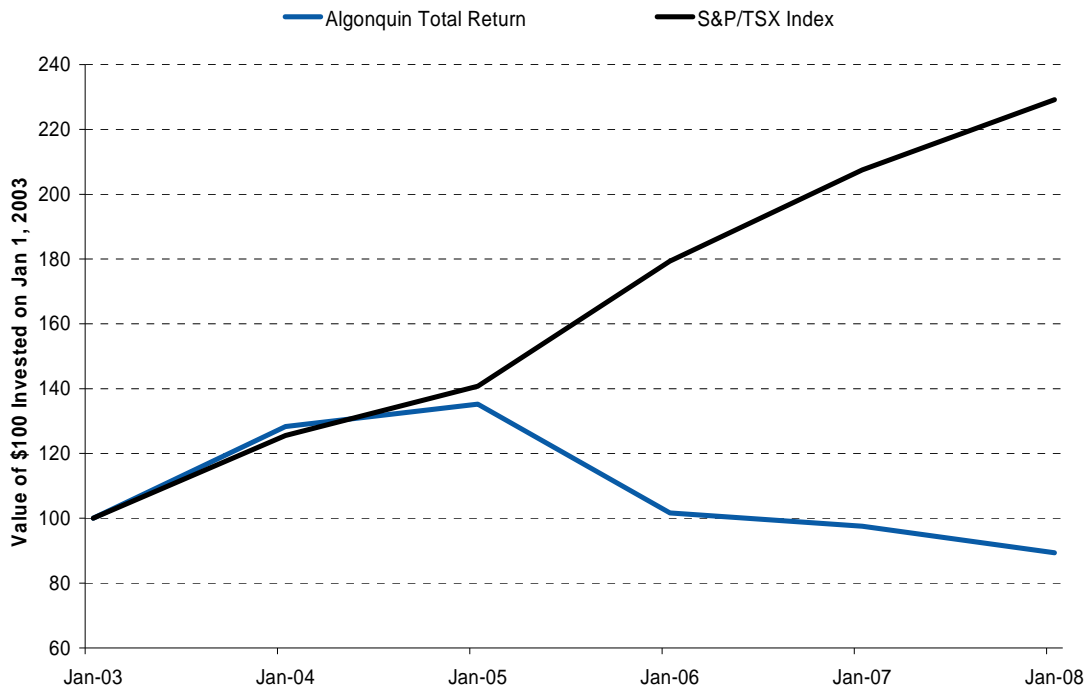
(Signed) George Steeves (Chair)

(Signed) Kenneth Moore

(Signed) Christopher Ball

Performance Graph

The following graph compares the Fund's cumulative total Unitholder return (assuming an investment of \$100 on January 1, 2003) on the Units during the period January 1, 2003 to December 31, 2007 with the cumulative returns of the S&P/TSX Composite Stock Index during the same period:



(Assuming reinvestment of all distributions)

INDEBTEDNESS OF TRUSTEES AND OTHERS

The following table sets out the aggregate outstanding indebtedness, as at March 20, 2008 of all current and former executive officers, employees, trustees, directors or nominee Trustees of the Fund or any of its subsidiaries, to the Fund and any of its subsidiaries, and to other entities if the indebtedness to such other entities is the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Fund or any of its subsidiaries.

Aggregate Indebtedness (\$)		
Purpose	To the Fund or its Subsidiaries	To Another Entity
Unit Purchases	\$225,000	-
Other	-	-

The following table sets out the indebtedness of the Trustees and executive officers of the Fund (including any person who, during the financial year ended December 31, 2007, was, but is not at the date of this Circular, a trustee or executive officer of the Fund), nominees for election as Trustees, and any associates of any of the foregoing persons, during the financial year ended December 31, 2007 to the Fund or its subsidiaries.

Name and Principal Position	Involvement of the Fund or Subsidiary	Largest Amount Outstanding During the Financial Year Ended December 31, 2007	Amount Outstanding as at March 20, 2008	Financially Assisted Securities Purchased	Security for Indebtedness	Amount Forgiven During Year Ended December 31, 2007
		(\$)	(\$)	(#)		(\$)
Securities Purchase Programs						
Christopher Ball ⁽¹⁾ , Current and Proposed Nominee Trustee of the Fund	Lender	N/A	\$75,000	11,200 Units of the Fund ⁽²⁾	Pledge of the securities purchased	N/A
Kenneth Moore ⁽¹⁾ , Current and Proposed Nominee Trustee of the Fund	Lender	N/A	\$75,000	12,000 Units of the Fund	Pledge of the securities purchased	N/A
George Steeves ⁽¹⁾ , Current and Proposed Nominee Trustee of the Fund	Lender	N/A	\$75,000	11,100 Units of the Fund	Pledge of the securities purchased	N/A

Notes:

- (1) The loans made by the Fund to Messrs. Ball, Moore and Steeves were provided on March 10, 2008 for purposes of enabling such individuals to purchase additional Units of the Fund. The loans are subject to promissory notes issued in favour of the Fund which are payable upon demand and currently bear interest at 4% per annum.
- (2) These 11,200 Units were acquired by Cyntoria Financial Services Inc. (a private corporation owned by Mr. Ball and his spouse). Mr. Ball exercises control and direction over the Units owned by Cyntoria Financial Services Inc.

