Base Shelf Prospectus

This short form prospectus has been filed under legislation in each province of Canada that permits certain information about these securities to be determined after this prospectus has become final and that permits the omission from this prospectus of that information. The legislation requires the delivery to purchasers of a prospectus supplement containing the omitted information within a specified period of time after agreeing to purchase any of these securities.

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. ***Information has been incorporated by reference in this prospectus from documents filed with securities commissions or similar authorities in Canada.*** *Copies of the documents incorporated herein by reference may be obtained on request without charge from the office of the Corporate Secretary of the Company at 480 de la Cité Boulevard, Gatineau, Québec, Canada, J8T 8R3, (819)561-2722 and are also available electronically at www.sedar.com. For the purpose of the Province of Québec, this simplified prospectus contains information to be completed by consulting the permanent information record. A copy of the permanent information record may be obtained without charge from the office of the Corporate Secretary of the Company at the above-mentioned address and phone number and is also available electronically at www.sedar.com.*

September 28, 2006

SHORT FORM BASE SHELF PROSPECTUS

BROOKFIELD POWER CORPORATION

US$750,000,000

Debt Securities

Unconditionally guaranteed as to payment of principal, premium (if any) and interest by

BROOKFIELD POWER INC.

Brookfield Power Corporation (the "**Company**") may from time to time offer and issue debt securities (the "**Debt Securities**") under this short form prospectus ("**Prospectus**"), which may consist of debentures, notes or other types of debt securities and may be issuable in series. The Debt Securities will be fully and unconditionally guaranteed as to payment of principal, premium (if any) and interest by Brookfield Power Inc. (the "**Guarantor**"). The Company may sell up to US$750 million in the aggregate principal amount of Debt Securities (or its equivalent in any other currency used to denominate the Debt Securities at the time of the offering) at any time during the 25-month period that this Prospectus, including any amendments hereto, remains valid.

The Company's head and registered office is at BCE Place, 181 Bay Street, Suite 300, P.O. Box 762, Toronto, Ontario, M5J 2T3.

The specific terms of any Debt Securities offered (the "**Offered Securities**") will be described in one or more shelf prospectus supplements (collectively or individually, as the case may be, a "**Prospectus Supplement**"), including, where applicable: the specific designation, the aggregate principal amount being offered, the currency, the issue and delivery date, the maturity date, the issue price (or the manner of determination thereof if offered on a non-fixed price basis), the interest rate (either fixed or floating, and, if floating, the manner of calculation thereof), the interest payment date(s), the redemption, the exchange or conversion provisions (if any), the repayment terms, the form (either global or definitive), the authorized denominations and any other specific terms. A Prospectus Supplement may include specific variable terms pertaining to the Debt Securities that are not within the alternatives and parameters described in this Prospectus.

All shelf information permitted under applicable securities legislation to be omitted from this Prospectus will be contained in one or more Prospectus Supplements that will be delivered to purchasers together with this Prospectus. Each Prospectus Supplement will be incorporated by reference into this Prospectus for the purposes of securities legislation as of the date of the Prospectus Supplement and only for the purposes of the distribution of the Debt Securities to which the Prospectus Supplement pertains.

The Company may sell the Debt Securities to or through underwriters or dealers purchasing as principals, and may also sell the Debt Securities to one or more purchasers directly, pursuant to statutory registration exemptions in those jurisdictions where such exemptions are available, or regulatory approval in other jurisdictions, or through agents. The Prospectus Supplement relating to a particular offering of Debt Securities will identify each underwriter, dealer or agent engaged by the Company in connection with the offering and sale of the Debt Securities, and will set forth the terms of the offering of such Debt Securities, the method of distribution of such Debt Securities, including, to the extent applicable, the proceeds to the Company and any fees, discounts or any other compensation payable to underwriters, dealers or agents and any other material terms of the plan of distribution.

In connection with any underwritten offering of Debt Securities, the underwriters or agents may over-allot or effect transactions which stabilize or maintain the market price of the Debt Securities offered at a level above that which might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time. See "Plan of Distribution".

There is no market through which these securities may be sold and purchasers may not be able to resell securities purchased under this Prospectus. This may affect the pricing of the securities in the secondary market, the transparency and availability of trading prices, the liquidity of the securities, and the extent of issuer regulation. See "Risk Factors".

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FORWARD-LOOKING INFORMATION

This Prospectus may contain forward-looking statements concerning the business and operations of the Company and the Guarantor. Forward-looking statements can be identified by the use of words, such as "plans", "expects", or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "does not anticipate", or "believes" or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve assumptions and known and unknown risks, uncertainties and other factors which may cause the actual results or performance to be materially different from any future results or performance expressed or implied by the forward-looking statements.

Examples of such statements include, but are not limited to factors relating to production and the business, financial position, operations and prospects for the Company and the Guarantor. They include (1) the level of generation; (2) energy prices; (3) the cost of production; (4) interest rates as they bear on indebtedness; (5) planned capital expenditures; (6) the impact of changes in the exchange rate on costs and results of operations; (7) the negotiation of collective agreements with unionized employees; (8) business and economic conditions; (9) the legislation governing air emissions, discharges into water, waste, hazardous materials and workers' health and safety as well as the impact of future legislation and regulations on expenses, capital expenditures and restrictions on operations; and (10) regulatory investigations, claims, lawsuits and other proceedings. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied in the forward-looking statements contained herein and as such, you are cautioned not to place undue reliance on these forward-looking statements.

These forward-looking statements represent our views as of the date of this Prospectus. While the Company and the Guarantor anticipate that subsequent events and developments may cause their views to change, the Company and the Guarantor disclaim any obligation to update these forward-looking statements. These forward-looking statements should not be relied upon as representing the Company's or the Guarantor's views as of any date subsequent to the date of this Prospectus.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents, filed with the securities regulatory authorities in each of the provinces and territories of Canada, are specifically incorporated by reference in, and form an integral part of, this Prospectus:

(a) the Company's renewal annual information form dated July 21, 2006 (the "**AIF**");

(b) the Company's audited comparative financial statements and the notes thereto for the financial periods ended December 31, 2005 and 2004, together with the report of the auditors thereon;

(c) the management's discussion and analysis for the audited comparative financial statements referred to in paragraph (b) above;

(d) the Company's unaudited comparative interim financial statements and the notes thereto for the six months ended June 30, 2006 and 2005;

(e) the management's discussion and analysis for the unaudited comparative interim financial statements referred to in paragraph (d) above;

(f) the Guarantor's audited comparative consolidated financial statements and the notes thereto for the financial years ended December 31, 2005 and 2004, together with the report of the auditors thereon;

(g) the management's discussion and analysis for the audited comparative consolidated financial statements referred to in paragraph (f) above;

(h) the Guarantor's unaudited comparative interim consolidated financial statements and the notes thereto for the six months ended June 30, 2006 and 2005; and

(i) the management's discussion and analysis for the unaudited comparative interim consolidated financial statements referred to in paragraph (h) above.

All documents of the Company and the Guarantor of the type referred to above and any material change reports (excluding confidential reports) which are required to be filed by the Company with the Ontario Securities Commission after the date of this Prospectus and prior to the termination of the offering shall be deemed to be incorporated by reference into this Prospectus.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purposes of this Prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

Upon a new annual information form and new interim or annual financial statements being filed with and, where required, accepted by the applicable securities regulatory authorities during the currency of this Prospectus, the previous annual information form, the previous annual financial statements and all interim financial statements and material change reports filed prior to the commencement of the then current fiscal year will be deemed no longer to be incorporated into this Prospectus for purposes of future offers and sales of Debt Securities hereunder.

