OUR PLATFORM FOR SUCCESS

MACQUARIE POWER & INFRASTRUCTURE INCOME FUND
FINANCIAL REPORT FOR THE QUARTER ENDED SEPTEMBER 30, 2010

MACQUARIE

FINANCIAL HIGHLIGHTS

PERFORMANCE MEASURES (all amounts in 000s of Canadian dollars except for trust units and per unit amounts)

Earnings Measures	Three months ended		Nine months ended	
	Sep 30, 2010	Sep 30, 2009	Sep 30, 2010	Sep 30, 2009
Revenue	34,598	32,731	114,247	105,589
Net income	(9,400)	(587)	5,596	(242)
Basic net income per unit	(0.188)	(0.012)	0.112	(0.005)

Cash Flow Measures	Three months ended		Nine months ended	
	Sep 30, 2010	Sep 30, 2009	Sep 30, 2010	Sep 30, 2009
Cash flows from operating activities	6,770	5,972	29,502	28,536
Adjusted EBITDA[1]	10,204	12,232	39,659	39,884
Funds from operations[1]	5,665	8,016	25,702	28,143
Distributable cash[1]	5,286	8,305	25,455	33,485
Distributable cash per unit[1]	0.106	0.166	0.510	0.671
Payout ratio[1]	156%	158%	97%	117%

(1) These performance measures are not defined by Canadian generally accepted accounting principles ("GAAP"). Please see page 4 for a complete definition of each measure.

Capital Structure	Sep 30, 2010	Dec 31, 2009
CPOT-Cardinal credit facility	85,000	85,000
Erie Shores project debt	107,858	110,180
Convertible debentures face value	57,500	88,918
Levelization amounts	23,224	21,166
Trust units market value	340,632	285,126

INVESTOR INFORMATION

Trust units outstanding	46,661,957
Class B exchangeable units outstanding	3,249,390
Securities symbols and exchange	Toronto Stock Exchange: MPT.UN, MPT.DB.A
Index inclusion	S&P TSX Clean Technology Index
Ownership	Approximately 18,000 unitholders

QUARTERLY TRADING INFORMATION

	High	Low	Closing	Average Daily Trading Volume
Trust unit price	$ 7.35	$ 6.73	$ 7.30	52,942
Debenture price	$ 111.59	$ 103.50	$ 106.50	751

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LEGAL NOTICE

This Quarterly Financial Report is not an offer or invitation for subscription or purchase of or a recommendation of securities. It does not take into account the investment objectives, financial situation and particular needs of the investor. Before making an investment in Macquarie Power & Infrastructure Income Fund ("MPT" or the "Fund"), the investor or prospective investor should consider whether such investment is appropriate to their particular needs, objectives and financial circumstances and consult an investment advisor if necessary.

The Fund is not a trust company and is not registered under applicable legislation governing trust companies, as it does not carry on or intend to carry on the business of a trust company. The units are not "deposits" within the meaning of the Canada Deposit Insurance Corporation Act and are not insured under the provisions of that act or any other legislation.

None of the entities noted in this Quarterly Financial Report is an authorized deposit-taking institution for the purposes of the Banking Act 1959 (Commonwealth of Australia). The obligations of these entities do not represent deposits or other liabilities of Macquarie Bank Limited ABN 46 008 583 542. Macquarie Bank Limited does not guarantee or otherwise provide assurance in respect of the obligations of these entities.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

Certain of the statements contained in this Quarterly Financial Report are forward looking and reflect management's expectations regarding the Fund's future growth, results of operations, performance and business based on information currently available to the Fund. Forward-looking statements are provided for the purpose of presenting information about management's current expectations and plans relating to the future and readers are cautioned that such statements may not be appropriate for other purposes. These statements use forward-looking words, such as "anticipate", "continue", "could", "expect", "may", "will", "estimate", "believe" or other similar words, and include, among other things, statements related to: the Fund's proposed conversion into a publicly-traded corporation (the "Conversion"); the Fund's distributions and distribution policy; the anticipated effects and benefits of the proposed plan of arrangement of the Fund (the "Arrangement"); and the anticipated dividend policy of Macquarie Power and Infrastructure Corporation ("MPIC", the proposed successor entity to the Fund following completion of the Conversion) if the Arrangement is implemented. These statements are subject to significant known and unknown risks and uncertainties that may cause actual results or events to differ materially from those expressed or implied by such statements and, accordingly, should not be read as guarantees of future performance or results.

The forward-looking statements in this Quarterly Financial Report are based on information currently available and what the Fund currently believes are reasonable assumptions, including the material assumptions for each of the Fund's assets set out in the Fund's 2009 Annual Report under the heading "Outlook" on page 42, as updated in subsequently filed Quarterly Financial Reports of the Fund (such documents are available on the Canadian Securities Administrators' System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com). Other material factors or assumptions that were applied in formulating the forward-looking statements contained herein include the assumption that the business and economic conditions affecting the Fund's operations will continue substantially in their current state, including, with respect to industry conditions, general levels of economic activity, regulations, weather, taxes and interest rates and that there will be no unplanned material changes to the Fund's facilities, equipment and contractual arrangements. Although the Fund believes that it has a reasonable basis for the expectations reflected in these forward-looking statements, actual results may differ from those suggested by the forward-looking statements for various reasons, including risks related to: power infrastructure (operational performance; power purchase agreements ("PPAs"); fuel costs and supply; contract performance; development risk; technology risk; default under credit agreements; land tenure and related rights; regulatory regime and permits; environmental, health and safety; climate change and the environment; and force majeure) and the Fund (changes in federal tax rules for flow-through entities; other tax-related risks; variability of distributions; geographic concentration and non-diversification; dependence on Macquarie Power Management Ltd. ("MPML" or the "Manager") and potential conflicts of interest; insurance; environmental, health and safety regime; availability of financing; unitholder dilution; volatile market price for units; international financial reporting standards; nature of units; unitholder liability). There are also a number of risks related to the Arrangement and to the activities of MPIC or the ownership of MPIC common shares, including risks relating to: the Arrangement structure; the assessment of fair market value of the Fund's units and MPIC common shares; the satisfaction of conditions precedent and regulatory approvals related to the Arrangement; the realization of the anticipated benefits of the Arrangement; the impact on the Fund's unit price and future business operations of the Fund should the Arrangement not be completed; dilution of MPIC shareholders; the payment of dividends by MPIC, which are not guaranteed; and unpredictability and volatility of the common share price of MPIC.

For a more comprehensive description of these and other possible risks, please see the Fund's Annual Information Form dated March 25, 2010 for the year ended December 31, 2009 as updated in subsequently filed Quarterly Financial Reports and other filings of the Fund with the Canadian securities regulators. These filings are available on SEDAR at www.sedar.com. The assumptions, risks and uncertainties described above are not exhaustive and other events and risk factors could cause actual results to differ materially from the results and events discussed in the forward-looking statements. These forward-looking statements reflect current expectations of the Fund as at the date of this Quarterly Financial Report and speak only as at the date of this Quarterly Financial Report. Except as may be required by law, the Fund does not undertake any obligation to publicly update or revise any forward-looking statements.

LETTER TO UNITHOLDERS

I am pleased to report Macquarie Power & Infrastructure Income Fund's (MPT or the Fund) results for the third quarter of 2010.

As described below, MPT's businesses continued to operate well during the quarter with high availability across the portfolio, driving a 5.7% increase in revenue over the same period last year.

I am also pleased to tell you that construction of the Amherstburg Solar Park is progressing on schedule and we are on target to achieve commercial operations in June 2011. This 20-megawatt crystalline solar photovoltaic (PV) power project is being designed, built and operated for MPT by SunPower Corp., which has proven the reliability and performance of its solar PV technology in several commercial-scale facilities in Germany, Spain and the United States. Major civil works activity occurred during August and September, including the construction of internal service roads on the site and installation of perimeter fencing. In September, helical piles, or steel poles, were installed to support the foundation for each SunPower® Tracker T20 system. The Tracker T20 system follows the sun during the day, thereby increasing daily energy production from the solar panels. Electrical work will be getting underway shortly, with the burying of the electrical collection system and the placement of electrical equipment throughout the site. The Amherstburg Solar Park strengthens MPT's footprint in the attractive renewable energy sector, giving us a presence across solar, wind, hydro and biomass power generation.

On October 12, 2010, the Board of Trustees unanimously approved the conversion of the Fund (the Conversion) into a publicly-traded corporation effective on or about January 1, 2011. The Conversion will be completed by way of a statutory plan of arrangement (the Arrangement), which is subject to unitholder and court approval. If the Arrangement is completed, units of the Fund will be automatically exchanged for common shares of the newly-formed Macquarie Power and Infrastructure Corporation (MPIC) on a one-for-one basis. The outstanding Class B exchangeable units will remain outstanding following the Arrangement and will each be exchangeable into common shares of MPIC anytime prior to October 18, 2015 in lieu of the units they would otherwise have been entitled to receive. It is expected that MPIC's dividend policy will be initially set at $0.055 per common share per month, which is consistent with the Fund's current policy and is expected to be sustainable through 2014. MPIC common shares will be listed on the Toronto Stock Exchange under the symbol "MPT". A Special Meeting of Unitholders will be held on November 15, 2010 at 9 a.m. at One King West Hotel in Toronto. A copy of the information circular for this meeting, along with a form or proxy or voter information form, was mailed to all unitholders in October and is also available on our website at www.macquarie.com/mpt.

FINANCIAL HIGHLIGHTS

While total electricity production was slightly lower in the third quarter than in the same period of 2009, revenue increased primarily due to higher electricity prices. Performance highlights included:

- A 20.8% increase in electricity production at the Whitecourt biomass facility from the same quarter of 2009 following the maintenance work conducted in 2009;
- A 4.5% increase in electricity production at Erie Shores Wind Farm over the same period last year due to higher wind speeds;
- A 3.1% decrease in electricity production at the Cardinal gas cogeneration facility from last year due to a greater number of hours of curtailment. Cardinal nevertheless produced higher revenue as a result of higher electricity rates under Cardinal's power purchase agreement ("PPA"); and
- A 23.5% reduction in electricity production at our hydro power facilities compared with last year due to continuing dry conditions at the Wawatay hydro power facility in Ontario.

The sale of Leisureworld Senior Care LP (Leisureworld) in the first quarter of 2010 significantly affected various cash flow measures and our payout ratio for the third quarter and year to date as a result of lower equity investment distributions. At the same time, the termination of Leisureworld's management agreement with Macquarie Power Management Ltd., the Manager of the Fund, eliminated a portion of the management fee payable to the Manager. We will continue to see the various impacts of this event in subsequent quarters until we fully have reinvested the proceeds from this sale into new infrastructure businesses.

Consistent with last quarter, our performance was impacted by increased administrative costs, which were up 46.8% in the quarter over the same quarter in 2009. As noted on page 6, this increase primarily reflected higher fees paid to the Manager as well as non-recurring costs related to the Conversion process and the transition to International Financial Reporting Standards. These higher costs were only partially offset by lower business development expenses during the quarter.

As a result of the above noted factors, adjusted EBITDA for the quarter decreased 16.6% from the same period in 2009. The 29.3% reduction in FFO for the third quarter of 2010 reflected lower adjusted EBITDA as well as increased interest expense related to the increase in the convertible debentures outstanding compared with 2009.

Notably, when the impact of the Leisureworld sale is excluded, the Fund's adjusted EBITDA and FFO have demonstrated a positive year-over-year trend as noted on pages 9 and 10.