TRUSTEES' AND OFFICERS' LIABILITY INSURANCE

The Fund maintains liability insurance for its Trustees and executive officers acting in their respective capacities in an aggregate amount of \$20,000,000, subject to a \$100,000 deductible/loss payable by the Fund. The premium paid by the Fund for this coverage was US \$110,000.

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

In 2007, the corporate governance disclosure obligations for reporting issuers listed on the TSX changed due to the introduction by the Canadian Securities Administrators of National Instrument 58-101 – *Disclosure of Corporate Governance Practices* (the “**National Instrument**”) and National Policy 58-201 – *Corporate Governance Guidelines* (the “**National Policy**”), both of which came into force on June 30, 2005 and effectively replaced the Corporate Governance Guidelines of the TSX. Concurrently, amendments were made to National Instrument 52-110 – *Audit Committees* (formerly Multilateral Instrument 52-110) (“**NI 52-110**”). The National Policy sets out a series of guidelines for effective corporate governance (the “**Guidelines**”). The Guidelines address matters such as the constitution and independence of boards, the functions to be performed by boards and their committees and the effectiveness and education of board members. The National Instrument requires the disclosure by each listed reporting issuer of its approach to corporate governance with reference to the Guidelines as it is recognized that the unique characteristics of individual entities will result in varying degrees of compliance.

The Trustees consider that the Fund has complied with the Guidelines to the extent reasonably possible given its structure and agreements with the Manager. Set out below is a description of the Fund’s approach to corporate governance in relation to the Guidelines.

Trustees

In accordance with NI 52-110, a Trustee is independent if the Trustee has no direct or indirect material relationship with the Fund. A “material relationship” is in turn defined as a relationship which could, in the view of the Fund, be reasonably expected to interfere with such Trustee’s independent judgement. In determining whether a particular Trustee is “independent”, the Fund considers the factual circumstances of each Trustee in the context of the Guidelines.

Based upon information provided by the Trustees as to their individual circumstances, the Fund has determined that all of the Trustees, including Kenneth Moore, the Chair of the Trustees, are “independent” within the meaning of NI 52-110 for the following reasons: (a) the Trustees are entirely independent of the Manager; (b) none of them has received remuneration from the Fund in excess of Trustee retainers or fees; and (c) none of them has a material relationship with the Fund (either directly or as a partner, shareholder or officer of an organization that has a relationship with the Fund) other than as a Trustee. None of these individuals could therefore be reasonably perceived to be in a position that might materially interfere with their independent judgment and their ability to act in the best interests of the Fund.

Summary of Trustee and Committee Meetings During 2007

Meeting Type	<u>Number of Meetings</u>
Trustee	30 ⁽¹⁾
Audit Committee	5
Governance Committee	4
Total number of meetings held	39

Notes:

- (1) Of the 30 Trustee meetings held in 2007, 9 meetings were held to discuss regular Fund business, 12 meetings were held to discuss and approve monthly distributions and 9 meetings were held to discuss business development related items.

Summary of Attendance for Trustee and Committee Meetings During 2007

<u>Trustee</u>	<u>Trustee Meetings Attended</u> ⁽¹⁾	<u>Committee Meetings Attended</u>
Kenneth Moore	30 of 30	9 of 9
Christopher Ball	30 of 30	9 of 9
George Steeves	30 of 30	9 of 9

Notes:

- (1) The Trustee's written mandate requires the Trustees to hold meetings at least annually (either regularly scheduled or unscheduled) at which management of the Fund or the Manager is not present. Since January 1, 2007, there have been 4 meetings of the Trustees in the absence of members of management of the Fund or the Manager.

Directorships

Currently, none of the Trustees serves as a director on the board of directors of a public company.

Mandate of the Trustees

The Trustees have a written mandate to set the strategic direction of the Fund and to oversee its implementation by management of the Fund and the Manager. A copy of the Trustee mandate is set forth in Schedule "D".

Position Descriptions

The Trustees have developed position descriptions for the Chair of the Trustees and the Chair of each committee of the Trustees (the "**Committee Chairs**") in order to delineate their respective roles and responsibilities.

The position description of the Chair of the Trustees requires that the Chair provide leadership for the Trustees and serves as chair of Trustee and Unitholder meetings of the Fund. The Chair of the Trustees also:

- (a) sets the agenda for each meeting of the Trustees (in consultation with the Manager);
- (b) provides input to the Corporate Governance Committee on its recommendation to the Trustees for approval of (i) candidates for nomination or appointment to the Trustees; and (ii) members and chairs of committees of the Trustees;
- (c) assesses whether the Trustees and their committees have appropriate administrative support, access to Fund personnel and access to outside advisors for the purposes of the Trustees fulfilling their mandates;
- (d) in consultation with the Corporate Governance Committee, leads the review and assessment of Trustee meeting attendance, performance and compensation and the number and composition of the Trustees; and
- (e) executes all contracts, documents or instruments in writing which require his signature.

The position description for the Committee Chairs provides that each Committee Chair shall:

- (a) chair all committee meetings;
- (b) provide leadership for the committee;
- (c) act as the communication link between the Trustees and the applicable committee;
- (d) review formal communication from the committee to the Trustees before dissemination to the Trustees;
- (e) ensure that all matters requiring committee review or approval are brought to the committee in a timely and appropriate manner;
- (f) co-ordinate, in consultation with the Chair of the Trustees and the Manager, the agenda, information packages and related events for committee meetings with the Manager and senior management of the Fund; and
- (g) set the frequency of committee meetings and review such frequency from time to time as considered appropriate or as requested by the Trustees.