A Prospectus Supplement containing the specific terms of an offering of Debt Securities will be delivered to purchasers of such Debt Securities together with this Prospectus and will be deemed to be incorporated into this Prospectus as of the date of such Prospectus Supplement but only for purposes of the offering of Debt Securities covered by that Prospectus Supplement.

Where the Company updates its disclosure of interest coverage ratios by a Prospectus Supplement, the Prospectus Supplement filed with applicable securities regulatory authorities that contains the most recent updated disclosure of interest coverage ratios and any Prospectus Supplement supplying any additional or updated information the Company may elect to include (provided that such information does not describe a material change that has not already been the subject of a material change report or a prospectus amendment) will be delivered to purchasers of Debt Securities together with this Prospectus and will be deemed to be incorporated into this Prospectus as of the date of the Prospectus Supplement.

Copies of the documents incorporated herein by reference may be obtained on request without charge from the office of the Corporate Secretary of the Company at 480 de la Cité Boulevard, Gatineau, Québec, Canada, J8T 8R3, (819) 561-2722, and are also available electronically at www.sedar.com. For the purpose of the Province of Québec, this simplified prospectus contains information to be completed by consulting the permanent information record. A copy of the permanent information record may be obtained without charge from the office of the Corporate Secretary of the Company at the above-mentioned address and telephone number and is also available electronically at www.sedar.com.

THE COMPANY AND THE GUARANTOR

The Company was incorporated and organized under the *Business Corporations Act* (Ontario) on June 20, 2002. The Company is a wholly-owned subsidiary of the Guarantor. At present, the Company has no significant assets or liabilities other than subordinated promissory notes and term debentures. The Company has no employees and no subsidiaries.

Due to the strategic importance of the power business to Brookfield Asset Management Inc. (formerly Brascan Corporation) ("**Brookfield**"), the Guarantor's parent, and its substantial growth, Brookfield established the Company as a subsidiary of the Guarantor, and the Company intends to acquire all of the Guarantor's power operations as part of a reorganization (the "**Reorganization**"). Following the Reorganization, the Guarantor will retain ownership of the non-core investment assets that are not related to the power operations and the Company will be a "pure play" power company. The Reorganization will enhance investor clarity and lower the Company's cost of capital.

The Guarantor was amalgamated on March 2, 2001 with 1458103 Ontario Limited under the *Business Corporations Act* (Ontario) to become Great Lakes Power Inc. The articles were subsequently amended to change its authorized capital and its name to Brascan Power Inc. and subsequently to Brookfield Power Inc. The Guarantor's assets are comprised of a blend of power generating and investment assets. Following the Reorganization, the Guarantor will retain ownership of its non-core investment assets that are not related to the power operations.

For further information relating to the business of the Company and the Guarantor and further detail regarding the Reorganization and the business that the Company will acquire from the Guarantor, please refer to the Company's AIF incorporated by reference in this Prospectus.

Recent Developments

The following is a summary of significant recent developments affecting the Company and the Guarantor since the date of the AIF:

On July 28, 2006 the Guarantor announced that it had agreed with the Ontario Power Authority to terminate its renewable energy supply agreement for its proposed 49.5 megawatt (MW) wind energy project in the Town of the Blue Mountains as a result of force majeure. Given the delays encountered with the municipality's development process, the Guarantor was unable to obtain the necessary permits to construct the project within the timelines imposed by the contract. The Guarantor will not proceed at the present time with any further permitting activities for the Blue Highlands Wind Energy Project.

On July 21, 2006, a syndicate of Canadian banks agreed to make available to the Guarantor, secured by the Prince wind farm project in Ontario, a new credit facility in the amount of $300 million to fund the construction of that project.

USE OF PROCEEDS

Unless otherwise indicated in a Prospectus Supplement relating to a series of Debt Securities, the net proceeds received by the Company from the sale of Debt Securities will be used by the Company for general corporate purposes which may include the loan of funds to the Guarantor and the repayment of corporate debt of the Company.

DESCRIPTION OF DEBT SECURITIES

The following description sets forth certain general terms and provisions of the Debt Securities. The particular terms and provisions of the series of Debt Securities offered by a Prospectus Supplement, and the extent to which the general terms and provisions described below may apply thereto, will be described in such Prospectus Supplement.

The Debt Securities will be issued under an indenture dated as of December 16, 2004, as supplemented, (the "**Indenture**") between the Company and BNY Trust Company of Canada and the Bank of New York, each as trustee (collectively, the "**Trustee**"). The Indenture is subject to the provisions of the *Business Corporations Act* (Ontario) and, consequently, is exempt from the operation of certain provisions of the Trust Indenture Act of 1939 pursuant to Rule 4d-9 thereunder. A copy of the Indenture is available on the Company's SEDAR profile at www.sedar.com. The following statements with respect to the Indenture and the Securities (as hereinafter defined) are brief summaries of certain provisions of the Indenture and do not purport to be complete; such statements are subject to the detailed referenced provisions of the Indenture, including the definition of capitalized terms used under this caption. Wherever particular sections or defined terms of the Indenture are referred to, the statement is qualified in its entirety by such reference. The term "**Securities**", as used under this caption, refers to all securities issued under the Indenture, including the Debt Securities.

General

The Indenture does not limit the aggregate principal amount of Securities which may be issued thereunder, and Securities may be issued thereunder from time to time in one or more series and may be denominated and payable in foreign currencies or units based on or relating to foreign currencies. (Section 2.2) The Securities offered pursuant to this Prospectus will be limited to US$750,000,000 aggregate principal amount (or the equivalent in any other currency used to denominate the Debt Securities at the time of the offering). Unless otherwise indicated in the applicable Prospectus Supplement, the Indenture also permits the Company to increase the principal amount of any series of Securities previously issued and to issue such increased principal amount. (Section 2.2)

The applicable Prospectus Supplement will set forth the following terms relating to the Offered Securities: (1) the specific designation of the Offered Securities; (2) any limit on the aggregate principal amount of the Offered Securities; (3) the date or dates, if any, on which the Offered Securities will mature and the portion (if less than all of the principal amount) of the Offered Securities to be payable upon declaration of acceleration of maturity; (4) the rate or rates per annum (which may be fixed or variable) at which the Offered Securities will bear interest, if any, the date or dates from which any such interest will accrue and on which any such interest will be payable and the Record Dates for any interest payable on the Offered Securities which are in registered form ("**Registered Securities**"); (5) any mandatory or optional redemption or sinking fund provisions, including the period or periods within which the price or prices at which and the terms and conditions upon which the Offered Securities may be redeemed or purchased at the option of the Company or otherwise; (6) whether the Offered Securities will be issuable in registered form or bearer form or both and, if issuable in bearer form, the restrictions as to the offer, sale and delivery of the Offered Securities in bearer form and as to exchanges between registered and bearer form; (7) whether the Offered Securities will be issuable in the form of one or more registered global securities ("**Registered Global Securities**") and, if so, the identity of the Depository for such Registered Global Securities; (8) the denominations in which any of the Securities will be issuable if in other than denominations of $1,000 and any multiple thereof; (9) each office or agency where the principal of, and any premium and interest on, the Offered Securities will be payable and each office or agency where the Offered Securities may be presented for registration of transfer or exchange; (10) if other than Canadian dollars, the foreign currency or the units based on or relating to foreign currencies in which the Offered Securities are denominated and/or in which the payment of the principal of, and any premium and interest on, the Offered Securities will or may be payable; (11) any index pursuant to which the amount of payments of principal of, and any premium and interest on, the Offered Securities will or may be determined; (12) any other terms of the Offered Securities, including additional covenants and Events of Default. Special Canadian and United States federal income tax considerations applicable to the Securities, the amount of principal thereof and any premium and interest thereon which is determined by reference to an index will be described in the Prospectus Supplement relating thereto. Unless otherwise indicated in the applicable Prospectus Supplement, the Indenture does not afford the holders of such Securities the right to tender Securities to the Company for repurchase, or provide for any increase in the rate or rates of interest per annum at which the Securities will bear interest, in the event the Company should become involved in a highly leveraged transaction or in the event of a change in control of the Company. (Section 2.2)