Distributable cash for the quarter decreased 36.4% for a quarterly payout ratio of 156% compared with 158% last year, reflecting the impact of the factors described below. For the year to date, the Fund's payout ratio was 97% compared with 117% last year. The payout ratio reflected both lower distributable cash during the quarter and year-to-date periods and the Fund's revised distribution policy, effective January 2010, to distribute $0.66 per unit to unitholders on an annualized basis. In addition, the third quarter is historically a seasonally low period for the Fund as described on page 22.

As outlined on page 13 of this report, the Fund's financial position remains strong. Following the acquisition of the Amherstburg Solar Park project, we currently have access to about $100 million in capital, including amounts available under our credit facility and remaining unrestricted cash on hand. Further, with our lower distribution and our existing portfolio, we expect to accumulate over $10 million in cash per year that we can put towards growth.

OUTLOOK

Our outlook for the balance of 2010 is positive. We continue to expect improved performance from our portfolio compared with 2009, which will be partially offset by an increase in Fund-level administrative and interest costs. Despite these increased expenses, we expect the Fund's operating cash flow to be higher in 2010 than in 2009.

Based on our current portfolio, we expect our distribution policy of $0.66 per unit annually to be sustainable through 2014. This distribution level will result in a payout ratio of about 70% to 75% over this five-year period. With the sale of Leisureworld, the 2010 payout ratio will be above 80% and could move higher in future years as we execute our growth strategy. That strategy may include development opportunities or operating assets with low current yields but strong growth prospects.

We continue to actively explore growth opportunities in Canada, the United States and Internationally with the objective of increasing the size, scale and diversity of our portfolio. Most of these opportunities have equity requirements in the range of $30 million to $100 million and have included hydro, wind, solar, gas cogeneration, biomass and geothermal power generation opportunities as well as an airport, toll roads, utilities and public-private partnership (P3) projects, including both development projects and operating assets.

Another priority in 2010 is to advance the renewal of Cardinal's PPA, which expires in 2014. We continue to anticipate that the Ontario Ministry of Energy and Infrastructure will deliver a directive to the Ontario Power Authority in 2010, which will enable contract negotiations to start. Cardinal plays an important role in ensuring the reliability of Ontario's electricity supply. It supports the manufacturing operations and competitiveness of its industrial host, the Canada Starch Operating Company Inc. (Casco), with cost-effective steam, reliable electricity, and compressed air. Together, Cardinal and Casco deliver important benefits to local stakeholders. As we await the directive and continue our outreach to relevant stakeholders, we are also working closely with Casco to plan for Cardinal's future, which could include an expansion to the facility and various efficiency improvements. We are confident that we have a strong case for PPA renewal and that Cardinal will have a long economic life.

In closing, we encourage all unitholders to vote at our Special Meeting of Unitholders on November 15, 2010 so that MPT can complete its conversion to a dividend-paying corporation. If you have any questions about the proposed conversion or the meeting, please contact us at mpt@macquarie.com or 1-877-607-5009.

Thank you for your continuing confidence and support as we work to build MPT into Canada's leading, publicly-traded infrastructure investment company. More information about our portfolio, activities and future events can be found on our website at www.macquarie.com/mpt.

Sincerely,

Michael Bernstein
President and Chief Executive Officer
November 2, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

This management's discussion and analysis for Macquarie Power & Infrastructure Income Fund ("MPT" or the "Fund") summarizes the consolidated operating results and cash flows for the quarter and nine-month period ended September 30, 2010 and the Fund's financial position as at that date. This management's discussion and analysis should be read in conjunction with the accompanying unaudited interim consolidated financial statements of the Fund and notes thereon as at and for the quarter and nine-month periods ended September 30, 2010 as well as the management's discussion and analysis included in the Fund's Annual Report for the year ended December 31, 2009. Additional information about the Fund, including its Annual Information Form dated March 25, 2010, quarterly financial reports and other public filings of the Fund filed with Canadian securities regulators, is available on the Canadian Securities Administrators' System for Electronic Document Analysis and Retrieval ("SEDAR") website at www.sedar.com. The information contained in this Quarterly Financial Report reflects all material events up to November 2, 2010, the date on which this Quarterly Financial Report was approved by the Fund's Board of Trustees.

NON-GAAP PERFORMANCE MEASURES DEFINITIONS

While the consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"), this report also contains figures that are performance measures not defined by GAAP. These non-GAAP performance measures do not have any standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other issuers. The Fund believes that these indicators are important since they provide additional information about the Fund's performance and cash generating capabilities and facilitate comparison of results over different periods. The non-GAAP measures used in this report are defined below.

Earnings before Interest, Taxes, Depreciation and Amortization ("EBITDA")

Standardized EBITDA follows the customary definition of net income adjusted for interest expense, income tax expense (recovery), depreciation and amortization. Standardized EBITDA is provided to illustrate how adjusted EBITDA reconciles to net income on the Consolidated Statement of Operations.

Adjusted EBITDA

The Fund uses adjusted EBITDA to measure the performance of its assets prior to the impact of financing costs, taxes and charges for depreciation and amortization. Adjusted EBITDA is calculated as revenue less operating expenses and administrative expenses plus distributions from non-controlled investments. Adjusted EBITDA is reconciled to net income by adjusting standardized EBITDA for unrealized gains and losses on derivatives, foreign exchange gains and losses, loss on debt extinguishment, equity accounted income and distributions from equity investments.

Funds from Operations ("FFO")

The Fund uses FFO to measure the performance of its controlled and non-controlled assets net of financing costs. The Fund defines FFO as adjusted EBITDA less interest expense.

Distributable Cash and Payout Ratio

The Fund measures distributable cash as a supplemental measure of financial performance. Distributable cash is derived from cash flows from operating activities, which is a GAAP measure contained in the Consolidated Statement of Cash Flows. It is adjusted for changes in the reserve accounts, non-discretionary receipts and payments, and distributions from non-controlled investments. In addition, changes in working capital (the movement in trade-related current assets and liabilities, excluding cash) are excluded as management believes they should not be considered in a period calculation intended to demonstrate the degree to which cash flows from earnings support the financial obligations of the Fund.

The Fund also reports distributable cash per unit, which the Fund defines as distributable cash divided by the number of trust units and Class B exchangeable units outstanding at the end of the reporting period. Payout ratio is then calculated as the proportion of distributable cash declared as distributions.

RESULTS OF OPERATIONS

Overview

For the quarter and first nine months of 2010, the Fund generated higher revenue than in 2009, primarily reflecting higher power rates at the Cardinal gas cogeneration facility ("Cardinal"). Availability across the power infrastructure businesses remained high in the third quarter, with increased electricity production at the Whitecourt biomass ("Whitecourt") power generation facility due to lower maintenance outages, and increased production at Erie Shores Wind Farm, reflecting improved wind speeds. This performance was offset by lower production at Cardinal due to curtailment and certain of the hydro power facilities due to unfavourable hydrological conditions. For the year-to-date period, production and revenue increased over the prior year period, reflecting significantly fewer maintenance outages in 2010 compared with 2009.

The sale of Leisureworld Senior Care LP ("Leisureworld" or "LSCLP") in the first quarter of 2010 significantly affected the Fund's adjusted EBITDA, FFO, distributable cash and payout ratio for the third quarter and year to date as a result of lower distributions to the Fund. At the same time, the termination of the Leisureworld management agreement with Macquarie Power Management Ltd. ("MPML" or the "Manager"), the Manager of the Fund, reduced fees payable to the Manager. The Fund will continue to see the various impacts of this event in subsequent quarters until the proceeds from this sale have been fully reinvested into new infrastructure businesses.

The Fund's adjusted EBITDA and FFO were lower due to higher administrative costs and project costs related to the corporate conversion process and the transition to International Financial Reporting Standards ("IFRS"). These costs were only partially offset by lower fees paid to the Manager. FFO also reflected the impact of increased interest expense due to the higher principal amount outstanding on the Fund's convertible debentures. As noted on pages 9 and 10, when the impact of the sale of Leisureworld is excluded, the Fund's adjusted EBITDA and FFO have demonstrated a positive year-over-year trend for four consecutive quarters.

On October 12, 2010, the Board of Trustees unanimously approved the conversion of the Fund (the "Conversion") into a publicly-traded corporation effective on or about January 1, 2011. The Conversion will be completed through a statutory plan of arrangement (the "Arrangement"), which is subject to unitholder and regulatory approval. If the Arrangement is completed, units of the Fund will be automatically exchanged for common shares of the newly-formed Macquarie Power and Infrastructure Corporation ("MPIC") on a one-for-one basis. MPIC common shares will be listed on the Toronto Stock Exchange under the symbol "MPT". The outstanding Class B exchangeable units will remain outstanding following the Arrangement and will each be exchangeable into common shares of MPIC anytime prior to October 18, 2015 in lieu of the units they would otherwise have been entitled to receive.

($000s unless otherwise noted)	Three months ended Sep 30, 2010	Three months ended Sep 30, 2009	Nine months ended Sep 30, 2010	Nine months ended Sep 30, 2009
Electricity sales	33,174	31,444	111,010	102,166
Steam sales	278	239	847	815
Gas sales	1,146	1,048	2,390	2,608
	34,598	32,731	114,247	105,589

Total revenue for the third quarter of 2010 increased by $1,867, or 5.7%, from the third quarter of 2009. For the first nine months of 2010, total revenue increased $8,658, or 8.2%, from the first nine months of last year. Revenue growth in both the quarter was attributable to higher power rates at the Cardinal facility. Year-to-date period revenue growth primarily reflected higher overall facility capacity due to fewer maintenance outages than in 2009 as well as higher power rates.

Total electricity production for the third quarter of 2010 was 474,379 megawatt hours ("MWh") and 1,516,999 MWh for the first nine months of 2010 compared with 480,152 MWh and 1,480,266 MWh, respectively, for the comparable periods in 2009. Lower production in the quarter compared with 2009 was offset by a higher electricity price which resulted in a 5.5% increase in electricity sales for the third quarter of 2010. Year to date, higher production coupled with a higher price resulted in an 8.7% increase for first nine months of the year over the comparable period of 2009.

Cardinal produces steam that is sold to Canada Starch Operating Company Inc. ("Casco") for use in its manufacturing processes. During the third quarter, sales of steam were 16.3% higher than in the third quarter of 2009. The increase in steam sales was attributable to higher volumes as Casco experienced fewer outage hours in 2010.

Natural gas that is not used by Cardinal to produce electricity is recovered through a profit sharing arrangement with Cardinal's gas supplier. During the third quarter of 2010, gas sales were 9.4% higher than in the same period in 2009. Year to date, gas sales were 8.4% lower than for the first nine months of 2009. Gas sales were lower because Cardinal conducted less maintenance work in 2010 and consequently had higher fuel consumption, thereby reducing the amount of gas available for sale. Higher realized gas prices slightly offset these factors.

Costs and Expenses

($000s unless otherwise noted)	Three months ended		Nine months ended	
	Sep 30, 2010	Sep 30, 2009	Sep 30, 2010	Sep 30, 2009
Operating expenses	22,028	21,408	69,490	68,544
Administrative expenses	2,726	1,857	7,971	5,681
Depreciation on capital assets	5,016	5,203	15,484	15,742
Amortization on intangible assets	1,993	1,958	5,875	5,855
	31,763	30,426	98,820	95,822

Total costs and expenses in the third quarter of 2010 increased by 4.4% over 2009, resulting in a year-to-date increase of 3.1%. Operating expenses increased by 2.9% for the third quarter and 1.4% year to date while depreciation and amortization were comparable for both the third quarter and year-to-date periods compared with 2009. Increased administrative expenses were due to higher fees paid to the Manager and costs related to IFRS conversion and corporatization.