Audit Committee and Corporate Governance Committee

Under the Declaration of Trust, the Trustees may appoint from their number committees to effect the administration of the Trustees' duties. The Trustees have established an Audit Committee comprised of all three Trustees of the Fund, Christopher Ball (Chairman), Kenneth

Moore and George Steeves, all of whom are independent and financially literate for purposes of NI 52-110.

The Audit Committee is responsible for reviewing significant accounting, reporting and internal control matters, reviewing all published quarterly and annual financial statements and recommending their approval to the Trustees and assessing the performance of the Fund's auditors. The responsibilities and operation of the Audit Committee are more particularly set out in the Fund's Audit Committee Charter, a copy of which is included as Schedule B to the Annual Information Form, a copy of which is available on SEDAR at www.sedar.com.

The Trustees have also established a Corporate Governance Committee comprised of all three Trustees of the Fund, George Steeves (Chairman), Christopher Ball and Kenneth Moore, all of whom are independent Trustees.

The Corporate Governance Committee, which also serves as the Trustee nominating and evaluating committee and the compensation committee of the Fund, is responsible for reviewing the Fund's corporate governance practices and Trustee compensation. The Committee will also consider from time to time the effectiveness of the Trustees and whether an increase to the number of Trustees is warranted.

Orientation and Continuing Education

When a new Trustee is appointed or elected, the Corporate Governance Committee is responsible for, among other things, assessing the orientation needs of such new Trustee and overseeing the development by the Manager of an orientation program for such Trustee. In addition, the Corporate Governance Committee is responsible for assessing the development needs of each Trustee and establishing Trustee development programs.

Ethical Business Conduct

The Fund has adopted a written code of business conduct and ethics (the "**Code of Ethics**") to assist all trustees, employees, officers, directors, agents and contractors of the Fund and each of its subsidiary entities, management and employees of the Manager and employees of Power Systems (collectively, "**Algonquin Representatives**"). A copy of the Code of Ethics may be obtained upon request to the Manager at the following address: 2845 Bristol Circle, Oakville, Ontario L6H 7H7 or on SEDAR at www.sedar.com.

The Trustees are ultimately responsible for the implementation and administration of the Code of Ethics and have designated a compliance officer (the "**Compliance Officer**") to assist the Trustees in this regard. The Compliance Officer is responsible for, among other things, monitoring compliance with the Code of Ethics and will provide a report to the Trustees on a quarterly basis on investigations and other significant matters arising under the Code of Ethics.

The Fund has established confidential reporting procedures in order to encourage Algonquin Representatives to raise concerns regarding matters addressed by the Code of Ethics on a confidential basis free from discrimination, retaliation or harassment. The Trustees believe this encourages and promotes a culture of ethical business conduct. A violation of the Code of

Ethics may result in disciplinary action, which may include termination of an Algonquin Representative's relationship with the Fund or its subsidiary entities.

The Trustees have not granted any waivers of the Code of Ethics in favour of a Trustee or executive officer of the Fund or the Manager and, accordingly, no material change report has been required or filed during the most recently completed financial year that pertains to any conduct of a Trustee or executive officer of the Fund or the Manager that constitutes a departure from the Code of Ethics.

Nomination of Trustees

Due to the small number of Trustees, the Trustees have not created a separate nominations committee. The Corporate Governance Committee serves as the Trustee nominating and evaluation committee of the Fund and will recommend new Trustees as the need arises. The Chair of the Trustees also provides input to the Corporate Governance Committee on its recommendation to the Trustees for approval of candidates for nomination or appointment to the Trustees. As noted above, all of the members of the Corporate Governance Committee are independent Trustees which the Fund believes encourages an objective nomination process.

Compensation

The Corporate Governance Committee is also responsible for reviewing Trustee compensation on an annual basis, or more frequently if required, in light of the risks involved in being an effective Trustee. In addition, in consultation with the Manager, the Corporate Governance Committee will make recommendations to the Trustees regarding the compensation of executive officers of the Fund who are not directors of the Manager and produce a report concerning executive compensation in compliance with Canadian securities law requirements. The process by which executive compensation is established is described above under the heading "*Executive Compensation – Report on Executive Compensation*".

Assessments

The responsibilities of the Corporate Governance Committee also include assessing, at least annually by using a written questionnaire which is completed by all Trustees, the effectiveness and contribution of all Trustees as a whole, the Audit Committee, the Corporate Governance Committee, the chairs of the Audit Committee and the Corporate Governance Committee and each of the individual Trustees.

In addition, the Chair of the Trustees, in consultation with the Corporate Governance Committee, leads the review and assessment of Trustee meeting attendance, performance and compensation and the number and composition of the Trustees.

INTERESTS OF INSIDERS IN MATERIAL TRANSACTIONS

Since December 31, 2004, other than as disclosed in this Circular, the Annual Information Form and the Fund's annual report for the fiscal year ended December 31, 2007, the Fund is not aware of any material interest of any current or proposed Trustee or officer of the

Manager in any transaction or in any proposed transaction that has materially affected or will materially affect the Fund.

OTHER BUSINESS

The Fund knows of no matters to come before the Meeting other than the matters referred to in the accompanying notice of meeting.