Securities may be issued under the Indenture bearing no interest or interest at a rate below the prevailing market rate at the time of issuance, to be offered and sold at a discount below their stated principal amount. The Canadian and United States federal income tax consequences and other special considerations applicable to any such discounted Securities or other Securities offered and sold at par

which are treated as having been issued at a discount for Canadian and/or United States federal income tax purposes will be described in the Prospectus Supplement relating thereto. (Section 2.2)

Rank and Subordination

The Securities will be unsecured and will rank *pari passu* with each other and with all other existing and future unsecured and unsubordinated indebtedness of the Company. (Section 2.4)

Form, Denomination, Exchange and Transfer

Unless otherwise indicated in the applicable Prospectus Supplement, the Securities will be issued only in fully registered form in denominations of $1,000 or any integral multiple thereof. Securities may be presented for exchange and Registered Securities may be presented for registration of transfer in the manner, at the places and, subject to the restrictions set forth in the Indenture and in the applicable Prospectus Supplement, without service charge, but upon payment of any stamp taxes or governmental or other charges due in connection therewith. (Section 3.10) The Company has appointed the Trustee as Registrar of the Securities. (Section 3.1)

Payment

Unless otherwise indicated in the applicable Prospectus Supplement, payment of the principal of, and any premium and interest on, Registered Securities (other than a Registered Global Security), at the option of the holder, will be made at the office or agency of the Trustee in Toronto, Canada, except that, payment of any interest may be made (i) by cheque mailed to the address of the person entitled thereto at such address as shall appear in the Register or (ii) by wire transfer to an account maintained by the person entitled thereto as specified in the Register. (Sections 2.8, 2.11 and 9.2) Unless otherwise indicated in the applicable Prospectus Supplement, payment of any interest due on Registered Securities will be made to the persons in whose name such Registered Securities are registered at the close of business on the Record Date for such interest payment. (Section 2.8)

Registered Global Securities

The Registered Securities of a particular series may be issued in the form of one or more Registered Global Securities which will be registered in the name of, and deposited with, one or more Depositories or nominees, each of which will be identified in the Prospectus Supplement relating to such series. Unless and until exchanged, in whole or in part, for Securities in definitive registered form, a Registered Global Security may not be transferred except (a) by the Depository for such Registered Global Security to a nominee of such Depository, by a nominee of such Depository to such Depository or another nominee of such Depository or by such Depository or any such nominee to a successor of such Depository or a nominee of such successor; (b) if the Depository has notified the Company that it is unwilling or unable or no longer eligible to continue as Depository for the Securities; (c) if the Company has determined that the Securities represented by the Registered Global Security shall no longer be held as book-entry only Securities; and (d) the Trustees have determined that an Event of Default has occurred and is continuing with respect to the Securities of the series issued in the form of the Registered Global Security, provided that the Event of Default has not been waived in accordance with the Indenture. (Section 3.3)

The specific terms of the depository arrangement with respect to any portion of a particular series of Securities to be represented by a Registered Global Security will be described in the Prospectus Supplement relating to such series. The Company anticipates that the following provisions will apply to all depository arrangements.

Upon the issuance of a Registered Global Security, the Depository therefor or its nominee will credit, on its book-entry and registration system, the respective principal amounts of the Securities represented by such Registered Global Security to the accounts of such persons having accounts with such Depository or its nominee ("**participants**") as shall be designated by the underwriters, investment dealers or agents participating in the distribution of such Securities or by the Company if such Securities are offered and sold directly by the Company. Ownership of beneficial interests in a Registered Global Security will be limited to participants or persons that may hold beneficial interests through participants. Ownership of beneficial interests in a Registered Global Security will be shown on, and the transfer of such ownership will be effected only through, records maintained by the Depository therefor or its nominee (with respect to beneficial interests of participants) or by participants or persons that hold through participants (with respect to interests of persons other than participants). The laws of some states in the United States require certain purchasers of securities to

take physical delivery thereof in definitive form. Such depository arrangements and such laws may impair the ability to transfer beneficial interests in a Registered Global Security.

So long as the Depository for a Registered Global Security or its nominee is the registered owner thereof, such Depository or such nominee, as the case may be, will be considered the sole owner or holder of the Securities represented by such Registered Global Security for all purposes under the Indenture. Except as provided below, owners of beneficial interests in a Registered Global Security will not be entitled to have Securities of the series represented by such Registered Global Security registered in their names, will not receive or be entitled to receive physical delivery of Securities of such series in definitive form and will not be considered the owners or holders thereof under the Indenture.

Principal, premium, if any, and interest payments on a Registered Global Security registered in the name of a Depository or its nominee will be made to such Depository or nominee, as the case may be, as the registered owner of such Registered Global Security. None of the Company, the Trustee or any paying agent for Securities of the series represented by such Registered Global Security will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial interests in such Registered Global Security or for maintaining, supervising or reviewing any records relating to such beneficial interests.

The Company expects that the Depository for a Registered Global Security or its nominee, upon receipt of any payment of principal, premium or interest, will immediately credit participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of such Registered Global Security as shown on the records of such Depository or its nominee. The Company also expects that payments by participants to owners of beneficial interests in such Registered Global Security held through such participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in "street name", and will be the responsibility of such participants.

If the Depository for a Registered Global Security representing Securities of a particular series is at any time unwilling or unable to continue as Depository and a successor Depository is not appointed by the Company, the Company will issue Registered Securities of such series in definitive form in exchange for such Registered Global Security. In addition, the Company may determine, at any time and in its sole discretion, not to have the Securities of a particular series represented by one or more Registered Global Securities and, in such event, will issue Registered Securities of such series in definitive form in exchange for all of the Registered Global Securities representing Securities of such series. (Section 2.5)

Guarantee

The Debt Securities will be unconditionally guaranteed by the Guarantor as to payment of principal, premium (if any), and interest on the Debt Securities when and as the same shall become due and payable, whether at maturity, upon redemption, acceleration or otherwise. The Guarantee ranks equally and ratably with all other existing and future unsecured and unsubordinated indebtedness for borrowed money of the Guarantor. The obligation of the Guarantor under the Guarantee is unconditional regardless of the enforceability of the Debt Securities or the Indenture and will not be discharged until the date at which all obligations of the Guarantor and the Company are satisfied regarding the transfer of all the assets and liabilities from the Guarantor to the Company, other than its portfolio of securities and long-term corporate investments, there does not exist an event of default under the Indenture on such date, and the Debt Securities will be rated by Dominion Bond Rating Service Limited and Standard and Poor's Rating Service without the Guarantee at the same or better ratings on such date as with the Guarantee. Upon fulfillment of the aforementioned conditions, the Guarantee will terminate and sole recourse of holders of Debt Securities will be to the Company under the Indenture. The foregoing is a summary of the material attributes and characteristics of the Guarantee and is not complete. Reference is made to the Guarantee for the full text of the attributes of the Guarantee. A copy of the Guarantee is available electronically on the Company's SEDAR profile at www.sedar.com.