Operating expenses

($000s unless otherwise noted)	Three months ended		Nine months ended	
	Sep 30, 2010	Sep 30, 2009	Sep 30, 2010	Sep 30, 2009
Fuel expenses	16,835	15,264	51,204	45,100
Maintenance costs	1,283	2,429	6,135	12,068
Labour	1,905	1,687	5,703	5,311
Other operating expenses	2,005	2,028	6,448	6,065
	22,028	21,408	69,490	68,544

Operating expenses for the third quarter and first nine months of 2010 were 2.9% and 1.4% higher, respectively, than in the comparable periods of 2009. Within operating expenses, fuel represented 76.4% of the 2010 third quarter total compared with 71.3% in the third quarter of 2009. Fuel expenses increased in 2010 primarily due to an increase in gas transportation tolls by TransCanada Pipelines Limited as well as an increase in the price of fuel. These factors offset a 0.9% decline in the quantity of fuel consumed due to lower capacity at the Cardinal facility attributed to minor curtailments during the quarter. The $6,104, or 13.5%, increase in the year-to-date fuel expense also reflected fewer outage days in 2010 for major maintenance at Cardinal.

Maintenance costs in the third quarter of 2010 were $1,146, or 47.2%, lower than in 2009 primarily because fewer major maintenance outages occurred in 2010. In addition, for Erie Shores, internalization of the operating and maintenance responsibilities during July 2010 further reduced maintenance costs incurred. For the first nine months of 2010, maintenance costs were $5,933, or 49.2%, lower than in 2009 primarily due to fewer scheduled and unscheduled plant outages in 2010.

Labour expenses increased by 12.9% in the third quarter of 2010 from a year ago for a year-to-date increase of 7.4%. Higher labour costs primarily reflected annual salary and wage increases and the addition of six new employees at Erie Shores, as the facility internalized operations and maintenance in 2010.

Other operating expenses declined 1.0% during the third quarter of 2010 over the comparable period in 2009 but were 6.3% higher for the first nine months of 2010 than in 2009. Other operating expenses include insurance, property tax expenses, materials and utilities.

Administrative expenses

($000s unless otherwise noted)	Three months ended Sep 30, 2010	Three months ended Sep 30, 2009	Nine months ended Sep 30, 2010	Nine months ended Sep 30, 2009
Manager fees	1,348	545	3,652	3,256
Business development	82	473	334	533
Other administrative expenses	1,296	839	3,985	1,892
	2,726	1,857	7,971	5,681

Macquarie Power Management Ltd., the Manager of the Fund, is an indirect, wholly-owned subsidiary of Macquarie Group Limited ("MGL"), an Australian public company listed on the Australian Securities Exchange. Manager fees are incurred under agreements between the Manager and the Fund for overseeing each asset. These expenses reflect costs incurred to operate the business. Manager fees during the third quarter of 2010 were $803, or 147%, higher than in the third quarter of 2009 and were $396, or 12.2%, higher for the first nine months of 2010 compared with the same period of last year. Fees paid to the Manager, including administrative fees, cost reimbursement and incentive fees, are shown under Related Party Transactions on page 23. The year-over-year variance for the third quarter pertained to incentive fees and cost reimbursement charges, which were $490 and $279 higher, respectively, than in 2009.

Business development expenses are primarily incurred in respect of activities related to potential acquisitions by the Fund. These expenses decreased $391, or 82.7%, in the third quarter of 2010 from the comparable period in 2009 for a year-to-date decrease of $199, or 37.3%. The decline in expenses, despite ongoing business development initiatives, reflected the nature of transactions considered and the degree of assistance from external advisors as well as the timing of work on the various projects the Fund is evaluating.

Other administrative expenses generally includes legal, audit and investor relations functions, the costs of maintaining a public company, external legal and other professional fees. The 54.5% increase during the third quarter and 111% increase year to date were attributable to costs for the IFRS and corporate conversion.

Other Income and Expenses

($000s unless otherwise noted)	Three months ended Sep 30, 2010	Three months ended Sep 30, 2009	Nine months ended Sep 30, 2010	Nine months ended Sep 30, 2009
Interest income	280	178	662	757
Interest expense	(4,539)	(4,216)	(13,957)	(11,741)
Equity accounted income (loss)	622	722	3,773	571
Unrealized gain (loss) on derivatives	(11,681)	1,094	(21,242)	2,921
Foreign exchange gain (loss)	-	6	(4)	17
Loss on debt extinguishment	-	-	-	(351)
	(15,318)	(2,216)	(30,768)	(7,826)

Interest income

The Fund earns interest income from its investment in the debt of Chapais Énergie, Société en commandite ("CHESEC"), the owner of the Chapais facility, and on its cash resources. During the third quarter, interest income was $102 higher than in 2009 and $95 lower for the first nine months compared with 2009. Higher interest income on the surplus cash due to higher rates, partially offset by lower interest income on the amortizing Chapais debt, was the primary source of the year-over-year quarterly variance. Year to date, interest income was $95, or 12.6%, lower than in the first nine months of 2009, primarily due to lower income on the Chapais investment.

Interest expense

During the third quarter of 2010, interest expense increased by $323, or 7.7%, from the third quarter of 2009 for a year-to-date increase of $2,216, or 18.9%, reflecting an $18,582 increase in the principal amount outstanding on the Fund's convertible debentures. For the year-to-date period, higher interest expense also reflected higher rates on the new credit facility established in May 2009.

Equity accounted income

Equity accounted income (loss) arises from the Fund's share of income on its equity interests in long-term investments. The Fund has one equity-accounted investment through its 45% interest in Macquarie Long Term Care LP ("MLTCLP") that includes income from Leisureworld up to March 22, 2010 when MLTCLP divested of its interest in Leisureworld through an initial public offering ("IPO") of Leisureworld Senior Care Corporation ("LSCC"). Under the terms of the IPO, MLTCLP received 958,649 shares of LSCC that, along with $3.2 million of cash, are subject to a holdback arrangement until March 31, 2011. The Fund indirectly owns 45%, or 431,392, of the LSCC shares held by MLTCLP.

For the third quarter of 2010, the Fund reported income of $622 compared with $722 a year ago. The income reflected the Fund's portion of MLTCLP's net income, which is composed of a $1,179 increase in the fair value of the LSCC shares and dividend income from LSCC of $204. Year to date, equity accounted income increased by $3,202 largely because of the net gain from the disposition of Leisureworld. The Fund's share of the net gain recognized by MLTCLP was $3,162. For the Fund's equity interest in Chapais Électrique Limitée ("Chapais"), no income has been recorded on the investment since no value was assigned to the equity investment upon its acquisition in 2007. The Fund does not expect to earn any future income from the equity in this investment.

Unrealized gain (loss) on derivatives

The Fund enters into derivative contracts to mitigate the economic impact of the fluctuations in interest rates and the price of natural gas. The Fund has also separately valued embedded derivatives within its gas purchase agreement. The Fund does not use hedge accounting for any of its derivative financial instruments, which are recorded at their fair value on the statement of financial position with changes in fair value between reporting periods reported as unrealized gains (losses) in the Consolidated Statement of Operations.

The unrealized gain (loss) on derivatives on the Consolidated Statement of Operations is composed of:

	Three months ended		Nine months ended	
($000s unless otherwise noted)	Sep 30, 2010	Sep 30, 2009	Sep 30, 2010	Sep 30, 2009
Interest rate swap contracts				
Unrealized gain (loss) on derivative assets	(1,206)	-	287	-
Unrealized gain (loss) on derivative liabilities	(3,800)	597	(8,276)	2,346
	(5,006)	597	(7,989)	2,346
Gas swap contracts				
Unrealized gain (loss) on derivative assets	(143)	(271)	83	1,378
	(5,149)	326	(7,906)	3,724
Embedded derivative contracts				
Unrealized gain (loss) on embedded derivative asset	(4,271)	(2,397)	(8,873)	(1,770)
Unrealized gain (loss) on embedded derivative liabilities	(2,261)	3,165	(4,463)	967
	(6,532)	768	(13,336)	(803)
Total unrealized (loss) gain on derivatives	(11,681)	1,094	(21,242)	2,921

The net unrealized loss of $11,681 on derivatives during the third quarter of 2010 was primarily due to the embedded derivative contracts and the Amherstburg Solar Park interest rate swap. The $21,242 unrealized loss for the first nine months of 2010 was also attributable to the same two factors.

For interest rate swaps, the reduction in the fair value attributable to the Amherstburg Solar Park swap was $4,265. This decline in value was attributable to a 50-basis point drop in the one-year floating rate partially offset by an increase in the one-month floating rate.

The fair value of the gas swaps declined during the third quarter of 2010 primarily due to the expiry and settlement of commitments for the third quarter of 2010 resulting in the removal of these cash flows from the calculation. This was partially offset by a lower forward price for natural gas which increased the value of the natural gas contract.

The third quarter 2010 fair value reduction in the embedded derivative was primarily due to a further increase in the published Direct Customer Rate ("DCR") index from 3.26% to 3.76%. The fair value of the embedded derivative also declined due to decreases in the gas spot and forward prices. An increase in the Canadian dollar swap curve partially offset the impact of the preceding factors.

Income Taxes

Future income tax assets and liabilities are recognized on the Fund's consolidated statement of financial position based on temporary differences between the accounting and tax bases of existing assets and liabilities that are expected to reverse after 2010. For the quarter ended September 30, 2010, the Fund recorded a future income tax recovery of $3,083 on the consolidated statement of operations in respect of these assets and liabilities compared with a future income tax expense of $677 in the third quarter of 2009. The future income tax recovery primarily reflected the fair value adjustments in derivatives and interest rate swaps. For the nine months ended September 30, 2010, the Fund recorded a future income tax recovery of $20,945 compared with a future income tax expense of $2,159 in the first nine months of 2009, primarily due to the removal of income tax assets and liabilities relating to Leisureworld following sale of the investment on March 23, 2010.

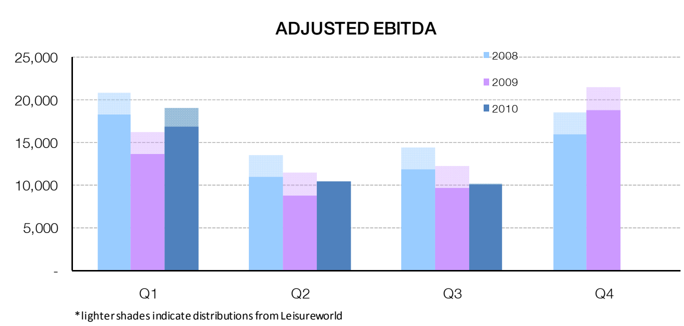
The Fund calculates future income taxes in accordance with Canadian GAAP, which requires the assumption that the existing organization structure will continue beyond the current fiscal year. As the Fund has announced its intention to convert from an income fund to a dividend-paying corporation, the provision for future income taxes may not accurately reflect the future tax obligations of the Fund after conversion to a corporation on or about January 1, 2011.