ADDITIONAL INFORMATION

Copies of the Annual Information Form (together with the documents incorporated therein by reference), comparative financial statements of the Fund for the fiscal year ended December 31, 2007, together with a report of the auditors thereon, management's discussion and analysis of the Fund's financial condition and results of operations for the fiscal year ended December 31, 2007 and this Circular are available upon request from the Fund. This information, together with other important information regarding the Fund, may be found on SEDAR at www.sedar.com.

TRUSTEES' APPROVAL

The contents and the sending of this Circular have been approved by the Trustees.

DATED as of this 20th day of March, 2008.

By order of the Trustees

(Signed) Kenneth Moore

Schedule "A"

EXTRAORDINARY RESOLUTION

RESOLVED as an Extraordinary Resolution that:

(a) Section 9.10 of the Declaration of Trust is hereby amended as of April 24, 2008 to:

- (i) add the words "the costs of investigations and defending any claims (whether or not any such claim is ultimately successful) and" between the words "including" and "amounts" in the fifth line of Section 9.10; and
- (ii) delete the words "that arise out of or as a result or in the course of a breach of the duties and standard of care, diligence and skill provided under Section 9.7" in the twelfth and thirteenth lines of Section 9.10 and replace them with "if the individual did not act honestly and in good faith with a view to best interests of the Fund".

Schedule "B"

RESOLUTION

RESOLVED as a Resolution that:

- (a) The adoption of the Unitholder Rights Plan established pursuant to the Unitholder Rights Plan Agreement dated as of March 20, 2008 between Algonquin Power Income Fund (the "Fund") and CIBC Mellon Trust Company, as rights agent, approved by the Trustees of the Fund on March 20, 2008 is hereby ratified, confirmed and approved.
- (b) Any one officer or director of Algonquin Power Management Inc., the manager of the Fund, be and hereby is authorized to take such steps or execute such documents, whether or not under corporate seal, which are in his or her opinion necessary or advisable in order to give effect to this resolution.

Schedule “C”

SUMMARY OF UNITHOLDER RIGHTS PLAN

The following is a summary of the features of the Rights Plan. This summary does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the Rights Plan. A copy is available at www.algonquinpower.com or on SEDAR at www.sedar.com. All capitalized terms used in this summary have the meanings given in the Rights Plan unless otherwise noted.

Issuance of Rights

One Right will be issued by the Fund for each Unit outstanding at the close of business on March 20, 2008, the date the Rights Plan comes into effect, and one Right will continue to be issued for each Unit of the Fund issued after March 20, 2008 and before the earlier of the Separation Time and the Expiration Time. Each Right entitles the registered holder thereof, after the Separation Time, to purchase from the Fund one Unit at an Exercise Price equal to three times the Market Price per Unit as at the Separation Time, subject to adjustment and certain anti-dilution provisions.

Rights are not exercisable until the Separation Time. If a Flip-in Event occurs, each Right entitles the holder thereof to receive, upon payment of the Exercise Price, Units of the Fund with an aggregate Market Price equal to two times the Exercise Price.

The Fund is not required to issue or deliver Rights, or securities issuable upon the exercise of Rights, outside Canada or the U.S. where an issue or delivery of Rights would be against the law without registration of the relevant Persons or securities. The Board may establish procedures for the issue of these securities to a Canadian resident fiduciary, to hold Rights or other securities in trust for the Persons beneficially entitled to them, to sell such securities and to remit the proceeds to those Persons.

Trading of Rights

Until the Separation Time (or earlier termination or expiration), the Rights will be evidenced by the certificates representing the Units of the Fund and will be transferable only together with the associated Units. After the Separation Time, separate certificates evidencing the Rights (Rights Certificates) will be mailed to holders of record of Units (other than an Acquiring Person) as of the Separation Time. Rights Certificates will also be issued for Rights in respect of Units issued after the Separation Time and before the Expiration Time, to each holder (other than an Acquiring Person) converting securities that are exchangeable for Units after the Separation Time. Rights will trade separately from the Units after the Separation Time.

Separation Time

The Separation Time is the close of business on the tenth Business Day after the earlier of (i) the Unit Acquisition Date, which is generally the first date of public announcement of facts indicating that a Person has become an Acquiring Person; (ii) the date of the start of, or first public announcement of, the intent of any Person (other than the Fund or its Subsidiaries) to

begin a Take-over Bid (other than a Permitted Bid or a Competing Permitted Bid); and (iii) the date upon which a Permitted Bid ceases to be a Permitted Bid, or such later date as may be determined by the Board acting in good faith. If a Take-over Bid expires, is cancelled, terminated or withdrawn prior to the Separation Time, it shall be deemed never to have been made.

Acquiring Person

In general, an Acquiring Person is a Person who is the Beneficial Owner of 20% or more of the Fund's outstanding Units, excluding (i) the Fund and its Subsidiaries, and (ii) any Person who becomes the Beneficial Owner of 20% or more of the outstanding Units as a result of any one or a combination of an acquisition or redemption of Units by the Fund, a Permitted Bid Acquisition, an Exempt Acquisition, a Convertible Security Acquisition or a Pro Rata Acquisition.