Merger, Consolidation and Certain Sales of Assets

Neither the Company nor the Guarantor may enter into any transaction, directly or indirectly through a Subsidiary, whereby all or substantially all of its undertaking, property and assets would become the property of any other person (a "**Successor**"), whether by way of reorganization, consolidation, amalgamation, arrangement, merger, transfer, sale, or otherwise, provided that nothing contained in the Indenture or Guarantee, as applicable, prevents any such transaction unless (a) the Company or the Guarantor, as applicable, shall be the surviving person, or the Successor shall be a company organized and validly existing under the federal laws of Canada or any province or territory thereof; (b) the Successor shall have executed, prior to or contemporaneously with the consummation of any such transaction, a Supplemental Indenture and such other instruments as in the opinion of counsel are necessary or advisable to

evidence the assumption by the Successor of the due and punctual payment of the principal of, premium, if any, and interest on all the Securities and all other amounts payable under the Indenture and the Guarantee and the covenant of the Successor to pay the same and its agreement to observe and perform all the covenants and obligations of the Company under the Indenture and the Guarantee, as the case may be; (c) no condition or event shall exist as to the Company or the Guarantor, as applicable, or the Successor either at the time of or immediately after the consummation of any such transaction and after giving full effect thereto or immediately after compliance by the Successor with the provisions of the Indenture which constitutes or would constitute after the giving of notice or lapse of time, or both, an Event of Default; (d) the Company or the Guarantor, as applicable, shall have delivered to the Trustee an opinion of counsel and an officers' certificate stating that the conditions precedent in the Indenture or the Guarantee, as applicable, have been satisfied; and (e) neither the Company nor the Successor, either at the time of or immediately after the consummation of any such transaction and after giving full effect thereto, or immediately after compliance by the Successor with the provisions of the Indenture, will be insolvent or generally fail to meet, or admit in writing its inability or unwillingness to meet, its obligations as they generally become due. These restrictions do not apply if such transaction is between or among, for so long as the Guarantee is in place, the Company or the Guarantor or any of their respective Subsidiaries and thereafter, the Company or any of its Subsidiaries. (Section 10.1)

Covenants

The Indenture and the Guarantee contain, among others, covenants substantially to the following effect:

Limitation on Indebtedness

The Company and the Guarantor will not, and will not permit any Subsidiary to, directly or indirectly, issue, incur, assume or otherwise become liable for or in respect of any Funded Indebtedness unless, after giving effect thereto, Funded Indebtedness, calculated on a consolidated basis, would not exceed 75% of Total Consolidated Capitalization. (Section 6.2)

Limitation on Liens

Neither the Company nor the Guarantor may create or permit to exist any lien on any present or future assets of the Company or the Guarantor to secure any borrowed money, or permit any Subsidiary of the Company or the Guarantor to create or permit to exist any lien on any present or future assets of such Subsidiary to secure any borrowed money, unless at the same time the Securities are secured equally and ratably with such borrowed money, provided that this shall not apply to Permitted Encumbrances. Upon being advised by the Company in writing in an officers' certificate that security has been provided for the Securities on an equal and ratable basis in connection with the grant to a third party of security for borrowed money and subsequently such security to the third party is released, the Trustee will forthwith release the security granted for the Securities. (Section 6.3)

Limitation on Sale and Leaseback Transactions

Neither the Company nor the Guarantor may, or permit any of their respective Subsidiaries to, enter into any Sale and Leaseback Transaction unless: (1) the Sale and Leaseback Transaction is entered into prior to, concurrently with, or within 180 days after the acquisition, the completion of construction (including any improvements on an existing property) or the commencement of commercial operations of the relevant property, and the Company, the Guarantor or such Subsidiary applies within 60 days after the sale an amount equal to the net proceeds of the sale (i) to the repayment of Indebtedness which is *pari passu* to the Securities, (ii) to the redemption of the Securities or (iii) to the reinvestment in its core business; or (2) the Company, the Guarantor or such Subsidiary could otherwise grant a security interest on the property as a Permitted Encumbrance. (Section 6.4)

Provision of Financial Information

Each of the Company and the Guarantor will annually within 90 days (or such longer period as the Trustee in its discretion may consent), after the end of its fiscal year (at the date hereof December 31), furnish to the Trustee a copy of its consolidated financial statements and of the report of its auditors thereon which are furnished to its shareholders, and will furnish to the Trustee any other notice, statement or circular issued to its shareholders at the time they are so issued.

Within 90 days after the end of each fiscal year of the Company and of the Guarantor, and at any other time if requested by the Trustee, each of the Company and the Guarantor shall furnish the Trustee with an officers' certificate stating that in the course of the

performance by the signers thereof of their duties as officers or directors of the Company or the Guarantor, as the case may be, they would normally have knowledge of any default by the Company or the Guarantor in the performance of their respective covenants under the Indenture or the Guarantee, as the case may be, or of any Event of Default and certifying that the Company or the Guarantor have complied with all covenants, conditions or other requirements contained in the Indenture or the Guarantee, as the case may be, the non-compliance with which would, with notification or with the lapse of time or otherwise, constitute an Event of Default thereunder, or, if such is not the case, setting forth with reasonable particulars the circumstances of any failure to comply.

Each of the Company and the Guarantor will quarterly within 45 days (or such longer period as the Trustee in its discretion may consent), after the end of its fiscal quarters, furnish to the Trustee a copy of its unaudited consolidated financial statements. (Section 6.1)

Limitation on Distributions

Neither the Company nor the Guarantor may, or permit any of their respective Subsidiaries to, suffer to exist any encumbrance or restriction on the ability of any Subsidiary of the Company or the Guarantor (i) to pay directly or indirectly dividends permitted by applicable law or make any other distributions in respect of its Capital Stock or pay any Indebtedness or other obligation owed to the Company, the Guarantor or any other such Subsidiary; (ii) to make loans or advances to the Company, the Guarantor or any other such Subsidiary; or (iii) to transfer any or all of its property or assets to the Company, the Guarantor or any other such Subsidiary.

Notwithstanding the foregoing, the Company, the Guarantor or any such Subsidiary may suffer to exist any such encumbrance or restriction (a) pursuant to any agreement in effect on the date of the Securities as described in the Indenture or the Guarantee; (b) pursuant to an agreement relating to any Indebtedness incurred by such Subsidiary prior to the date on which such Subsidiary was acquired by the Company or the Guarantor and outstanding on such date and not incurred in anticipation of becoming a Subsidiary of the Company or the Guarantor; (c) pursuant to an agreement relating to any Limited Recourse Indebtedness; or (d) pursuant to an agreement effecting a renewal, refunding or extension of Indebtedness incurred pursuant to an agreement referred to in clauses (a) through (c) of this paragraph, provided however, that the provisions contained in such renewal, refunding or extension agreement relating to such encumbrance or restriction are no more restrictive in any material respect than the provisions contained in the agreement the subject thereof, as determined in good faith by the board of directors of the Company or the Guarantor. (Section 6.5)

Limitations on Debt and Preferred Stock of Subsidiaries

Neither the Company nor the Guarantor shall permit any of their respective Subsidiaries to, directly or indirectly, issue, incur, assume or otherwise become liable for or in respect of any Indebtedness or issue any preferred stock except: (a) Inter-Company Indebtedness of the Subsidiary; (b) Limited Recourse Indebtedness of the Subsidiary; (c) Net Swap Exposure of the Subsidiary; (d) permitted Capital Lease Obligations of the Subsidiary; (e) purchase money obligations of the Subsidiary; and (f) any other Indebtedness of the Subsidiary (in addition to the Indebtedness referred to in paragraphs (a) to (e)) if, after giving effect to such other Indebtedness, the aggregate amount of all Indebtedness of all Subsidiaries permitted by this paragraph (f) only would not exceed 5% of consolidated Net Worth. For the purposes of this covenant, the assignment by the Company or the Guarantor to a third party of Inter-Company Indebtedness owing by a Subsidiary will be considered to be incurrence of Indebtedness by that Subsidiary. (Section 6.6)