Adjusted EBITDA

In addition to the preceding analysis for the components of GAAP net income, the Fund's management evaluates operational performance through various non-GAAP measures defined on page 4 of this report. Adjusted EBITDA measures earnings from the Fund's assets excluding any non-recurring and non-cash items. The derivation of adjusted EBITDA from net income as reported in the Consolidated Statement of Operations is shown in the table below:

($000s unless otherwise noted)	Three months ended		Nine months ended	
	Sep 30, 2010	Sep 30, 2009	Sep 30, 2010	Sep 30, 2009
Net income	(9,400)	(587)	5,596	(242)
Depreciation and amortization	7,009	7,161	21,359	21,597
Interest expense	4,539	4,216	13,957	11,741
Income taxes	(3,083)	676	(20,937)	2,183
Standardized EBITDA	(935)	11,466	19,975	35,279
Unrealized (gains) losses on derivatives	11,681	(1,094)	21,242	(2,921)
Foreign exchange (gains) losses	-	(6)	4	(17)
Loss on debt extinguishment	-	-	-	351
Equity accounted (income) loss from long term investments	(622)	(722)	(3,773)	(571)
Distributions from equity investments	80	2,588	2,211	7,763
Adjusted EBITDA	10,204	12,232	39,659	39,884

Adjusted EBITDA for the third quarter of 2010 was $2,028 lower than in the same period of 2009, representing a decrease of 16.6%. The reduction resulted from a $2,508 decrease in equity investment distributions due to the sale of Leisureworld in the first quarter as well as an $869 increase in administrative expenses for business development and project costs. Offsetting these factors was growth in revenue of $1,867, primarily due to the higher DCR adjustment.



Year-to-date adjusted EBITDA was $225, or 0.6%, lower than in the first nine months of 2009. Lower adjusted EBITDA in 2010 was due to $5,552 less distributions from Leisureworld, a $2,290 increase in administrative expenses and a $946 increase in operating expenses. Offsetting these effects was an $8,658 increase in revenue.

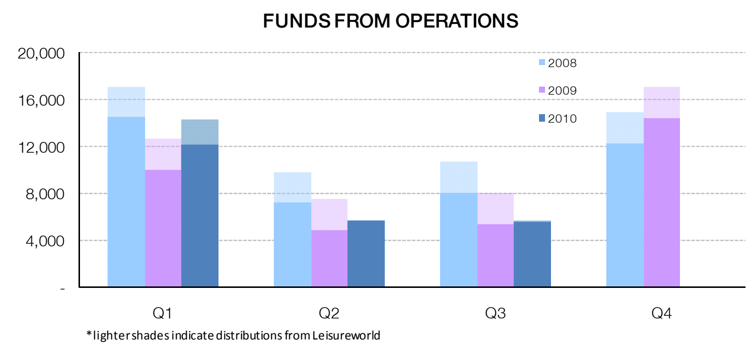
The chart illustrates the trend in adjusted EBITDA against historical periods with and without the distributions from Leisureworld. Excluding Leisureworld, the chart illustrates year-over-year improvement in adjusted EBITDA since the fourth quarter of 2009.

Funds from Operations

Management uses the non-GAAP measure of funds from operations to evaluate cash generated from its assets after interest costs on asset debt. FFO is calculated by deducting interest expense from adjusted EBITDA. The derivation of FFO starting from adjusted EBITDA is shown in the table below:

($000s unless otherwise noted)	Three months ended		Nine months ended	
	Sep 30, 2010	Sep 30, 2009	Sep 30, 2010	Sep 30, 2009
Adjusted EBITDA	10,204	12,232	39,659	39,884
Interest expense	(4,539)	(4,216)	(13,957)	(11,741)
Funds from operations	5,665	8,016	25,702	28,143

FFO for the third quarter of 2010 was $2,351 lower than in the comparable period of 2009, representing a decrease of 29.3%. The reduction was primarily due to a $2,028 decrease in adjusted EBITDA as explained in the previous section. Additionally, interest expense increased by $323, reflecting the increase in the convertible debenture balance in December 2009 and January 2010.



Year to date, FFO was $2,441, or 8.7%, lower than in the first nine months of 2009. Lower FFO in 2010 was due to $2,216 increase in interest costs, which also reflected higher rates on the new credit facility established in May 2009, and a $225 decline in adjusted EBITDA as described in the previous section.

The chart illustrates the year-over-year trend in FFO since 2008. The chart shows the trend both with and without the Leisureworld distributions. Including Leisureworld, the chart indicates the reduction in FFO due to the sale of Leisureworld. Excluding the Leisureworld distributions, the chart shows how FFO compared with the same period in prior years has maintained a positive year-over-year trend since the fourth quarter of 2009.

Distributable Cash and Payout Ratio

Distributable cash is a supplemental measure commonly used for income funds to assess the degree to which cash flows from operating activities support distributions to the unitholders of the Fund. Similar to Adjusted EBITDA and FFO, the calculation of distributable cash reconciles to net income and adjusts for various non cash items. In addition to adjustments in the EBITDA and FFO calculations, the distributable cash calculation also takes into consideration maintenance of productive capacity which sets aside cash for major maintenance and capital additions. Distributable cash also adjusts for principal repayments of loans payable and receivable as well as non cash items such as amortization of deferred financing costs and accretion to the levelization debt.

Payout ratio measures the proportion of distributable cash that was declared as distributions during the quarter. The derivation of distributable cash from cash flows from operating activities as reported in the Consolidated Statement of Cash Flows and the calculation of the payout ratio are shown in the table below:

($000s except per trust unit amounts)	Three months ended		Nine months ended	
	Sep 30, 2010	Sep 30, 2009	Sep 30, 2010	Sep 30, 2009
Cash flows from operating activities	6,770	5,972	29,502	28,536
Maintenance of productive capacity:				
Release from major maintenance reserve account	-	1,209	1,005	7,702
Allocation to major maintenance reserve account	(645)	(618)	(1,934)	(1,853)
Allocation to capital expenditure reserve account	(408)	(239)	(1,226)	(716)
	5,717	6,324	27,347	33,669
Other adjustments:				
Scheduled repayment of debt	(402)	(928)	(1,330)	(1,979)
Scheduled receipt of loans receivable	201	181	587	527
Distributions received from Leisureworld	80	2,588	2,211	7,763
Changes in working capital	(310)	140	(3,360)	(6,495)
Distributable cash	5,286	8,305	25,455	33,485
Distributable cash per unit	$ 0.106	$ 0.166	$ 0.510	0.671
Distributions declared per unit	$ 0.165	$ 0.262	$ 0.495	0.787
Payout ratio	156%	158%	97%	117%

Distributable cash for the quarter ended September 30, 2010 was $5,286 for a year-to-date total of $25,455. The Fund declared distributions of $8,235 to unitholders compared with $13,103 in the third quarter of 2009. This resulted in a quarterly payout ratio of 156% compared with 158% last year and a year-to-date payout ratio of 97% compared with 117% in the first nine months of 2009. The payout ratio reflected both lower distributable cash during the third quarter of 2010 and the Fund's revised distribution policy, effective January 2010, to distribute $0.66 per unit to unitholders on an annualized basis.

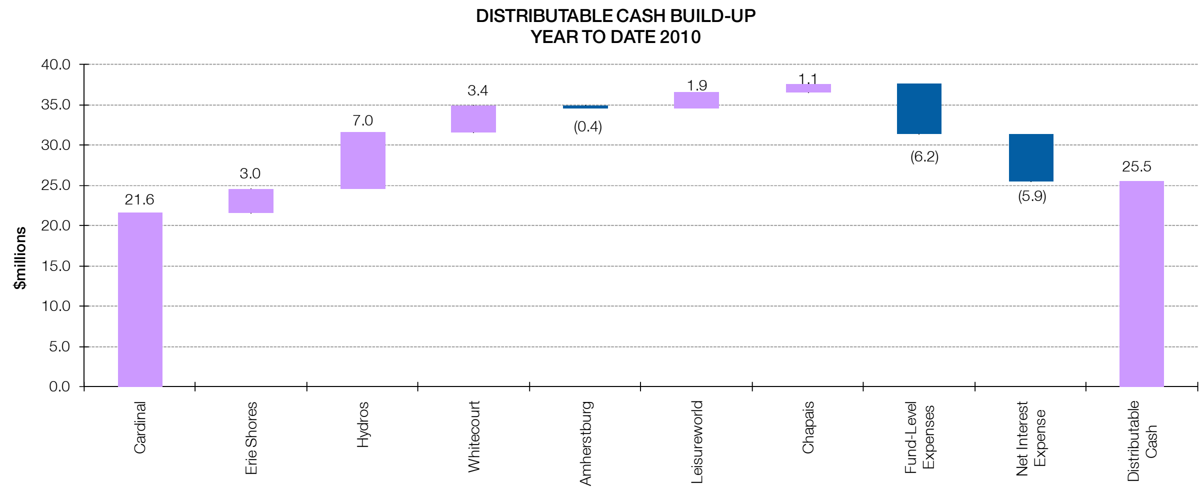
Distributable cash for the third quarter of 2010 was $3,019, or 36.4%, lower than in the comparable period in 2009. Year-to-date distributable cash was $8,030, or 24.0%, lower than in 2009. The major factors contributing to lower distributable cash in the quarter and year to date 2010 were lower distributions from Leisureworld since the IPO on March 23, 2010 and higher administrative costs due to project, business development and other expenses during 2010.

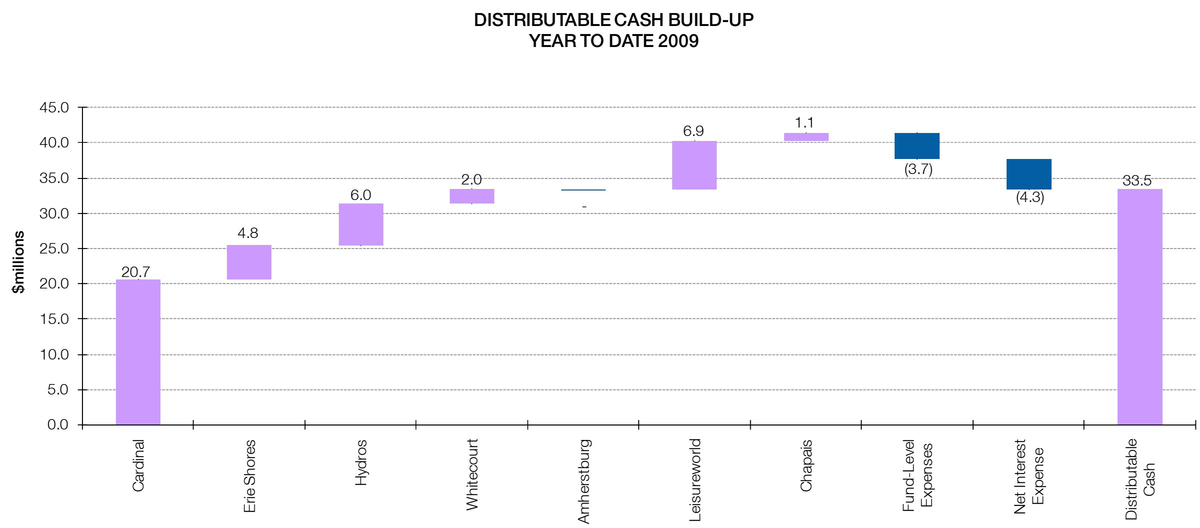
In any given period, distributable cash may exceed the net income of the Fund as a result of adjustments allocated to or from major maintenance accounts and other non-cash charges, including, most significantly, amortization and non-cash movements in future income taxes, swap contracts and embedded derivative balances.

For major maintenance and capital expenditures, distributable cash is reduced in the period in which these costs are allocated to the reserve account. As a result, except for these allocations, the Fund does not retain additional amounts for the maintenance of productive capacity as they do not require periodic investments to maintain existing levels of operating capability. The nature of power infrastructure assets requires scheduled maintenance programs to optimize efficiency and operating life. MPT has reserves that are funded based on planned requirements. Cash from these reserves is released to meet maintenance and capital expenditures as required. Adjustments for scheduled receipts and payments are made according to the Fund's investment and financing decisions regarding ongoing commitments.