In general:

- (i) a Permitted Bid Acquisition means an acquisition of Units made pursuant to a Permitted Bid or a Competing Permitted Bid;
- (ii) an Exempt Acquisition means an acquisition of Units
 - (A) for which the Board has waived the application of the Rights Plan;
 - (B) which was made on or before the Effective Date;
 - (C) which was made under any distribution reinvestment plan of the Fund;
 - (D) which was made pursuant to the receipt or exercise of rights issued by the Fund to all the holders of Units (other than holders resident in a jurisdiction where such distribution is restricted or impracticable as a result of applicable law) to subscribe for or purchase Units or Convertible Securities, provided that the Person does not acquire such rights from any Person other than the Fund and provided that the Person does not thereby acquire a greater percentage of the Units or Convertible Securities so offered than the percentage owned immediately before the acquisition;
 - (E) which was made pursuant to a distribution by the Fund to the public of Units or Convertible Securities made under a prospectus, provided that the Person does not thereby acquire a greater percentage of the Units or Convertible Securities so offered than the percentage owned immediately before the distribution); or
 - (F) which was made pursuant to a distribution by the Fund of Units or Convertible Securities by way of a private placement or a securities exchange take-over bid circular or upon the exercise by an individual employee of options or rights granted under a unit option plan of the Fund or rights to purchase securities granted under a unit purchase plan of the Fund;

- (iii) a Convertible Security Acquisition means an acquisition of Units upon the exercise of Convertible Securities received by a Person pursuant to a Permitted Bid Acquisition, Exempt Acquisition or a Pro Rata Acquisition; and
- (iv) a Pro Rata Acquisition means an acquisition of Units or Convertible Securities as a result of a distribution of Units or a trust unit split or other similar event acquired on the same pro rata basis as all other holders of Units.

Also excluded from the definition of Acquiring Person are underwriters or members of a banking or selling group acting in connection with a distribution of securities by way of prospectus or private placement.

Beneficial Ownership

In general, a Person is deemed to Beneficially Own Units actually held by others if those holdings are or should be grouped together for purposes of the Rights Plan. Included are holdings by the Person's Affiliates (generally, a Person that controls, is controlled by, or under common control with another Person) and Associates (generally, spouses and relatives sharing the same residence). Also included are securities which the Person or any of the Person's Affiliates or Associates has the right to acquire within 60 days (other than (i) customary agreements with and between underwriters and/or banking group and/or selling group members with respect to a public offering of securities; or (ii) pursuant to a pledge of securities in the ordinary course of business).

A Person is also deemed to Beneficially Own any securities that are Beneficially Owned by any other Person with whom the Person is acting jointly or in concert (Joint Actor). A Person is a Joint Actor with any Person who is a party to an agreement, arrangement or understanding with the first Person or an Associate or Affiliate of the first Person to acquire or offer to acquire Units.

Institutional Unitholder Exemptions from Beneficial Ownership

There are several exemptions in the definition of Beneficial Ownership under which a Person is not considered to Beneficially Own a security. There are exemptions for institutional unitholders which apply to:

- (i) an investment manager (Investment Manager) which holds securities in the ordinary course of business in the performance of its duties for the account of any other Person;
- (ii) a licensed trust company (Trust Company) acting as trustee or administrator for the estates of deceased or incompetent persons (Estate Account) or for other accounts (Other Account) and which hold the securities in the ordinary course of its duties for those accounts;
- (iii) the administrator or the trustee (Plan Trustee) of a pension fund or plan (a Plan) registered under applicable law and holds such security for the purposes of its activities as such an administrator or trustee;

- (iv) a Person who is a Plan or is a Person established by law (the Statutory Body), and its ordinary business or activity includes the management of investment funds for employee benefit plans, pension plans, insurance plans or various public bodies;
- (v) a Crown agent or agency; or
- (vi) a Person (Manager) that is the manager or trustee of a mutual fund (Mutual Fund) that is registered or qualified to issue its securities to investors under Canadian provincial or U.S. securities law or is a Mutual Fund.

The exemptions only apply so long as the Investment Manager, Trust Company, Plan Trustee, Plan, Statutory Body, Crown agent or agency, Manager or Mutual Fund is not making or has not announced an intention to make a Take-over Bid.

A Person is not considered to Beneficially Own a security because (i) the Person is a client of the same Investment Manager, an estate account or another account of the same Trust Company or Plan with the same Plan Trustee as another Person or Plan on whose account the Investment Manager, Trust Company or Plan Trustee, as the case may be, holds the security; or (ii) the Person is a client of an Investment Manager, an account of a Trust Company or a Plan, and the security is owned at law or in equity by the Investment Manager, Trust Company or Plan Trustee, as applicable.

Exemption for Permitted Lock-up Agreement

A Person is not considered to Beneficially Own any security where the holder of the security has agreed to tender or tendered that security pursuant to a Permitted Lock-up Agreement to a Take-over Bid made by the Person or the Person's Affiliates or Associates or a Joint Actor until the tendered security is accepted unconditionally for payment or exchange or is taken up and paid for.

A Permitted Lock-up Agreement is generally an agreement between a Person and one or more holders of Units who enter into a Permitted Lock up Agreement (a Locked-up Person) under which each Locked-up Person agrees to tender Units to a Take-over Bid (referred to as a Lock-up Bid) and which allows the Locked-up Person to withdraw its Units to tender them to another Take-over Bid or to support another transaction prior to the Units being taken up and paid for under the Lock-up Bid: (i) at a price or value per Unit that exceeds the price or value per Unit offered under the Lock-Up Bid; or (ii) at an offer price for each Unit that exceeds by at least a specified amount (Specified Amount) the offer price for each Unit in the Lock-up Bid but that does not set out a Specified Amount that is greater than 7% of the offer price in the Lock-up Bid.