Events of Default

Each of the following constitutes an Event of Default with respect to the Securities under the Indenture and the Guarantee: (a) failure to pay principal of (or premium, if any, on) any Security when due; (b) failure to pay any interest on any Security when due, continued for 30 days; (c) failure to perform or comply with the provisions described in ‘‘Merger, Consolidation and Certain Sales of Assets’’; (d) failure to perform any other covenant or agreement of the Company or the Guarantor under the Indenture or the Guarantee or the Securities for the benefit of the holders of the Securities continued for 60 days after written notice to the Company by the Trustee or holders of at least 25% in aggregate principal amount of outstanding Securities; (e) default by the Company or the Guarantor in payment of principal of, premium, if any, on, or interest on any obligation for borrowed money (other than an obligation payable on demand or maturing less than 18 months from the creation or issue thereof) having an outstanding principal amount in excess of 5% of the Company’s or the Guarantor’s consolidated Net Worth in the aggregate at the time of default or in the performance of any other covenant of the Company or the Guarantor contained in any instrument under which such obligations are created or issued resulting in the acceleration of the final maturity of such obligations; (f) the rendering of a final judgment or judgments (not subject to appeal) against the Company or the Guarantor in an amount in excess of 5% of the consolidated Net Worth

of the Company or the Guarantor which remains undischarged or unstayed for a period of 60 days after the date on which the right to appeal has expired; (g) the Guarantor defaults in the payment of any amounts payable by it under the Guarantee; and (h) certain events of bankruptcy, insolvency, winding-up, liquidation, dissolution or reorganization affecting the Company or the Guarantor.

Subject to the provisions of the Indenture and the Guarantee relating to the duties of the Trustee, in case an Event of Default shall occur and be continuing, the Trustee will be under no obligation to exercise any of its rights or powers under the Indenture and the Guarantee at the request or direction of any of the holders, unless such holders shall have provided the Trustee with sufficient funds for the purpose of exercising such rights or powers. Subject to such provisions, the holders of a majority in aggregate principal amount of the outstanding Securities will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee. (Section 8.1)

If an Event of Default other than an Event of Default described in clause (h) above shall occur and be continuing, either the Trustee or the holders of at least 25% in aggregate principal amount of the outstanding Securities may accelerate the maturity of all Securities; provided, however, that after such acceleration, but before a judgment or decree based on acceleration, the holders of a majority in aggregate principal amount of outstanding Securities may, under certain circumstances, rescind and annul such acceleration if all Events of Default, other than the non-payment of accelerated principal, have been cured or waived as provided in the Indenture. If an Event of Default specified in clause (h) above occurs, the outstanding Securities will *ipso facto* become immediately due and payable without any declaration or other act on the part of the Trustee or any holder.

No holder of any Security will have any right to institute any proceeding with respect to the Indenture, the Guarantee or for any remedy thereunder, unless such holder shall have previously given to the Trustee written notice of a continuing Event of Default and unless also the holders of at least 25% in aggregate principal amount of the outstanding Securities shall have made written request and provided sufficient funds or a reasonable indemnity, as required, to the Trustee to institute such proceedings as Trustee, and the Trustee shall not have received from the holders of a majority in aggregate principal amount of the outstanding Securities a direction inconsistent with such request and shall have failed to institute such proceeding within 60 days. However, such limitations do not apply to a suit instituted by a holder of a Security for enforcement of payment of the principal of and premium, if any, or interest on such Security on or after the respective due dates expressed in such Security. (Section 8.3)

Defeasance

The Indenture provides that, at the option of the Company, the Company will be discharged from any and all obligations in respect of the outstanding Securities if, among other things: (a) the Company shall have delivered to the Trustee evidence that the Company has (i) deposited sufficient funds for payment of all principal, premium, interest and other amounts due or to become due on the Securities of such series to the Stated Maturity thereof, (ii) deposited funds or made provision for the payment of all remuneration and expenses of the Trustees to carry out its duties under this Indenture in respect of the Securities of such series, and (iii) deposited funds for the payment of taxes arising with respect to all deposited funds or other provision for payment in respect of the Securities of such series, in each case irrevocably, pursuant to the terms of a trust agreement in form and substance satisfactory to the Company and the Trustees; (b) the Trustees shall have received an opinion or opinions of the Company's counsel to the effect that the holders of the Securities of such series will not be subject to any additional Canadian or U.S. taxes (as applicable) as a result of the exercise by the Company of the defeasance option with respect to such Securities and that such holders will be subject to taxes, if any, including those in respect of income (including taxable capital gains), on the same amount, in the same manner and at the same time or times as would have been the case if the defeasance option had not been exercised in respect of such Securities; (c) no Event of Default shall have occurred and be continuing on the date of the deposit; (d) such release does not result in a breach or violation of, or constitute a default under, any material agreement or instrument to which the Company is a party or by which the Company is bound; (e) the Company shall have delivered to the Trustees an officers' certificate stating that the deposit was not made by the Company with the intent of preferring the holders of the Securities of such series over the other creditors of the Company or with the intent of defeating, hindering, delaying or defrauding creditors of the Company or others; and (f) the Company shall have delivered to the Trustees an officers' certificate and an opinion of the Company's counsel, stating that all conditions precedent provided for or relating to the exercise of such defeasance option have been complied with. (Section 9.4)

Modification and Waiver

Generally, modifications and amendments of the Indenture may be made by the Company and the Trustee with the consent of the holders of a majority in aggregate principal amount of the outstanding Securities of each series of Securities affected by such modification or amendment. (Section 11.12) However, the following modifications or amendments require the consent of the holders

of each outstanding Security affected thereby, to (a) reduce the principal amount at maturity of, extend the fixed maturity of, or alter the redemption provisions of, such outstanding Securities; (b) change the currency in which any outstanding Securities or any premium or accrued interest thereon is payable; (c) reduce the percentage in principal amount at maturity outstanding of such outstanding Securities that must consent to an amendment, supplement or waiver or consent to take any action under the Indenture, Supplemental Indenture or such outstanding Securities; (d) impair the right to institute suit for the enforcement of any payment on or with respect to such outstanding Securities; (e) waive a default in payment with respect to such outstanding Securities; (f) reduce the rate or extend the time for payment of interest on such outstanding Securities; (g) affect the ranking of such outstanding Securities in a manner adverse to the holder of the outstanding Securities; or (h) make any changes to the Indenture, Supplemental Indenture or such outstanding Securities that would result in the Company being required to make any withholding or deduction from payments made under or with respect to such outstanding Securities. (Section 11.11) In addition, (a) any modification, abrogation, alteration, compromise or arrangement of the rights of the securityholders or any of them or the Trustees against the Company or against its property, provided that such sanctioned actions are not prejudicial to the Trustees, and (b) any modification of or change in or addition to or omission from the provisions contained in the Indenture which shall be agreed to by the Company, requires the approval of a two-thirds majority in aggregate principal amount of the holders of outstanding Securities of each affected class. (Section 11.12)

Subject to certain rights of the Trustee, as provided in the Indenture, the holders of a two-thirds majority in aggregate principal amount of the outstanding Securities, on behalf of all holders of outstanding Securities of such series, may waive any past default under the Indenture, except a default in payment with respect to such Securities. (Section 8.4)

Governing Law

The Indenture and the Securities shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable in the Province of Ontario and shall be treated in all respects as Ontario contracts; provided, that the rights, protections, duties, obligations and immunities of the U.S. Trustee under the Indenture shall be governed by and construed under the laws of the State of New York; and provided, further that Securities issued in U.S. dollars and the Supplemental Indenture under which such U.S. dollar Securities are issued shall be governed by and construed in accordance with the laws of the State of New York. (Section 1.9)

The Trustee

The Trustee under the Indenture is BNY Trust Company of Canada and the Bank of New York.