The Fund continues to calculate and measure distributable cash excluding changes in working capital. The Fund's primary customers are billed monthly. As there are only 12 payments each year, the timing of each payment has a significant impact on the Fund's working capital. Monthly payments are received at month end or on the first business day following a month end, which could result in a situation where two bills are paid in the same month. Such circumstances can cause working capital to fluctuate. As a result, working capital has been excluded from the calculation of distributable cash and payout ratio.

The following chart illustrates the distributable cash that is contributed by each of the Fund's assets on a year to date basis. As noted above, the major changes from 2009 relate to the Leisureworld distributions and the additional Fund-related expenses for project, business development and interest expense.





FINANCIAL POSITION REVIEW

Liquidity

As at September 30, 2010, the Fund had negative working capital of $26,021 (December 31, 2009 – positive $16,962) which is net of the $49,200 loan payable arising from the sale of Leisureworld which management expects to be settled by a non-cash distribution from MLTCLP in 2011. Please refer to page 16 of this report. During the third quarter, working capital reduced by $8,181 because accounts payable increased by $6,874, primarily due to accrued costs on the Amherstburg Solar Park. Unrestricted cash and cash equivalents totalled $63,389 (December 31, 2009 - $53,121) of which $51,541 (December 31, 2009 - $42,532) was not designated for major maintenance, capital expenditure or general reserves. Cash and cash equivalents were above historical levels due to the March 23, 2010 disposition of the Leisureworld investment. The Fund invests its excess cash in short-term, high quality money market instruments. The Fund's unrestricted cash and cash equivalents are as follows:

($000s unless otherwise noted)	Sep 30, 2010	Dec 31, 2009
Major maintenance reserve	5,596	4,668
Capital expenditure reserve	1,252	921
General reserve	5,000	5,000
Total reserve accounts	11,848	10,589
Other cash and cash equivalents	51,541	42,532
Total cash and cash equivalents	63,389	53,121

With the ongoing funding of major maintenance and capital expenditure reserves, the Fund believes it has more than sufficient funds to meet all anticipated maintenance and capital requirements in 2010. The Fund manages liquidity to ensure sufficient resources to meet all obligations and maintain distributions to unitholders from operating cash flows. Demand associated with the Fund's assets remains relatively stable despite the volatility of the business cycle. Additionally, all assets have long-term agreements that enhance revenue predictability. As a result, the Fund expects to meet all of its obligations in 2010 and to maintain distributions to unitholders at the current level.

Capital Structure

The Fund defines and manages its capital structure as unitholders' equity and long-term debt, both the current and non-current portion. The following table shows the Fund's capitalization position:

($000s unless otherwise noted)	Sep 30, 2010		Dec 31, 2009	
	Fair Value	Carrying Value	Fair Value	Carrying Value
CPOT-Cardinal credit facility	85,000	85,000	85,000	85,000
Erie Shores project debt	108,252	107,858	107,941	110,180
Convertible debentures (1)	61,238	51,749	89,437	83,928
Levelization amounts	23,224	23,224	21,166	21,166
Deferred financing fees	-	(5,252)	-	(5,050)
Total long-term debt	277,714	262,579	303,544	295,224
Unitholders' equity (1) (2)	364,353	274,418	304,980	293,015
Total capitalization	642,067	536,997	608,524	588,239
Debt to capitalization	43.3%	48.9%	49.9%	50.2%

(1) The fair value of the Fund's convertible debentures as at September 30, 2010 was based on a market price of $106.50 and debentures outstanding of $57,500 aggregate principal amount. As at December 31, 2009, the fair value of the Fund's 2010 and 2016 Debentures was based on a market price of $100.05 and $101.00, respectively, and debentures outstanding of $38,918 and $50,000 aggregate principal amount, respectively. The carrying value of the equity portion of the Fund's convertible debentures of $5,463 as at September 30, 2010 (December 31, 2009 - $4,736) was excluded from total debt and included as part of Unitholders' equity.

(2) The fair value of Unitholders' equity reflected the Fund's market capitalization as at September 30, 2010 based on a unit price of $7.30 (December 31, 2009 - $6.11) and units outstanding of 49,911,347 (December 31, 2009 - 49,914,927 units). Units outstanding include Class B exchangeable units of which there were 3,249,390 outstanding at September 30, 2010 (December 31, 2009 - 3,249,390 units).

CPOT-Cardinal credit facility

As at September 30, 2010, the Fund had a credit facility in the amount of $182,500, consisting of: (a) a $141,875 term facility ("Term"); and (b) a $40,625 revolving facility ("Revolver"), of which $85,000 has been advanced on the Term and $nil was advanced on the Revolver.

Three letters of credit have been authorized under the Revolver totalling $2,533 for Erie Shores and another for $38,092 against the Fund's contribution for Amherstburg Solar Park on completion of construction. Finally, a $10,000 unsecured guarantee was provided by Clean Power Operating Trust ("CPOT"), a subsidiary entity of the Fund, to the lenders under the Tranche C loan to Erie Shores. Advances under the credit facility are made in the form of a series of bankers' acceptances ("BAs") and prime rate loans. Interest paid on BAs is based on the then current BA rate plus an applicable margin ("stamping fee") based on the ratio of consolidated total debt to consolidated EBITDA. Collateral for the facility is provided by first ranking security interest covering the assets of CPOT, Cardinal and certain direct subsidiaries, collectively the "restricted group". The restricted group is subject to and is in compliance with certain non-financial and financial covenants, including limits on the consolidated total debt to consolidated EBITDA ratio and interest coverage ratio.

Erie Shores project debt

The Fund has a loan of $107,858 non-recourse project financing for Erie Shores, consisting of: (a) a $62,855 fully amortizing loan ("Tranche A") maturing April 1, 2026; (b) a $5,003 fully amortizing loan ("Tranche B") maturing April 1, 2016; and (c) a $40,000 interest only loan ("Tranche C") maturing April 1, 2011. This project debt was borrowed by Erie Shores and is only secured by the assets of Erie Shores. CPOT has provided an unsecured guarantee in the amount of $10,000 to the lenders in respect of the Tranche C loan. The Fund expects to refinance the Tranche C upon maturity in 2011. Interest on the facility has been fixed as described under the derivative financial instruments section.

Convertible debentures

In December 2009, the Fund issued $50,000 of new 6.50% convertible unsecured subordinated debentures with a maturity date of December 31, 2016 ("2016 Debentures"). On January 5, 2010, the underwriters exercised an over-allotment option to purchase an additional $7,500 principal amount of the 2016 Debentures, bringing the aggregate gross proceeds of the offering to $57,500. Of this amount, $38,918 plus accrued interest was used to redeem the Fund's existing 6.75% convertible debentures ("2010 Debentures") on January 11, 2010. The refinancing effectively extended the maturity of the Fund's convertible debentures from December 31, 2010 to December 31, 2016, reducing interest rate on the debentures from 6.75% to 6.50% and providing the Fund with additional capital for future growth opportunities. Interest on the 2016 Debentures is payable semi-annually in arrears on June 30 and December 31 commencing on June 30, 2010. The 2016 Debentures are convertible into trust units of the Fund at the option of the holder at a conversion price of $7.00 per trust unit.

Levelization amounts

As at September 30, 2010, the Fund had a levelization liability of $23,224 (December 31, 2009 - $21,166) relating to payments received from the Ontario Electricity Financial Corporation ("OEFC") in excess of the base rate as set out under the Power Purchase Agreement ("PPA") for the Wawatay hydro power facility. In accordance with the PPA, the OEFC is required to make monthly guaranteed payments as well as variable payments based on actual electricity production. To the extent that these payments exceed the revenue recorded in a given month, the Fund records an increase in the levelization amounts. To the extent that these payments are less than the revenue recorded, the Fund records a reduction in the levelization amounts. Interest on the levelization amounts is accrued at a prescribed variable rate, which currently approximates 6.94% per annum.

Unitholders' equity

Unitholders' equity is the core of the Fund's capital structure and is composed of the following:

($000s unless otherwise noted)	Sep 30, 2010	Dec 31, 2009
Unitholders' capital	466,639	466,662
Class B exchangeable units	35,500	35,500
Equity portion of convertible debentures	5,463	4,736
Accumulated other comprehensive income (loss)	-	190
Cumulative earnings (deficit)	5,439	(157)
Cumulative distributions	(238,623)	(213,916)
Total unitholders' equity	274,418	293,015

All amounts in Canadian $000s unless otherwise noted

The Fund is authorized to issue an unlimited number of units. During the third quarter of 2010, 22 units were redeemed compared with nil units in the third quarter of 2009. A total of 3,580 units were redeemed in the first nine months of 2010 compared with 6,657 units in the same period of 2009, resulting in 46,661,957 units outstanding as at September 30, 2010.

The Fund also has outstanding 3,249,390 Class B exchangeable units that were issued at the time Leisureworld was acquired. The Class B exchangeable units are eligible to receive distributions under the same terms and conditions as units of the Fund. The Class B exchangeable units will each convert into one unit of the Fund on October 18, 2015, the 10-year anniversary of the acquisition closing date, unless converted earlier at the option of the Class B exchangeable unitholders.

The equity portion of convertible debentures pertains to the convertible debentures issued in December 2009 and the over-allotment issued in January 2010 that mature in December 2016. Cumulative earnings (deficit) are the aggregate of the Fund's net income since the Fund was formed. Cumulative distributions are the aggregate of cash paid to unitholders since formation of the Fund.

Derivative Financial Instruments

As at September 30, 2010, the Fund held various gas and interest rate swaps to mitigate the gas price and interest rate risks respectively. None of these swap contracts have been designated for hedge accounting and as a result changes in the fair value of all derivative contracts are reported on the Consolidated Statement of Operations. The fair value of these contracts as reported on the Fund's Consolidated Statement of Financial Position is:

	Sep 30, 2010	Dec 31, 2009
Derivatives contract assets		
Gas swap contracts	2,214	2,131
Interest rate swap contracts	565	278
Embedded derivatives	5,220	14,093
	7,999	16,502
Current portion of derivative contract assets	(1,949)	(1,026)
	6,050	15,476
Derivative contract liabilities		
Interest rate swap contracts	10,870	2,594
Embedded derivatives	9,322	4,859
	20,192	7,453
Current portion of derivative contract liabilities	(2,276)	(1,310)
	17,916	6,143

Gas swap contracts

Cardinal has natural gas swap contracts for the seven-month period from April to October in the years 2010 to 2011. In each of the seven months, these contracts require Cardinal to make payments to the counterparties based on 62,402 MMBtu (436,814 MMBtu per fiscal year) of gas at the then market rate of natural gas in exchange for receiving payments based on 62,402 MMBtu of gas at a fixed price per MMBtu.

Interest rate swap contracts

For the Cardinal-CPOT credit facility, the Fund holds five interest rate swap contracts maturing in June 2012 to mitigate interest rate risk on a notional amount of $85,000, representing the total amount drawn under the credit facility. Under each contract, the Fund pays a fixed rate in return for a floating rate equal to the then current three-month BA rate. These interest rate swaps effectively convert the Fund's floating rate obligations to a fixed rate as shown in the table below:

All amounts in Canadian $000s unless otherwise noted

Maturity Date	Notional Amount	Swap Fixed Rate	Stamping Fee(1)	Effective Fixed Rate
June 29, 2012	40,000	2.14%	3.00%	5.14%
June 29, 2012	18,000	3.13%	3.00%	6.13%
June 29, 2012	11,700	3.12%	3.00%	6.12%
June 29, 2012	10,000	2.28%	3.00%	5.28%
June 29, 2012	5,300	3.13%	3.00%	6.13%
	85,000	2.56%	3.00%	5.56%

(1) The stamping fee represents the current applicable margin that is paid on advances from the CPOT-Cardinal credit facility.

