

GREY HIGHLANDS ZEP PROJECT

SPRING 2014 NEWSLETTER

A Message from Capstone's CEO

Welcome to our Spring 2014 newsletter, which provides an update on the Grey Highlands ZEP wind project.

I'm also pleased to introduce you to Capstone Infrastructure Corporation, which acquired Renewable Energy Developers Inc. (formerly Sprott Power) on October 1, 2013.

Founded in 2004, Capstone is publicly traded on the Toronto Stock Exchange (TSX: CSE). We have a long history in owning and operating power generation facilities in Canada, including wind, hydro, solar, biomass and gas cogeneration facilities. We also invest in other forms of infrastructure. In the United Kingdom, we own an interest in a regulated water utility. In Sweden, we own an interest in a district heating business. We are a growing company with total assets of \$2 billion and a bright outlook for the future.

Taken together, our businesses generate enough clean electricity to power about 220,000 households, distribute heat to more than 4,000 supply points to warm homes and businesses, and deliver safe drinking water to more than 1.1 million people.

With this sizable footprint and the essential nature of the services our businesses provide, we have close ties to the communities where we operate. We strive to manage our businesses responsibly and with respect for our stakeholders. We are delighted to now be involved with Grey Highlands ZEP and to be part of the McIntyre community and surrounding region.

The following pages of this newsletter will provide a look at the kind of company Capstone is, highlight the many merits of wind power, answer frequently-asked questions, and provide a status update on the Grey Highlands ZEP project.

While Capstone is new to the Grey Highlands ZEP project, our project management team remains unchanged. Contact details for Andrea Kausel are provided on page 4.

I invite you to learn more about Capstone at capstoneinfrastructure.com and encourage you to contact Andrea if you have any questions or comments.

Sincerely,



Michael Bernstein
President and Chief Executive Officer



Erie Shores Wind Farm located in Ontario.

The Benefits of Wind Power

Wind energy is:

- + Clean, renewable and efficient.
- + Associated with few environmental effects compared with other sources of electricity generation.
- + Helping to reduce our contribution to global climate change.
- + Supporting local economic growth through lease payments, municipal taxes and other contributions to communities.
- + Providing employment opportunities.



Capstone's Amherst wind facility in Nova Scotia.

Project Update

The proposed Grey Highlands ZEP wind project is expected to be a 10-megawatt facility consisting of five Senvion* MM92 wind turbines, each with a capacity of 2 megawatts. The project was granted a power purchase agreement (PPA) under Ontario's Feed-In Tariff program.

Capstone acquired the Grey Highlands ZEP project from Renewable Energy Developers on October 1, 2013.

An application for a Renewable Energy Approval (REA) was submitted to the Ministry of the Environment (MOE) in February 2013. The application has been deemed complete by the MOE and is currently undergoing the technical review. Final REA reports submitted in support of the REA application can be downloaded from the project website at:

www.capstoneinfrastructure.com/greyhighlandszep

*Senvion is the new brand name for REpower wind turbines.

Health Focus

What are the facts? There are more than 50 peer-reviewed scientific publications globally examining the relationship between wind turbines and possible human health effects. Based on the scientific findings of these studies, the overwhelming body of evidence suggests that when properly sited, wind turbines are not related to adverse health impacts.

This body of work includes the following:

- + *Infrasound Levels Near Wind Farms and in Other Environments*, a 2013 review by the South Australia Environmental Protection Authority.
- + *Wind Turbine Health Impact Study: Report of the Independent Expert Panel*, a 2012 review by the Massachusetts Department of Environmental Protection.
- + *The Potential Health Impact of Wind Turbines*, a 2010 report by the Chief Medical Officer of Health of Ontario.
- + *Wind Turbines and Health*, a 2010 report by Australia's National Health and Medical Research Council.

Throughout the planning, development and operation of any power facility, including wind projects, we must meet extensive provincial regulations designed to protect the environment, public health, and community and employee safety.

In addition, wind turbine design and construction is governed by strict standards and regulations that ensure the reliability of these structures and the safe operation of wind power facilities.

Wind energy is a growing source of electricity in more than 90 countries around the world because it has been proven to be a reliable, safe and emission-free way to produce electricity.



A view of the 99-megawatt Erie Shores Wind Farm from the top of a turbine.