Certain Definitions

Set forth below is a summary of certain of the defined terms used in the Indenture. Reference is made to the Indenture for the full definition of all such terms, as well as any other terms used herein for which no definition is provided. (Section 1.1)

"*Canadian GAAP*" means, as at any date of determination, accounting principles generally accepted in Canada.

"***Capital Lease Obligation***" of any person means the obligation to pay rent or other payment amounts under a lease of (or other Indebtedness arrangements conveying the right to use) real or personal property of such person which is required to be classified and accounted for as a capital lease or a liability on the face of a balance sheet of such person in accordance with Canadian GAAP from time to time and which has a term to stated maturity of at least 18 months. The stated maturity of such obligation shall be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be terminated by the lessee without payment of a penalty.

"***Capital Stock***" of any person means any and all shares, units, interests, participations or other equivalents (however designated) of corporate stock or equity of such person.

"***Common Shares***" of any person means Capital Stock of such person that does not rank prior, as to the payment of dividends or as to the distribution of assets upon any voluntary or involuntary liquidation, dissolution or winding-up of such person, to shares of Capital Stock of any other class of such person.

"*Financial Instrument Obligations*" of any person, means, with respect to any person, obligations for transactions arising under:

1. any interest swap agreement, forward rate agreement, floor, cap or collar agreement, futures or options, insurance or other similar agreement or arrangement, or any combination thereof, entered into or guaranteed by such person where the subject matter of the same is interest rates or the price, value, or amount payable thereunder is dependent or based upon the interest rates or fluctuations in interest rates in effect from time to time (but, for certainty, shall exclude conventional floating rate debt);

2. any currency swap agreement, cross-currency agreement, forward agreement, floor, cap or collar agreement, futures or options, insurance or other similar agreement or arrangement, or any combination thereof, entered into or guaranteed by such person where the subject matter of the same is currency exchange rates or the price, value or amount payable thereunder is dependent or based upon currency exchange rates or fluctuations in currency exchange rates in effect from time to time; and

3. any agreement, whether financial or physical, for the purchase, sale, exchange, making or taking of any commodity (including natural gas, oil, electricity, coal, emission credits or other energy products), any commodity swap agreement, floor, cap or collar agreement or commodity future or option or other similar agreements or arrangements, or any combination thereof, entered into or guaranteed by such person where the subject matter of the same is any commodity or the price, value or amount payable thereunder is dependent or based upon the price of any commodity or fluctuations in the price of any commodity in effect from time to time;

to the extent of the net amount due or accruing due thereunder (determined by marking-to-market the same in accordance with their terms).

"*Funded Indebtedness*" means, for so long as the Guarantee is in place, Indebtedness of the Company, the Guarantor and their respective Subsidiaries and thereafter, Indebtedness of the Company and its Subsidiaries but excludes (i) any such Indebtedness that, on the date of issue or assumption of liability, has a term to maturity (including any right of extension or renewal) of 18 months or less, (ii) Inter-Company Indebtedness, and (iii) for so long as the Guarantee is in place, Qualifying Subordinated Indebtedness of the Company, the Guarantor and their respective Subsidiaries and thereafter, Qualifying Subordinated Indebtedness of the Company and its Subsidiaries.

"***Indebtedness***" of any person means (without duplication), whether recourse is to all or a portion of the assets of such person and whether or not contingent, obligations treated in accordance with Canadian GAAP from time to time as indebtedness, including: (i) every obligation of such person for money borrowed, (ii) every obligation of such person evidenced by bonds, debentures, notes or other similar instruments, including obligations incurred in connection with the acquisition of property, assets or businesses, (iii) every reimbursement obligation of such person with respect to letters of credit, bankers' acceptances or similar facilities issued for the account of such person, (iv) every obligation of such person issued or assumed as the deferred purchase price of property or services (but excluding trade accounts payable or accrued liabilities arising in the ordinary course of business which are not overdue or which are being contested in good faith), (v) the Net Swap Exposure of such person (vi) every Capital Lease Obligation of such person, (vii) the maximum fixed redemption or repurchase price of Redeemable Stock of such person at the time of determination, and (viii) every obligation of the type referred to in clauses (i) through (vii) of another person and all dividends of another person the payment of which, in either case, such person has guaranteed or for which such person is responsible or liable, directly or indirectly, as obligor, guarantor or otherwise, excluding any obligation of another person in relation to Net Swap Exposure, the payment of which such person has guaranteed and which guarantee is included above as indebtedness in accordance with Canadian GAAP from time to time.

"*Inter-Company Indebtedness*" means (i) for so long as the Guarantee is in place, Indebtedness of the Company or the Guarantor to the Company, the Guarantor or any of their respective Subsidiaries and Indebtedness of any Subsidiary of the Company or the Guarantor to the Company, the Guarantor or another Subsidiary of the Company or the Guarantor and (ii) thereafter, Indebtedness of the Company to any of its Subsidiaries and Indebtedness of any Subsidiary of the Company to the Company or another Subsidiary of the Company.

"*Limited Recourse Indebtedness*" as applied to any Indebtedness of any person means any Indebtedness that is or was incurred to finance a specific facility or portfolio of facilities or the acquisition of financial assets, provided that if such Indebtedness is with recourse to, for so long as the Guarantee is in place, the Company, the Guarantor or any of their respective Subsidiaries, and recourse to such other entities as is available, and thereafter, to the Company or any of its Subsidiaries, and recourse to such other entities as is available, such recourse is on an unsecured basis to the Company or the Guarantor, as applicable, and is limited to certain liabilities or obligations of the specific facility or portfolio of facilities or financial assets, and provided further that such Indebtedness may be

secured by a lien on only (i) the property that constitutes such facility, portfolio of facilities or financial assets, as the case may be, (ii) the income from and proceeds of such facility, portfolio of facilities or financial assets, as the case may be, (iii) the Capital Stock of any Subsidiary of the Company or the Guarantor, or other entity, as applicable, that owns an interest in such facility, portfolio of facilities or financial assets, or any interest that any such Subsidiary, or other entity, holds of any person owning any interest in such facility, portfolio of facilities or financial assets, and (iv) the contracts pertaining to such facility, portfolio of facilities or financial assets.

"*Net Swap Exposure*" means, for so long as the Guarantee is in place, the net position of Financial Instrument Obligations of the Company, the Guarantor and their respective Subsidiaries and thereafter, the net position of Financial Instrument Obligations of the Company and its Subsidiaries that are: (i) in excess of 18 months from the time the relevant calculation is made; and (ii) considered as indebtedness in accordance with Canadian GAAP from time to time.

"*Net Worth*" means the sum of the stated capital of the Common Shares and the Preferred Shares, the retained earnings and the principal amount of all Qualifying Subordinated Indebtedness of the Company and, for so long as the Guarantee is in place, of the Guarantor on a consolidated basis.