CPOT also has a forward start interest swap contract on a notional amount of $20,000 to mitigate some of the refinancing risk associated with the Erie Shores project debt. Under the contract, CPOT will pay a fixed rate of 5.63% for a period of five years following the maturity of the Erie Shores project debt from December 1, 2011 to December 1, 2016. In return, CPOT will be paid a floating rate equal to the then current three-month BA rate.

On June 23, 2010, upon the acquisition of the Amherstburg Solar Park, the Fund entered into an interest rate swap contract to mitigate the interest rate risk on the project debt. The notional amount of the interest rate swap, initially zero, increases as the construction facility used to finance the development of the project increases until June 2011 at which time the notional amount reaches $96,200. Once the project is completed and Helios (as defined below) begins making payments on the debt, the notional amount decreases as the outstanding balance on the debt amortizes.

Loan Payable

On March 23, 2010, the Fund divested of its equity interest in Leisureworld, held by MLTCLP, through an IPO of LSCC. The Fund received its proportionate share of the initial net cash proceeds from MLTCLP in the form of a loan payable for $49,200. The loan is non-interest bearing and payable on demand and had principal outstanding as at September 30, 2010 of $49,200. Management expects the loan to be settled by way of a non-cash distribution from MLTCLP in 2011.

Acquisitions

On June 23, 2010, the Fund, through an indirect wholly-owned subsidiary, acquired Helios Solar Star A-1, L.P. ("Helios LP") and Helios Solar Star A-1 Ltd. ("Helios GP") (collectively, "Helios") for total consideration of $4,274 composed of nominal cash consideration paid to SunPower Corp. ("SunPower") and transaction costs of $4,274. From the date of acquisition to September 30, 2010, $6,357 of capitalized construction costs were included in capital assets

On closing, Helios entered into a fixed-price engineering procurement and construction ("EPC") agreement with SunPower for the design and build of the Amherstburg Solar Park, a 20 MW solar photovoltaic power facility in Amherstburg, Ontario. The $130 million approximate project cost will primarily be funded by a syndicate of lenders with approximately $26.1 million of equity to be contributed by the Fund before the start of commercial operations, which is estimated to be in June 2011. Once completed, SunPower will operate the Amherstburg Solar Park under a 20-year operations and maintenance ("O&M") contract. Electricity generated by the Amherstburg Solar Park will be sold under the Province of Ontario's Renewable Energy Standard Offer Program ("RESOP") to the Ontario Power Authority ("OPA") at a guaranteed price of $420 per MWh for the next 20 years. Helios LP is the supplier under the RESOP contracts with the OPA and leases the land where the project is to be developed. For the first two years of commercial operations, SunPower will financially support the weather-adjusted performance of the facility at the expected production.

The acquisition was accounted for using the purchase method in accordance with Emerging Issues Committee Abstract 124 and the results of operations are included from the date of the acquisition. The preliminary allocation, to be finalized upon completion of the valuation report, to the net assets of Helios on the basis of fair values was to intangible assets and for $5,357, including the associated future income tax effect of $1,083.

Contractual Commitments

The Fund enters into contractual commitments in the normal course of business. These contracts include electricity supply contracts, natural gas purchase contracts, energy savings agreements, wood waste supply agreements, operations and maintenance agreements, and guarantees that are described in the Fund's 2009 Annual Management Discussion and Analysis.

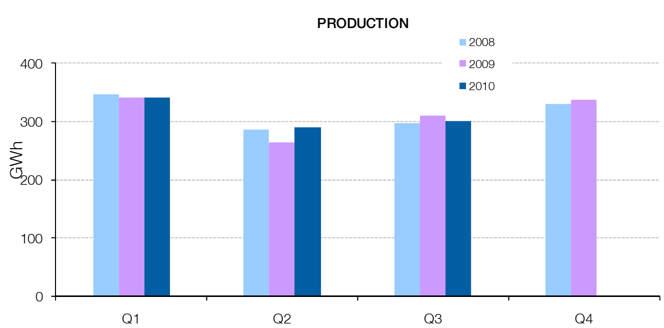
During the second quarter of 2010, Helios entered into various agreements as part of the acquisition and development of the Amherstburg Solar Park. These agreements included: an EPC contract with SunPower for the construction of the project estimated at $130,000 with a completion date of June 2011; a credit agreement with a lending consortium to finance the project during construction and after completion with a maximum capacity of $96,200; and an O&M agreement with SunPower for when the project is producing electricity.

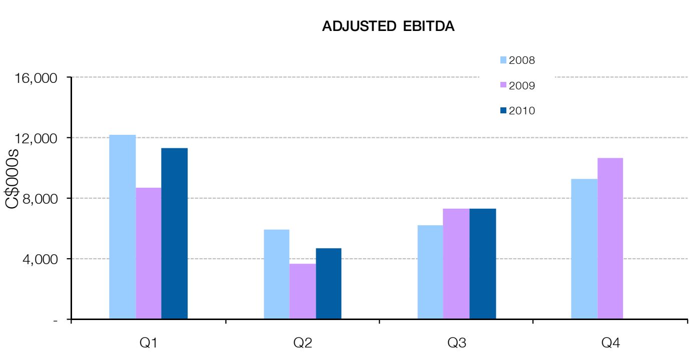
PORTFOLIO ASSET REVIEW

Gas Cogeneration Power: Cardinal

Performance highlights

($000s unless otherwise noted)	Three months ended Sep 30, 2010	Three months ended Sep 30, 2009	Nine months ended Sep 30, 2010	Nine months ended Sep 30, 2009
Revenue	25,566	23,902	80,540	73,385
Operating and administrative expenses	18,303	16,630	57,288	53,880
Adjusted EBITDA	7,281	7,276	23,280	19,641
FFO	6,960	6,817	22,218	18,389
Electricity production (MWh)	300,259	309,786	929,914	915,109
Steam production (KLbs)	175,612	152,530	535,833	519,059
Fuel consumption (MMbtu)	2,558,539	2,579,828	7,855,806	7,658,748
Capacity factor	96.3%	99.4%	94.8%	93.4%
Availability	100.0%	99.8%	97.8%	94.8%





Performance review

During the third quarter of 2010, Cardinal's operating performance reflected 7.0% revenue growth attributable to higher electricity rates offset by lower electricity production due to curtailments that reduced plant capacity. As a result, electricity production declined 3.1%. Steam production increased by 15.1% as Casco had fewer outage days.

Year to date, revenue was $7,155, or 9.7%, higher than a year ago. In addition to higher electricity rates, fewer outage hours increased the plant's capacity leading to higher electricity production.

Fewer outages also resulted in higher operating and administrative expenses than in 2009 due to the greater consumption of fuel and increased gas transportation costs of $1.64 per gigajoule during the quarter compared with $1.19 per gigajoule in 2009.

Cardinal's adjusted EBITDA and FFO for the quarter were comparable with the third quarter of 2009. Year to date, fewer maintenance outages resulted in higher production and net revenue from operations reflected in higher adjusted EBITDA and FFO.

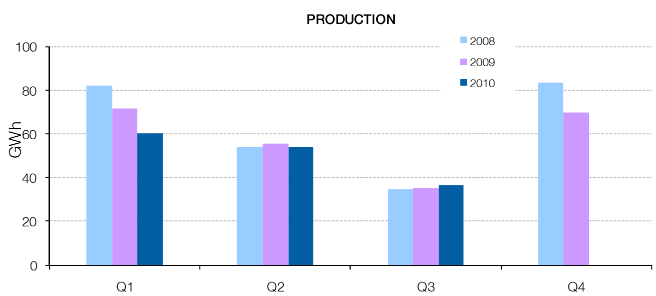
Outlook

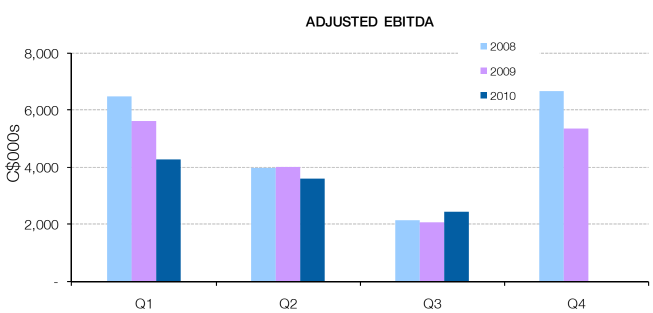
Revenue in 2010 is expected to outperform 2009 based on less scheduled maintenance and the continuing escalation in the DCR, which results in a higher power price under Cardinal's PPA. Higher power rates and increased production compared with 2009 are expected to be partially offset by higher gas transportation rates. As a result, cash flow from this facility is expected to be slightly higher than in 2009.

Wind Power: Erie Shores Wind Farm

Performance highlights

($000s unless otherwise noted)	Three months ended		Nine months ended	
	Sep 30, 2010	Sep 30, 2009	Sep 30, 2010	Sep 30, 2009
Revenue	3,597	3,423	14,739	15,800
Operating and administrative expenses	1,149	1,355	4,403	4,116
Adjusted EBITDA	2,449	2,066	10,336	11,685
FFO	942	513	5,779	6,996
Electricity production (MWh)	36,783	35,210	151,382	162,607
Capacity factor	16.8%	16.1%	23.3%	25.1%
Availability	97.3%	95.5%	97.6%	96.2%





Performance review

During the third quarter of 2010, revenue was $174, or 5.1%, higher than in 2009, which was due to stronger electricity production resulting from increased wind speeds over the summer. Year to date, revenue was $1,061, or 6.7%, lower primarily due to slower wind speeds during the first quarter of 2010 compared with the same period in 2009.

Operating and administrative expenses were $207, or 15.2%, lower in the third quarter of 2010 due to savings from the internalization of the O&M contract from GE Canada. The internalization was completed successfully in late July 2010, increasing the number of permanent employees at the site from three to nine.

Lower expenses year over year during the third quarter were the major factor in $383 and $429 increases in adjusted EBITDA and FFO, respectively. Year to date, lower wind speeds, causing lower revenue, were the major factor behind $1,349 and $1,217 decreases in adjusted EBITDA and FFO, respectively.

Outlook

As a result of below average wind conditions in Ontario during the first half of the year, annual revenue and cash flow at Erie Shores in 2010 is currently expected to be slightly below 2009 levels. Erie Shores' long-term annual production target is 249,800 MWh.

In 2010, Erie Shores is expected to incur approximately $870 in one-time expenses and capital expenditures related to the internalization of O&M. Over time, this internalization is expected to reduce Erie Shores' operating costs and to deliver slightly higher facility availability.

Hydro Power: Four Facilities

Performance highlights

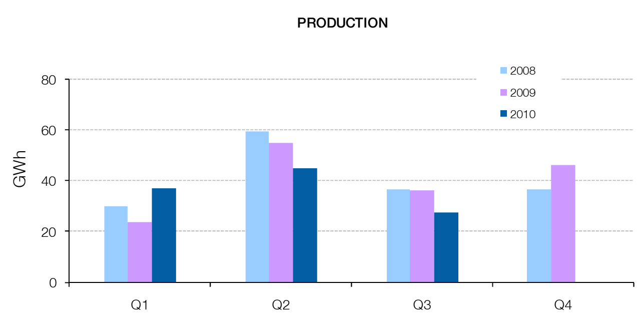
($000s unless otherwise noted)	Three months ended		Nine months ended	
	Sep 30, 2010	Sep 30, 2009	Sep 30, 2010	Sep 30, 2009
Revenue	2,256	2,675	8,966	8,499
Operating and administrative expenses	914	890	2,716	2,560
Adjusted EBITDA	1,341	1,785	6,249	5,939
FFO	973	1,428	5,172	4,849
Electricity production (MWh)	27,431	35,994	108,947	114,633
Capacity factor	34.8%	45.7%	46.6%	49.0%
Availability	98.4%	97.9%	98.3%	98.7%

Performance review

During the third quarter, revenue for the hydro power facilities was $419 lower than in 2009, reflecting poor hydrology in parts of Ontario and an earlier spring run off. As presented on page 22 under Seasonality, third quarter production for the 14 MW Wawatay hydro power facility was well below the historical average due to atypically low water flows in the region.