A Permitted Lock-up Agreement may contain a right of first refusal or require a period of delay to give the Person who made the Lock-up Bid an opportunity to match a higher price in another Take-over Bid or transaction. It may also contain a similar limitation on a Locked-up Person's right to withdraw Units from the Permitted Lock-up Agreement so long as the limitation does not prevent the Locked-up Person from withdrawing Units during the period of the other Take-over Bid or transaction. Finally, under a Permitted Lock-up Agreement there are limits on "break-up" fees, "top-up" fees, penalties and expenses payable by a Locked-up Person if the Locked-up Person fails to deposit or tender Units to the Lock-up Bid or withdraws Units previously

tendered in order to deposit or tender them to another Take-over Bid or support another transaction.

Flip-in Event

A Flip-in Event occurs when any Person becomes an Acquiring Person. If, prior to the Expiration Time, a Flip-in Event which has not been waived by the Board occurs, each Right (except for Rights Beneficially Owned by an Acquiring Person, an Affiliate or Associate of an Acquiring Person, a Joint Actor or a transferee of any such Person, which become null and void) will thereafter constitute, upon exercise, the right to purchase from the Fund the number of Units having a total Market Price on the date of the Flip-in Event equal to twice the Exercise Price for a cash amount equal to the Exercise Price (subject to anti-dilution adjustments). For example, if at the time of the Flip-in Event the Exercise Price is \$150 and the Market Price of the Units is \$50, the holder of each Right would be entitled to purchase Units having a total Market Price of \$300 (that is, six Units) for \$150 (that is, a 50% discount from the Market Price).

Permitted Bid and Competing Permitted Bid

A Permitted Bid is a Take-over Bid made by a Person by way of a Take-over Bid circular and which also complies with the following:

- (i) the Take-over Bid is made to all holders of record of Units, other than the Offeror;
- (ii) the Take-over Bid contains irrevocable and unqualified conditions that:
 - (A) no Units shall be taken up or paid for under the Take-over Bid before the close of business on a date at least 60 days after the date of the Take-over Bid;
 - (B) unless the Take-over Bid is withdrawn, Units may be deposited to the Take-over Bid any time before the close of business on the date of first take-up or payment for Units and all Units deposited to the Take-over Bid may be withdrawn at any time before the close of business on that date;
 - (C) more than 50% of the outstanding Units held by Independent Unitholders must be deposited to the Take-over Bid and not withdrawn at the close of business on the date of first take-up or payment for Units; and
 - (D) in the event that more than 50% of the outstanding Units held by Independent Unitholders have been deposited to the Take-over Bid and not withdrawn as at the date of first take-up or payment for Units under the Take-over Bid, the Offeror will make a public announcement of that fact and the Take-over Bid will remain open for deposits and tenders of Units for at least 10 Business Days from the date of the announcement.

A Competing Permitted Bid is a Take-over Bid that is made after any other Permitted Bid or another Competing Permitted Bid has been made but before the expiry of the Permitted Bid or another Competing Permitted Bid and that satisfies all the requirements of a Permitted Bid, other than the requirement that the bid remain open for 60 days, as long as it is open until the later of

(i) the earliest date on which Units may be taken-up or paid for under a Permitted Bid or Competing Permitted Bid that is then in existence; and, (ii) 35 days (or such other minimum number of days prescribed by applicable Ontario law) after the date of the Competing Permitted Bid.

Redemption, Waiver and Termination

- (i) *Redemption of Rights on Approval of Holders of Units and Rights.* The Board acting in good faith may, after obtaining the prior approval of the holders of Units or Rights, at any time before a Flip-in Event occurs, elect to redeem all of the then outstanding Rights at a Redemption Price of \$0.000001 per Right, as adjusted for anti-dilution.
- (ii) *Waiver of Inadvertent Acquisition.* The Board acting in good faith may waive the application of the Rights Plan for any Flip-in Event if (i) the Board determines that a Person became an Acquiring Person unintentionally and without any knowledge or intent that it would become an Acquiring Person; and (ii) the Acquiring Person has reduced its Beneficial Ownership of Units so that, at the time of waiver the Person is no longer an Acquiring Person.
- (iii) *Deemed Redemption.* If a Person who has made a Permitted Bid or a Take-over Bid for which the board has waived the Rights Plan completes the acquisition of the Units, the board will be considered to have elected to redeem the Rights for the Redemption Price.
- (iv) *Discretionary Waiver with Mandatory Waiver of Concurrent Bids.* The Board acting in good faith may, after providing prior written notice to the Rights Agent, waive the application of the Rights Plan to a Flip-in Event occurring by way of a Take-over Bid made by means of a Take-over Bid circular sent to all holders of record of Units. However, if the Board waives the application of the Rights Plan to such a Flip-in Event, it will be deemed to have waived the Rights Plan for any other Flip-in Event occurring by way of a Take-over Bid made by means of a Take-over Bid circular sent to all holders of record of Units made before the expiry of a bid for which the waiver was or was deemed to have been granted.
- (v) *Discretionary Waiver respecting Acquisition not by Take-over Bid Circular.* The Board may, after obtaining the prior consent of the holders of Units, determine, at any time before a Flip-in Event for which the application of the Rights Plan has not been waived, if the Flip-in Event would occur by an acquisition of Units by some other means than under a Take-over Bid made by means of a Take-over Bid circular to all holders or record of Units, or unintentionally if the Acquiring Person has reduced its holdings to below 20%, to waive the application of the Rights Plan for that Flip-in Event. However, if the Board waives the application of the Right Plan to such a Flip-in Event, the Board will extend the Separation Time to a date within 10 Business Days after the meeting of Unitholders called to approve the waiver.
- (vi) *Redemption of Rights on Withdrawal or Termination of Bid.* Where a Take-over Bid that is not a Permitted Bid is withdrawn or terminated after the Separation Time and before the occurrence of a Flip-in Event, the Board may elect to redeem all the outstanding