"*Non-Controlling Interest*" of any person means, at the time of any determination thereof, the amount that would be shown on a consolidated financial statement of such person at such time, prepared in accordance with Canadian GAAP at such time, of non-controlling interests owned by minority shareholders in such person's consolidated entities, and includes preferred shares, limited partnership interests and trust units.

"*Permitted Encumbrances*" means any of the following, with respect to, for so long as the Guarantee is in place, the Company, the Guarantor and their respective Subsidiaries and thereafter, the Company and its Subsidiaries:

1. any encumbrance existing as of the date of the first issuance of Securities issued pursuant to the Indenture, or arising thereafter pursuant to contractual commitments entered into prior to such issuance;

2. any encumbrance created, incurred or assumed to secure any purchase money obligation;

3. any Capital Lease Obligation;

4. any encumbrance created, incurred or assumed to secure any Limited Recourse Indebtedness;

5. any encumbrance for collateral pledged (including parental guarantees) for Financial Instrument Obligations and energy purchase and sales agreements incurred in the ordinary course of business;

6. any encumbrance to secure any borrowed money if the sum of the amount of borrowed money secured by all encumbrances does not exceed the greater of 5% of the Company's or the Guarantor's consolidated Net Worth or $100 million;

7. any encumbrance in favour of any such Subsidiary;

8. any encumbrance on property of a corporation or any entity in which it has an interest which encumbrance exists at the time such corporation is merged into, or amalgamated or consolidated with the Company, the Guarantor or any such Subsidiary, or such property is otherwise directly or indirectly acquired by the Company, the Guarantor or any such Subsidiary, other than an encumbrance incurred in contemplation of such merger, amalgamation, consolidation or acquisition;

9. any encumbrance securing any Indebtedness to any bank or banks or other lending institution or institutions incurred in the ordinary course of business and for the purpose of carrying on the same, repayable on demand or maturing within 18 months of the date when such Indebtedness is incurred or the date of any renewal or extension thereof;

10. any encumbrance on or against cash or marketable debt securities pledged to secure Financial Instrument Obligations;

11. any encumbrance on or against cash or marketable debt securities in a sinking fund account established in support of a series of debentures issued pursuant to the Indenture;

12. any encumbrance or right of distress reserved in or exercisable under any lease for rent to which the Company, the Guarantor or any such Subsidiary is a party and for compliance with the terms of the lease;

13. any encumbrance reserved in or exercisable under any subdivision, site plan control, development, reciprocal, servicing, facility, facility cost sharing or similar agreements with a governmental entity currently existing or hereafter entered into (in accordance with the provisions of this Indenture) with a governmental authority, which do not materially interfere with the use of the property for the purposes for which it is held or materially detract from the value thereof;

14. encumbrances respecting encroachments by facilities on neighboring lands over the property which do not materially interfere with the use thereof for the purposes for which the property is held or materially detract from the value thereof;

15. permits, licenses, agreements, easements (including, without limitation, heritage easements and agreements relating thereto), restrictions, restrictive covenants, reciprocal rights, rights-of-way, public ways, rights in the nature of an easement and other similar rights in land granted to or reserved by other persons (including, without in any way limiting the generality of the foregoing, permits, licenses, agreements, easements, rights-of-way, sidewalks, public ways, and rights in the nature of easements or servitudes for sewers, drains, steam, gas and water mains or electric light and power or telephone and telegraph conduits, poles, wires and cables);

16. liens incurred in the ordinary course of business, other than in connection with the incurrence of Indebtedness, that do not individually or in the aggregate with all other Permitted Encumbrances materially detract from the value of the properties encumbered or materially interfere with their use in the ordinary course of business; and

17. any extension, renewal, alteration or replacement (or successive extensions, renewals, alterations or replacements) in whole or in part, of any encumbrance referred to in the foregoing clauses 1 through 16 inclusive, provided that the extension, renewal, alteration or replacement of such encumbrance is limited to all or any part of the same property that secured the encumbrance extended, renewed, altered or replaced (plus improvements on such property) and the principal amount of the Indebtedness secured thereby is not increased.

"*Preferred Shares*" of any person means Capital Stock of such person of any class or classes (however designated) that ranks prior, as to the payment of dividends or as to the distribution of assets upon any voluntary or involuntary liquidation, dissolution or winding up of such person, to shares of Capital Stock of any other class of such person.

"***Qualifying Subordinated Indebtedness***" of any person means Indebtedness of such person (i) which by its terms provides that the payment of principal of (and premium, if any) and interest on and all other payment obligations in respect of such Indebtedness shall be subordinate to the prior payment in full of the Securities to at least the extent that no payment of principal of (or premium, if any) or interest on or otherwise due in respect of such Indebtedness may be made for so long as there exists any default in the payment of principal (or premium, if any) or interest on the Securities or any other default that with the passing of time or the giving of notice, or both, would constitute an Event of Default with respect to the Securities and (ii) which expressly by its terms gives such person the right to make payments of principal (and premium, if any) and interest and all other payment obligations in respect of such Indebtedness for so long as the Guarantee is in place, in equity of the Company, the Guarantor or any of their respective Subsidiaries and thereafter, in the equity of the Company or any of its Subsidiaries.

"*Redeemable Stock*" of any person means any Capital Stock of such person which, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or is redeemable at the option of the holder thereof, in whole or in part, on or prior to the final Stated Maturity of the Securities.

"*Sale and Leaseback Transaction*" of any person means an arrangement with any lender or investor or to which such lender or investor is a party providing for the leasing by such person of any property or asset of such person which has been or is being sold or transferred by such person after the acquisition thereof or the completion of construction or commencement of operation thereof to such lender or investor or to any person to whom funds have been or are to be advanced by such lender or investor on the security of such property or asset.

"***Stated Maturity***" means the date specified in a Security as the date on which the principal of such Security is due and payable.

"*Subsidiary*" of any person means a corporation, partnership, limited partnership, trust or other entity 50% or more of the combined voting power of the outstanding Voting Stock of which is owned, directly or indirectly, by such person or by one or more other Subsidiaries of such person or by such person and one or more Subsidiaries of such person, excluding any publicly listed entities including, without limitation, for so long as it remains publicly listed the Great Lakes Hydro Income Fund provided, however, that an involuntary delisting which is subsequently cured within 14 business days will not be considered a delisting for these purposes.

"*Total Consolidated Capitalization*" means (without duplication), in accordance with Canadian GAAP from time to time, on a consolidated basis, the sum of (i) Net Worth, (ii) for so long as the Guarantee is in place, Non-Controlling Interest of the Company, the Guarantor and their respective Subsidiaries and thereafter, Non-Controlling Interest of the Company and its Subsidiaries and (iii) Funded Indebtedness.

"*Voting Stock*" of any person means Capital Stock of such person which ordinarily has voting power for the election of directors (or persons performing similar functions) of such person, whether at all times or only so long as no senior class of securities has such voting power by reason of any contingency.

PLAN OF DISTRIBUTION

The Company may sell Debt Securities to or through underwriters or dealers and also may sell Debt Securities directly to purchasers or through agents.

The distribution of Debt Securities of any series may be effected from time to time in one or more transactions at a fixed price or prices, which may be changed, at market prices prevailing at the time of sale, at prices related to such prevailing market prices or at prices to be negotiated with purchasers.

In connection with the sale of Debt Securities, underwriters may receive compensation from the Company or from purchasers of Debt Securities for whom they may act as agents in the form of concessions or commissions. Underwriters, dealers and agents that participate in the distribution of Debt Securities may be deemed to be underwriters and any commissions received by them from the Company and any profit on the resale of Debt Securities by them may be deemed to be underwriting commissions under securities legislation. Any such person that may be deemed to be an underwriter with respect to Debt Securities of any series will be identified in the Prospectus Supplement relating to such series.