Year-to-date revenue was $467, or 5.5%, higher than in 2009 based on strong performance in the first quarter as the result of an early spring run off.

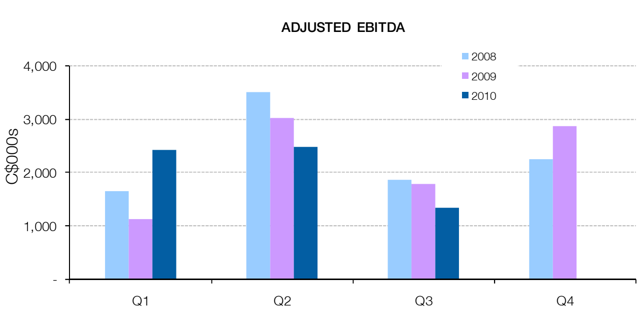
Lower third quarter revenue resulted in lower adjusted EBITDA and FFO compared with 2009 while higher year-to-date revenue caused higher adjusted EBITDA and FFO for the first nine months of 2010.



Outlook

Overall, revenue and cash flows from the hydro power facilities are expected to finish the year higher than in 2009 due to the strong performance of the 16 MW Sechelt and 3 MW Dryden plants. The average long-term annual production of the hydro power facilities is 166,360 MWh(1).

Capital expenditures across the hydro power facilities are expected to be lower than in 2009. Value enhancement projects at certain of the facilities in 2010 include upgrading the SCADA (Supervisory Control and Data Acquisition) software systems to enable better data collection and improved monitoring of operations, which contributes to enhanced efficiencies.



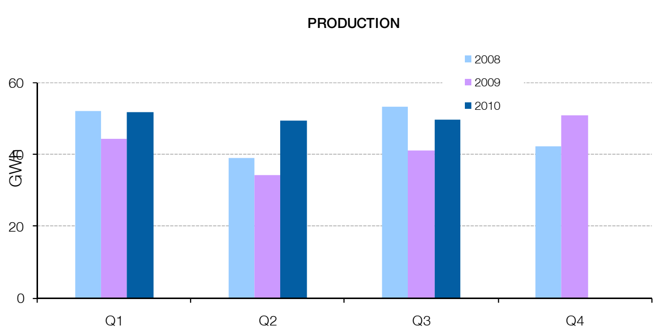
(1) Average long-term annual production is based on the actual annual production of each hydro power facility averaged since the start of full operations as follows: Sechelt (1997); Hluey Lakes (2000); Dryden (1992); and Wawatay (1992). For Dryden and Wawatay, there is no data available prior to 1992.

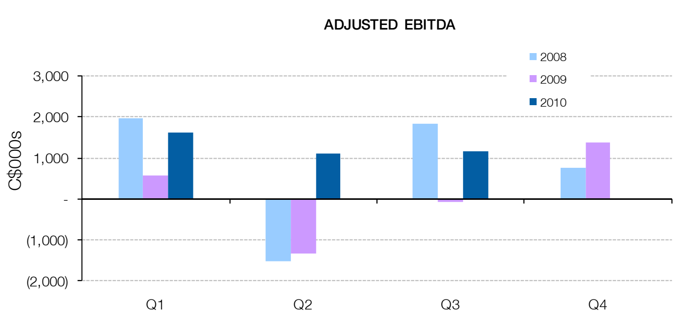
Biomass Power: Whitecourt

Performance highlights

($000s unless otherwise noted)	Three months ended		Nine months ended	
	Sep 30, 2010	Sep 30, 2009	Sep 30, 2010	Sep 30, 2009
Revenue	3,179	2,731	10,002	7,905
Operating and administrative expenses	2,041	2,806	6,145	8,748
Adjusted EBITDA	1,136	(76)	3,858	(843)
FFO	1,136	(76)	3,858	(843)
Electricity production (MWh)	49,746	41,180	151,186	119,784
Fuel consumption (GMT)[1]	74,333	61,679	223,273	179,676
Capacity factor	92.8%	77.5%	94.9%	76.8%
Availability	93.0%	78.5%	95.1%	77.3%

[1] Green metric tonnes





Performance review

During the third quarter of 2010, Whitecourt's revenue was $448 higher than in the same period last year while operating and administrative expenses declined $786. Both variances were a result of the extended maintenance outage in 2009 to repair the facility's turbine. The facility is now operating normally, which is reflected in both higher electricity production and fuel consumption in 2010. Year to date, revenue was $2,097 higher while expenses were $2,603 lower due to fewer outage hours.

For both the quarter and year-to-date periods, fewer hours of outage resulted in both higher adjusted EBITDA and FFO from the comparable periods of 2009.

Outlook

Revenue and cash flow at Whitecourt are expected to be significantly higher in 2010 than in 2009 as the availability factor is expected to be approximately 95% in 2010, which is in line with historical performance.

Whitecourt's turbine is expected to operate reliably until the facility's next scheduled major maintenance inspection in 2016. Total capital expenditures of approximately $1,000 are expected for 2010 to support the facility's ongoing reliability, which includes the replacement of the facility's boiler feedwater pumps and air compressor.

Management currently expects Whitecourt to have a stable and adequate supply of wood waste fuel for at least the next two years. The facility currently has approximately 30 days of fuel inventory in the yard, which reflects the forestry sector's seasonal production cycle and is in line with historical levels for this time of year.

Biomass Power: Chapais

Performance highlights

($000s unless otherwise noted)	Three months ended		Nine months ended	
	Sep 30, 2010	Sep 30, 2009	Sep 30, 2010	Sep 30, 2009
Interest income on loans receivable	157	178	487	547
Electricity production (MWh)	60,161	57,982	175,464	168,133
Fuel consumption (GMT)	109,581	132,826	330,417	366,616
Capacity factor	97.3%	93.8%	96.4%	92.5%
Availability	96.0%	98.8%	94.8%	96.0%

Performance review

The Chapais facility's 2010 performance measures for electricity production, availability and fuel consumption exceeded 2009 results for both the quarter and year to date. The Fund continued to receive scheduled principal and interest income payments from the Tranche A portion of the outstanding debt. The fuel costs for the facility remain high and therefore the facility is only able to pay interest and principal on Tranche A of the outstanding debt. The Fund does not expect to earn income on its equity investment.

Social Infrastructure: Leisureworld

As at January 1, 2010, the Fund owned an indirect 45% interest in Leisureworld through the Fund's 45% interest in MLTCLP. On March 23, 2010, MLTCLP sold Leisureworld to LSCC, which used the proceeds of its IPO to acquire LSCLP. This resulted in a gain on sale of $7,027, of which the Fund is entitled to 45%, or $3,162. MLTCLP retained a 5% interest in LSCC, or 958,649 shares, of which 45%, or 431,392, are indirectly owned by the Fund. These shares along with cash are subject to holdback conditions that expire on March 31, 2011.

MLTCLP accounts for its reduced investment on a fair value basis. Accordingly, income from the LSCC shares is restricted to changes in fair value and dividend distributions. During the third quarter, MLTCLP received $204 of dividend income and recorded an unrealized gain of $1,179. The Fund's share of these amounts was net income of $622. During the quarter, the Fund received $80 of distributions from MLTCLP.

All amounts in Canadian $000s unless otherwise noted

SEASONALITY

The operating results of the Fund may fluctuate due to seasonal factors that affect quarterly production of the individual facilities. The factors contributing to these results include scheduled major maintenance, seasonal electricity demands and environmental factors such as water flow, wind speed, temperature and humidity.

For the Cardinal facility, the long-term PPA with the OEFC and a gas purchase contract with Husky Energy Marketing Inc. lead to lower fluctuations in production. Lower production during the second quarter reflects the annual scheduled maintenance cycle of the facility while low third quarter production is due to historical curtailment by the OEFC during the off-peak summer months. In addition, higher ambient temperatures in the summer months affect Cardinal's efficiency and reduce the facility's output. Further, Cardinal's PPA contains higher electricity rates during the six-month period from October to March (and lower rates from April to September), which is reflected in variations in quarterly results.

For Erie Shores Wind Farm, higher wind speeds and air density during the colder winter months typically result in higher production during the first and fourth quarters each year.

Production at Whitecourt is fairly consistent throughout the year with the exception of the second quarter, which is when the facility generally performs its annually scheduled maintenance. Whitecourt conducted its major maintenance in the second quarter of 2008 and was required to conduct additional unplanned maintenance work in the second quarter and part of the third quarter of 2009 to repair the turbine.

For each hydro power facility, peak production is based on the respective local watersheds, which increase the water flow for the facility. Typically, the second quarter, during the spring run off, is the most productive period for Wawatay and Sechelt. Dryden, which has lower variability, has historically produced the most electricity during the third quarter. As with Cardinal, the PPAs for Wawatay and Dryden contain higher electricity rates during the months of October to March (and lower rates from April to September).

In summary, the above factors result in the portfolio generating the highest average long-term electricity production during the first and fourth quarters as shown in the following table:

Project Name	Type	Electricity Purchaser	PPA Expiry	Net Installed Capacity (MW)	Q3 2010	Average long-term production (MWh)(1)			
						Q1	Q2	Q3	Q4
Cardinal	Gas	OEFC	2014	156	300,259	343,348	282,116	304,364	332,727
Erie Shores	Wind	OPA	2026	99(2)	36,782	75,762	53,703	34,684	77,660
Whitecourt	Biomass	TransAlta	2014	25	49,746	49,654	44,814	49,599	49,562
Sechelt	Hydro	BC Hydro	2017	16	14,927	19,943	30,546	12,411	21,889
Wawatay	Hydro	OEFC	2042	14	4,853	4,915	18,345	9,613	15,194
Hluey Lakes	Hydro	BC Hydro	2020	3	1,229	2,175	1,347	1,189	2,046
Dryden(3)	Hydro	OEFC	2020	3	6,422	4,654	5,029	5,495	4,340
Chapais(4)	Biomass	Hydro Quebec	2015	28	60,161	60,185	51,948	57,799	50,861
Total				344	474,379	560,636	487,848	475,154	554,279

(1) Average long-term production is from January 2005 to June 2010, except for Erie Shores, which is from June 2007.
(2) One 1.5 MW turbine is owned by a landowner.
(3) The Dryden facility is composed of three facilities, built in 1922 (Wainwright), 1928 (Eagle) and 1938 (McKenzie). These facilities were refurbished in 1986.
(4) MPT's investment in the Chapais facility consists of a 31.3% interest in one of two classes of preferred shares, a 24.8% interest in Tranche A and B debt and a 50% interest in Tranche C debt.

In the third quarter of 2010, with the exception of Wawatay and Cardinal, each facility outperformed its historical average long-term production for the quarter. Lower electricity production reflected less precipitation coupled with lower water flows at Wawatay due to an earlier than usual snow melt that resulted in higher production during the first quarter.

The Fund maintains reserve accounts in order to offset seasonality and other factors that may impact electricity production. Management expects that the Fund's reserve accounts and free cash flow will be sufficient to maintain monthly distributions to unitholders.

SUMMARY OF QUARTERLY RESULTS

The following table provides a historical summary for the previous eight quarters of the Fund's financial performance, which illustrates the effect of seasonality on the performance of the Fund.