A key value of Capstone is to foster a professional, safe work environment for all employees and those who work with us. Our goal is to achieve zero accidents at our businesses and to instill an industry-leading safety culture. For example, in 2013 our Cardinal gas cogeneration facility celebrated its 17th consecutive year with no lost-time injuries, while Erie Shores Wind Farm has had a clean safety record since the start of operations seven years ago.



Employees from Capstone's head office on site with Habitat for Humanity.

Capstone in the Community: Raising a Roof for Habitat for Humanity

In July 2013, Capstone's corporate team participated in Habitat for Humanity's Adopt-A-Day Challenge, raising nearly \$5,000 and volunteering time to help build two wheelchair-accessible homes in Toronto. Habitat for Humanity crew leaders put Capstone's employees through their paces with work assignments including painting, caulking and framing.

As owners and operators of infrastructure businesses that provide essential services, Capstone naturally has close ties to the communities in which its businesses are located. Getting involved in community initiatives is an important way to demonstrate our concern and respect for stakeholders and our commitment to being a responsible corporate citizen.

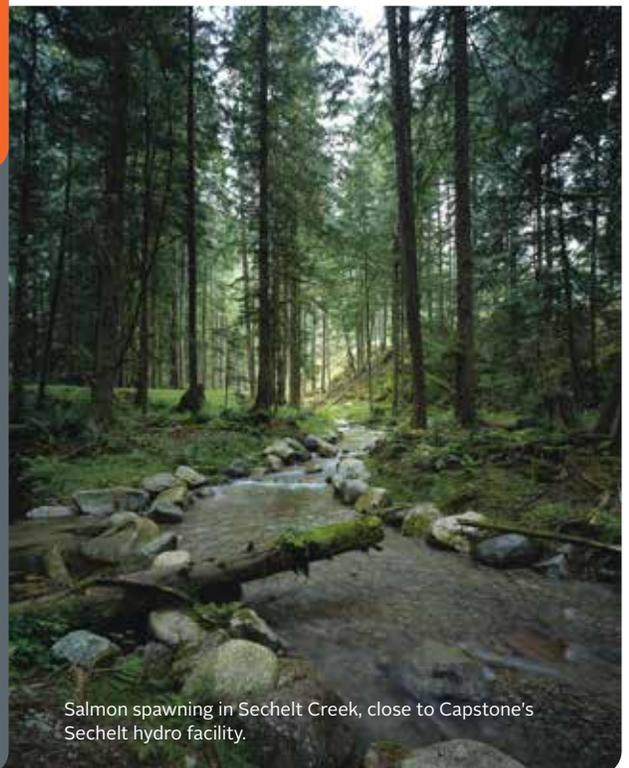
A Helping Hand

Some of the community causes supported by Capstone's wind power facilities and development projects include:

- + Lion's Club of Canada
- + Ontario Parks
- + YMCA of Cumberland County
- + Cumberland Health Care Foundation
- + Local fire stations
- + Funding and supplies for the Municipality of Bayham's Wind Power Interpretive Centre
- + Port Burwell Public School's Breakfast Program
- + Goulais River Community Day

Achieving Environmental Excellence

In 2013, Capstone's Sechelt hydro power facility won Clean Energy BC's Award for Environmental Stewardship and Community Improvement. The facility's man-made salmon-spawning channel, managed in partnership with the shíshálh First Nation, has rejuvenated the salmon run in Sechelt Creek to 20,000 fish from historic lows of fewer than 100.



Salmon spawning in Sechelt Creek, close to Capstone's Sechelt hydro facility.



Construction of the road leading to the Saint-Philémon project site.

Breaking Ground

In late 2013, Capstone broke ground on two wind power projects: the 10-megawatt Skyway 8 project in Ontario and the 24-megawatt Saint-Philémon project in Quebec. Combined, the construction phase of these projects is expected to generate approximately 100 jobs.



Work is underway on Skyway 8. Before a wind turbine is erected, the ground must be excavated.

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Greening our Communities

Capstone Infrastructure owns and operates 10 wind power facilities in Ontario and Nova Scotia that together generate approximately 469 gigawatt hours of green electricity, or enough to power the equivalent of about 47,000 households annually.* By reducing the amount of fossil fuel-generated electricity, the electricity generated by our wind facilities reduces emissions of carbon dioxide by approximately 286, 579 metric tonnes, which is the equivalent of the greenhouse gas emissions from about 60,000 passenger vehicles each year.**

* Based on production in 2013.

**Source: US Environmental Protection Agency's green power equivalency calculator.



A view of our Erie Shores Wind Farm.



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