Rights at the Redemption Price. Upon such redemption, the Rights Plan shall continue to apply as if the Separation Time had not occurred, and the Separation Time will be deemed not to have occurred, the Board may elect to redeem all the outstanding Rights at the Redemption Price and the Fund will be deemed to have issued replacement Rights to holders of Units.

When Rights are redeemed, upon redemption they will, without further action or notice, terminate and the only right the holders of Rights will have is to receive the Redemption Price. Within 10 Business Days of any redemption of the Rights, the Fund will notify the holders of the Units or, after the Separation Time, the holders of the Rights of the redemption.

Anti-Dilution Adjustments

The Exercise Price of a Right, the number and kind of securities subject to purchase upon exercise of a Right, and the number of Rights outstanding will be adjusted in certain events, including but not limited to:

- (i) if there is a distribution payable in Units or Convertible Securities (other than pursuant to any distribution reinvestment plan or a distribution payable in Units in lieu of a regular periodic cash distribution) on the Units, or a subdivision or consolidation of the Units, or if there is an issue of Units or Convertible Securities in respect of, in lieu of, or in exchange for Units pursuant to certain transactions; or
- (ii) if the Fund fixes a record date for the distribution to all holders of Units of rights or warrants to acquire Units or Convertible Securities, or if the Fund fixes a record date for the distribution to all holders of Units or evidences of indebtedness or assets (other than a regular periodic cash distribution or a distribution payable in Units) or rights or warrants to acquire Units.

Supplements and Amendments

The Fund may make amendments to correct any clerical or typographical error or which are necessary to ensure the Rights Plan remains valid if there is any change in applicable law. Any changes made to maintain the validity of the Rights Plan and any other changes to the Rights Plan, other than amendments to correct any clerical or typographical error, will be subject to confirmation by the holders of the Units or, after the Separation Time, the holders of the Rights.

The Board reserves the right to alter any terms of the Rights Plan or not proceed with the Rights Plan before the annual and special meeting of Unitholders to be held on April 24, 2008 (the "Meeting") if it is in the best interests of the Fund and its Unitholders to do so.

Expiration

The Rights Plan is effective from the Effective Date, being March 20, 2008, and will remain in force until the earlier of the Termination Time (the time at which the right to exercise Rights terminates under the Rights Plan) and the termination of the annual general meeting of the Unitholders of the Fund in 2011, unless the Unitholders or Independent Unitholders, as

applicable, approve the continuation of the Rights Plan at or before the annual general meeting of the Unitholders of the Fund in 2011.

Schedule “D”

ALGONQUIN POWER INCOME FUND

MANDATE OF THE TRUSTEES

1. PURPOSE

- 1.1 The trustees (the “**Trustees**”) of Algonquin Power Income Fund (the “**Fund**”) have the power and authority to supervise the activities and manage the investments and affairs of the Fund. The Trustees, directly and through their committees, provide direction to the administrator of the Fund and the manager of its subsidiary entities, Algonquin Power Management Inc. (the “**Manager**”), in connection with the Manager’s duties and obligations under its administration and management agreements with the Fund and its subsidiary entities.

2. MEMBERSHIP, ORGANIZATION AND MEETINGS

- 2.1 **General** - The composition and organization of the Trustees, including: the number, qualifications and remuneration of Trustees; residency requirements; quorum requirements; meeting procedures and notices of meetings are as established by the Fund’s Declaration of Trust, as amended and restated from time to time (the “**Declaration of Trust**”).
- 2.2 **Independence** - The Trustees shall establish independence standards for the Trustees in accordance with the binding requirements of any stock exchanges on which the Fund’s securities are listed and all other applicable laws (collectively, the “**Applicable Requirements**”), and, at least annually, shall determine the independence of each Trustee in accordance with these standards. A minimum of a majority of the Trustees shall be independent in accordance with these standards.
- 2.3 **Access to Management and Outside Advisors** - The Trustees shall have unrestricted access to the management and employees of the Fund, its subsidiary entities and the Manager and employees of Algonquin Power Systems Inc. whose duties include services to the Fund or any Fund entity. The Trustees shall have the authority to retain external legal counsel, consultants or other advisors to assist them in fulfilling their responsibilities and to set and pay the respective compensation of these advisors without consulting or obtaining the approval of any Fund officer or the Manager. The Fund shall provide appropriate funding, as determined by the Trustees, for the services of these advisors.
- 2.4 **Secretary and Minutes** - The Trustees shall request that an officer of the Fund or the Manager, external legal counsel or any other person act as secretary of each

meeting of the Trustees. Minutes of meetings of the Trustees shall be recorded and maintained and subsequently presented to the Trustees for approval.