The Prospectus Supplement relating to each series of Debt Securities will also set forth the terms of the offering of the Debt Securities of such series, including, to the extent applicable, the names of any underwriters or agents, the purchase price or prices of the Offered Securities, the initial offering price, the proceeds to the Company from the sale of the Offered Securities, the underwriting discounts and commissions and any discounts, commissions and concessions allowed or reallowed or paid by any underwriter to other dealers.

If so indicated in the applicable Prospectus Supplement, the Company may authorize dealers or other persons acting as the Company's agents to solicit offers by certain institutions to purchase the Offered Securities directly from the Company pursuant to contracts providing for payment and delivery on a future date. These contracts will be subject only to the conditions set forth in the applicable Prospectus Supplement which will also set forth the commission payable for solicitation of these contracts.

Under agreements which may be entered into by the Company, underwriters, dealers and agents who participate in the distribution of Debt Securities may be entitled to indemnification by the Company against certain liabilities, including liabilities under the securities legislation, or to contribution with respect to payments which those underwriters, dealers or agents may be required to make in respect thereof. Those underwriters, dealers and agents may be customers of, engage in transactions with or perform services for the Company or its subsidiaries in the ordinary course of business.

Each series of Debt Securities will be a new issue of securities with no established trading market. Unless otherwise specified in a Prospectus Supplement relating to a series of Debt Securities, the Debt Securities will not be listed on any securities exchange. Certain broker-dealers may make a market in Debt Securities but will not be obligated to do so and may discontinue any market making at any time without notice. No assurance can be given that any broker-dealer will make a market in the Debt Securities of any series or as to the liquidity of the trading market for the Debt Securities of any series.

In connection with any underwritten offering of Debt Securities, the underwriters or agents may over-allot or effect transactions which stabilize or maintain the market price of the Debt Securities offered at a level above that which might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time.

RISK FACTORS

An investment in the Debt Securities is subject to a number of risks. Before deciding whether to invest in the Debt Securities, investors should consider carefully the risks relating to the Company and the Guarantor described below, the risk factors set forth in the relevant Prospectus Supplement and the information incorporated by reference in this Prospectus. Specific reference is made to the sections entitled "Risk Factors" in the AIF and "Business Risks" in the Management's Discussion and Analysis of the Company and the Guarantor, which are incorporated by reference in this Prospectus.

No Existing Trading Market

There is currently no market through which the Debt Securities may be sold and purchasers of Debt Securities may not be able to resell the Debt Securities purchased under this Prospectus. There can be no assurance that an active trading market will develop for the Debt Securities after an offering or, if developed, that such market will be sustained. This may affect the pricing of the Debt Securities in the secondary market, the transparency and availability of trading prices, the liquidity of the Debt Securities and the extent of issuer regulation.

The public offering prices of the Debt Securities may be determined by negotiation between the Company and underwriters based on several factors and may bear no relationship to the prices at which the Debt Securities will trade in the public market subsequent to such offering. See "Plan of Distribution".

Foreign Currency Risks

In addition, Debt Securities denominated or payable in foreign currencies may entail significant risks, and the extent and nature of such risks change continuously. These risks include, without limitation, the possibility of significant fluctuations in the foreign currency market, the imposition or modification of foreign exchange controls and potential illiquidity in the secondary market. These risks will vary depending on the currency or currencies involved. Prospective purchasers should consult their own financial and legal advisors as to the risks entailed in an investment in Debt Securities denominated in currencies other than Canadian dollars. Such Debt Securities are not an appropriate investment for investors who are unsophisticated with respect to foreign currency transactions.

Credit Ratings

There is no assurance that any credit rating, if any, assigned to Debt Securities issued hereunder will remain in effect for any given period of time or that any rating will not be lowered or withdrawn entirely by the relevant rating agency. A lowering or withdrawal of such rating may have an adverse effect on the market value of the Debt Securities.

Interest Rate Risks

Prevailing interest rates will affect the market price or value of the Debt Securities. The market price or value of the Debt Securities will decline as prevailing interest rates for comparable debt instruments rise, and increase as prevailing interest rates for comparable debt instruments decline.

Ranking of the Debt Securities

The Debt Securities will not be secured by any assets of the Company. Therefore, holders of secured indebtedness of the Company would have a claim on the assets securing such indebtedness that effectively ranks prior to the claim of holders of the Debt Securities and would have a claim that ranks equal with the claim of holders of Debt Securities to the extent that such security did not satisfy the secured indebtedness. Furthermore, although covenants given by the Company in various agreements, may restrict incurring secured indebtedness, such indebtedness may, subject to certain conditions, be incurred.

LEGAL MATTERS

Unless otherwise specified in a Prospectus Supplement relating to a series of Debt Securities, certain matters relating to the validity of the Debt Securities will be passed upon for the Company by Torys LLP in Toronto, Ontario. The partners and associates of Torys LLP, as a group, beneficially own, directly or indirectly, less than one percent of the outstanding securities of the Company.

STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal adviser.

AUDITORS' CONSENT

We have read the short form base shelf prospectus of Brookfield Power Corporation ("BPC") dated September 28, 2006 relating to the issue and sale of up to US$750 million in the aggregate principal amount of debt securities of BPC which will be unconditionally guaranteed as to payment of principal, premium (if any) and interest by Brookfield Power Inc. ("BPI"). We have complied with Canadian generally accepted standards for auditors' involvement with offering documents.

We consent to the incorporation by reference in the above-mentioned prospectus of our report to the shareholder of BPC on the balance sheets of BPC as at December 31, 2005 and 2004 and the statements of deficit, operations and cash flows for the year ended December 31, 2005 and for the period from December 16, 2004 to December 31, 2004. Our report is dated February 9, 2006.

We consent to the incorporation by reference in the above-mentioned prospectus of our report to the shareholders of BPI on the consolidated balance sheets of BPI as at December 31, 2005 and 2004 and the consolidated statements income, (deficit) retained earnings, and cash flows for each of the years in the two year period ended December 31, 2005. Our report is dated March 3, 2006.

Toronto, Ontario
September 28, 2006

(signed) DELOITTE & TOUCHE LLP
Chartered Accountants

CERTIFICATE OF THE COMPANY AND GUARANTOR

Dated: September 28, 2006

This short form prospectus, together with the documents incorporated in this prospectus by reference, will, as of the date of the last supplement to this prospectus relating to the securities offered by this prospectus and the supplement(s), constitute full, true and plain disclosure of all material facts relating to the securities offered by this prospectus and the supplement(s) as required by the securities legislation of all of the provinces of Canada. For the purposes of the Province of Québec, this simplified prospectus, together with the documents incorporated herein by reference and as supplemented by the permanent information record, will contain no misrepresentation that is likely to affect the value or the market price of the securities to be distributed.

BROOKFIELD POWER CORPORATION

(Signed) HARRY A. GOLDGUT
Chairman and Chief Executive Officer

(Signed) DONALD TREMBLAY
Executive Vice-President and Chief Financial Officer

On behalf of the Board of Directors

(Signed) BRIAN D. LAWSON
Director

(Signed) RICHARD LEGAULT
Director

BROOKFIELD POWER INC.

(Signed) HARRY A. GOLDGUT
Chairman and Chief Executive Officer

(Signed) DONALD TREMBLAY
Executive Vice-President and Chief Financial Officer

On behalf of the Board of Directors

(Signed) BRIAN D. LAWSON
Director

(Signed) RICHARD LEGAULT
Director