- 2.5 **Meetings Without Management** - The Trustees shall, at least annually, hold unscheduled or regularly scheduled meetings, or portions of regularly scheduled meetings, at which management of the Fund and the Manager are not present.

3. **FUNCTIONS AND RESPONSIBILITIES**

The Trustees shall have the functions and responsibilities set out below. In addition to these functions and responsibilities, the Trustees shall perform such duties as may be required by the Applicable Requirements and the Declaration of Trust.

3.1 **Strategic Planning**

- a. **Strategic Plans** - At least annually, the Trustees shall review and, if advisable, approve the Fund's strategic planning process and short- and long-term strategic plans prepared by the Manager. In discharging this responsibility, the Trustees shall review the plans in light of the Manager's assessment of emerging trends, the competitive environment, risk issues and significant business practices.
- b. **Business Plans** - The Trustees shall review and, if advisable, approve the Fund's annual business plans.
- c. **Monitoring** - At least annually, the Trustees shall review the Manager's implementation of the Fund's strategic and business plans. The Trustees shall review and, if advisable, approve any material amendments to, or variances from, these plans.

3.2 **Risk Management**

- a. **General** - At least annually, the Trustees shall, with the assistance of the Audit Committee, review reports provided by the Manager and management of the Fund of material risks associated with the businesses and operations of the Fund's subsidiary entities, review the implementation by the Manager and management of the Fund (collectively, "**Management**") of systems to manage these risks and review reports by Management relating to the operation of and any material deficiencies in these systems.
- b. **Verification of Controls** - The Trustees shall, with the assistance of the Audit Committee, verify that internal, financial, non-financial and business control and information systems have been established by Management and that the Fund is applying appropriate standards of corporate conduct for these controls.

3.3 **Human Resource Management**

- a. **General** - At least annually, the Trustees shall, with the assistance of the Manager, review the Fund's approach to human resource management and executive compensation.
- b. **Succession Review** - At least annually, the Trustees shall, with the assistance of the Manager and the Corporate Governance Committee, as applicable, review the Chair of the Trustees and the senior management succession plans of the Fund.
- c. **Integrity of Senior Management** - The Trustees shall, to the extent feasible, satisfy itself as to the integrity of the Manager and its principals and other senior management of the Fund.

3.4 **Corporate Governance**

- a. **General** - At least annually, the Trustees shall, in conjunction with their duties as members of the Corporate Governance Committee, review the Fund's approach to corporate governance.
- b. **Trustee Independence** - At least annually, the Trustees shall, in conjunction with their duties as members of the Corporate Governance Committee, evaluate the Trustee independence standards established by the Trustees and the Trustees' ability to act independently from Management in fulfilling their duties.
- c. **Ethics Reporting**- At least annually, the Trustees shall, in conjunction with their duties as members of the Corporate Governance Committee, review reports provided by Management relating to compliance with, or material deficiencies of, the Fund's Code of Business Conduct and Ethics.

3.5 **Financial Information**

- a. **General** - At least annually, the Trustees shall, in conjunction with their duties as members of the Audit Committee, review the Fund's internal controls relating to financial information and reports provided by Management on material deficiencies in, or material changes to, these controls.
- b. **Integrity of Financial Information** - The Trustees shall, in conjunction with their duties as members of the Audit Committee, review the integrity of the Fund's financial information and systems, the effectiveness of internal controls and Management's assertions on internal control and disclosure control procedures.

3.6 **Communications**

- a. **General** - At least annually, the Trustees in conjunction with the Manager shall review the Fund's overall communications strategy, including measures for receiving feedback from the Fund's unitholders.
- b. **Disclosure** - At least annually, the Trustees shall review Management's compliance with the Fund's disclosure policies and procedures. The Trustees shall, if advisable, approve material changes to the Fund's disclosure policies and procedures.

3.7 **Committees of the Trustees**

- a. **Trustees' Committees** - The Trustees have established the following committees of the Trustees: the Audit Committee and the Corporate Governance Committee. As of the date of this Mandate, these committees are comprised of all of the Trustees. Subject to applicable law and the Fund's Declaration of Trust, the Trustees may establish other committees or merge any committee of the Trustees with any other committee of the Trustees.
- b. **Committee Charters** - The Trustees have approved charters for each committee and shall approve charters for each new committee of the Trustees. At least annually, each charter shall be reviewed, and, based on recommendations of the Corporate Governance Committee and the Chair of the Trustees, as applicable, approved by the Trustees.
- c. **Delegation to Committees** - The Trustees have delegated for approval or review the matters set out in each committee's charter to that committee.
- d. **Consideration of Committee Recommendations** - As required, the Trustees shall consider for approval the specific matters delegated for review to committees of the Trustees.
- e. **Trustees/Committee Communication** - To facilitate communication between the Trustees and each committee of the Trustees, each committee chair shall provide a report to the Trustees on material matters considered by the committee at the first Trustees' meeting after each meeting of the committee.

4. TRUSTEE ORIENTATION AND EVALUATION

Each new Trustee shall participate in any orientation program for the Fund's Trustees provided by the Manager.

At least annually, the Trustees shall evaluate and review the performance of the Trustees, each of its committees, each of the Trustees and the adequacy of this mandate.

5. CURRENCY OF MANDATE

This mandate was approved by the Trustees as of December 31, 2005.