($000s except for per trust unit amounts)	2010			2009				2008
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenue	34,598	35,497	44,152	42,795	32,731	32,603	40,255	42,190
Net income (loss)	(9,400)	(6,016)	21,012	11,501	(587)	(1,752)	2,097	(36,560)
Cash flows from operating activities	6,770	9,179	13,553	9,504	5,972	9,255	13,309	9,836
Adjusted EBITDA	10,204	10,438	19,017	21,429	12,233	11,428	16,224	18,597
Distributable cash	5,286	5,454	14,715	16,142	8,305	10,225	14,955	14,705
Distributions declared to Unitholders	8,236	8,235	8,236	13,103	13,103	13,104	13,104	13,106
Basic net income (loss) per unit	(0.188)	(0.121)	0.421	0.230	(0.012)	(0.035)	0.042	(0.732)
Diluted net income (loss) per unit	(0.188)	(0.121)	0.381	0.230	(0.012)	(0.035)	0.042	(0.732)
Cash flows from operating activities per unit	0.136	0.184	0.272	0.190	0.120	0.185	0.267	0.197
Distributable cash per unit	0.106	0.109	0.295	0.323	0.166	0.205	0.300	0.294
Distributions declared per unit	0.165	0.165	0.165	0.262	0.262	0.262	0.262	0.262

RELATED PARTY TRANSACTIONS

Under the terms of various administration and management agreements between the Manager and each of the Fund, Macquarie Power & Infrastructure Income Trust (the "Trust"), Cardinal Power of Canada, L.P. ("Cardinal"), MPT LTC Holding LP ("LTC Holding LP"), CPOT and Helios LP, the Fund made payments to the Manager for essential management and administrative services, cost reimbursement and incentive fees to operate the Fund and its assets. The following table summarizes amounts recorded for these services:

	Three months ended		Nine months ended	
	Sep 30, 2010	Sep 30, 2009	Sep 30, 2010	Sep 30, 2009
Management fees	416	450	1,195	1,335
Administrative fees	28	28	83	82
Cost reimbursement	991	712	2,777	2,122
Incentive fees	-	(490)	-	-
	1,435	700	4,055	3,539

Management fees are charged by the Manager for directing the operations of each asset of the Fund. The decline in management fees during the third quarter of 2010 reflected the termination of the management agreement between the Manager and LTC Holding LP on March 31, 2010. Partially offsetting this is the new management fee for Amherstburg Solar Park.

Cost reimbursement represents payments to the Manager in return for services such as administration, finance, regulatory, rent and information technology. Cost reimbursement during the third quarter was $279, or 39.1%, higher than the comparable period of 2009 and increased $655, or 30.9%, year to date. The increase in cost reimbursement during the third quarter of 2010 from a year ago reflected additional resources from the Manager allocated to Fund initiatives for projects such as IFRS and the Conversion as well as the evaluation of acquisition opportunities.

In addition to the third quarter 2010 cost reimbursement expense, $237 (Q3 2009 - $65) was capitalized as deferred charges and deferred financing fees for a year to date total of $392 (2009 - $220). Capitalized costs represent ongoing project expenses where it is more likely than not that the project will result in an acquisition.

Incentive fees to the Manager are determined as 25% of the Fund's distributable cash in excess of $0.95 on an annual basis. Based on performance to the end of September 30, 2010, distributable cash was $0.510, which was below the threshold to recognize fees for the first nine months of the year. Lower distributable cash was attributable to the substantial reduction in distributions from Leisureworld from March 23, 2010 as well as seasonal factors in the performance of the assets.

In addition to the above costs paid to the Manager, from time to time the Fund incurs expenses for fees for services received from affiliates of Macquarie Group Limited ("MGL"). In January 2010, with respect to the exercise of the Fund's option for the issuance of additional 2016 Debentures, an underwriter fee of $37 was paid to a subsidiary of MGL that was a member of the underwriting syndicate. These costs were capitalized as deferred financing fees and netted against the equity and liability portion of the convertible debentures. In March 2010, as part of the LSCC IPO, a subsidiary of MGL earned underwriting and selling concession fees of $2,100, as part of the underwriting syndicate. These fees were paid by LSCC from the IPO proceeds. In June 2010, as part of the Amherstburg Solar Park acquisition, a subsidiary of MGL earned fees of $2,530 for the placement of financing arrangements and advisory services on the project. Deferred financing fees have been capitalized and will be amortized over the life of the debt facility.

The Fund also has two gas swap contracts, which hedge against fluctuations in the price of excess gas sold under Cardinal's gas mitigation clause, with a subsidiary of MGL. The gas swap contracts require Cardinal to make monthly payments to an affiliate of MGL for the seven-month period from April to October in 2010 and 2011, based on 62,402 MMBtu (436,814 MMBtu in each year) based on the then market rate of natural gas in exchange for receiving payments based on gas at a fixed price per MMBtu. These transactions were carried out under normal arm's length commercial terms.

All related party transactions have been measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

On December 22, 2009, the Board of Trustees established a special committee (the "Special Committee") to, among other things, engage in discussions with the Manager regarding potential new management arrangements for MPIC, including the possibility of the termination of the administration agreement and the management agreements and MPIC and the Manager entering into a new management agreement. The Special Committee formally engaged a financial advisor and legal counsel to assist in these discussions with the Manager and to provide the Special Committee with analysis and advice as to the financial and legal implications to MPIC of any such arrangements with the Manager. Discussions between the Special Committee and Manager regarding potential new management agreements for MPIC are continuing.

RISKS AND UNCERTAINTIES

To effectively manage the Fund's business and execute its strategy to create value for unitholders, the Manager analyzes all risks and uncertainties associated with the Fund's operations and objectives. These risks and uncertainties could have an adverse impact on the Fund's business, operating results and financial condition, which could negatively affect the Fund's ability to pay distributions to its unitholders.

The Fund seeks to mitigate the risks and uncertainties that may affect its performance through a process of identifying, assessing, reporting and managing risks of significance. The Manager continuously monitors risks and uncertainties at both the Fund and asset level and reports annually to the Board of Trustees about risk management actions and plans. Every year, the Manager re-evaluates risks and addresses new risks resulting from operational changes or external factors.

For an overview of the risks and uncertainties associated with the Fund's business, please refer to the "Risks and Uncertainties" section of the Fund's Annual Report for the year ended December 31, 2009 and in the "Risk Factors" section of the Fund's Annual Information Form dated March 25, 2010, both of which are available on the SEDAR website at www.sedar.com. In addition, unitholders should be aware of the following risks and uncertainties related to: the recently acquired Amherstburg Solar Park; the Fund's proposed Plan of Arrangement and conversion into a dividend-paying corporation as well as the activities of Macquarie Power and Infrastructure Corporation and ownership of MPIC common shares; and to evolving federal and provincial climate change legislation, as noted below.

Development Risk

The Fund's ability to successfully execute the development of the Amherstburg Solar Park could be influenced by construction delays due to slow or delayed delivery of materials or component parts, contractor non-performance, weather conditions or labour shortages, disruptions or inexperience. While the Fund intends to mitigate these risks through a fixed-price EPC agreement with SunPower, which is intended to transfer the risks inherent in engineering, procurement and construction of the facility to SunPower (and includes liquidated damages for MPT in the event of delays), any such delay could have an adverse impact on the Fund's business, operating results or financial condition.

Technology Risk

The performance of the Amherstburg Solar Park could be affected by a failure of the solar modules to perform as expected, or by premature wear or failure due to defects in design, material or workmanship. Under the terms of the EPC contract, SunPower will provide a two-year warranty for the Amherstburg Solar Park following the start of commercial operations. There are also manufacturers' warranties on specific components, including a 25-year warranty on the photovoltaic panels and 10 years on the inverters. In addition, for the first two years of commercial operations, SunPower will provide a weather-adjusted performance guarantee. Notwithstanding the foregoing, it is possible that the Amherstburg Solar Park may not operate as planned and that design or manufacturing flaws may occur, which could conceivably not be covered by warranty or mechanical breakdown could occur in equipment after the period of warranty has expired, resulting in loss of production as well as the cost of repair. Such performance issues could have an adverse impact on the Fund's business, operating results or financial condition.

Operational Performance

MPT's revenue is proportional to the amount of electricity generated by its facilities. Upon the start of commercial operations, the performance of the Amherstburg Solar Park will rely on the availability and constancy of solar insolation, which could vary due to abnormal weather conditions.

Contract Performance

Upon the start of commercial operations, the ability of the Amherstburg Solar Park to generate distributable cash for distribution to unitholders depends on the ability of its customers and other parties to fulfill their contractual obligations, including the OPA and SunPower. If these parties are unable or fail to meet contractual commitments, the business, operating results or financial condition of the Fund could be negatively affected.

Default under Credit Agreements

A failure by the Amherstburg Solar Park to comply with its obligations under its credit agreement could result in a default, which, if not cured or waived, could result in the termination of distributions and permit acceleration of the relevant indebtedness. If this acceleration was to occur, there can be no assurance that the assets of the Amherstburg Solar Park would be sufficient to repay that indebtedness, or that sufficient cash flow will be generated to pay outstanding indebtedness or to fund other liquidity needs. There can be no assurance that the Fund or its subsidiaries will be able to refinance this credit agreement or obtain additional financing on commercially reasonable terms, if at all.

Regulatory Regime and Permits

Upon the start of commercial operations, the performance of the Amherstburg Solar Park will depend in part on a favourable regulatory climate. Any new law or regulation could require significant additional expenditures to achieve or maintain compliance. The failure to obtain, maintain, or renew all necessary licenses, permits or government approvals could adversely affect the facility's ability to operate. The failure to operate the Amherstburg Solar Park in strict compliance with applicable regulations and standards may expose owners or operators of the Amherstburg Solar Park to claims, costs or possible enforcement actions. Any new law or regulation could require significant additional expenditures to achieve or maintain compliance.

Land Tenure and Related Rights

The operations of the Amherstburg Solar Park depend on various land tenure rights. There can be no assurance that these rights will not be challenged, and, if challenged, whether such challenge will be successful. Furthermore, there can be no assurance that such rights will be able to be renegotiated or extended on commercially reasonable terms, if at all. At such time as any of these rights are successfully challenged or expire and cannot be renewed or renegotiated upon acceptable terms, the Amherstburg Solar Power facility will likely be unable to continue to operate. In these circumstances, there can be no assurance that the Fund or its subsidiaries will have or be able to obtain the necessary financial resources to pay for required restoration and remediation works.

Environmental, Health and Safety

The Amherstburg Solar Park is subject to a complex and increasingly stringent environmental, health and safety regulatory regime, which includes environmental, health and safety laws. As such, the construction and operation of the Amherstburg Solar Park carries an inherent risk of environmental, health and safety liabilities (including potential civil actions, compliance or remediation orders, fines and other penalties), which may result in the facility being involved from time to time in administrative and judicial proceedings related to such matters. Changes in such laws, or more aggressive enforcement of existing laws, could lead to material increases in unanticipated liabilities or expenditures for investigation, assessment, remediation or prevention, capital expenditures, restrictions or delays in the facility's activities. The construction and operation of the Amherstburg Solar Park is expected to involve little or no disruption to the land and will not add pollutants to the soil or ground water, thereby minimizing its environmental impact. The Fund intends to complete inspections of the facility to monitor and mitigate the above risks, and to ensure that it is in compliance with its regulatory requirements.

Arrangement Structure

The Arrangement provides that any amendment, modification or supplement to the Arrangement may be made prior to the Effective Time (8 a.m. Vancouver time on the date the Arrangement is effective under the Business Corporations Act (British Columbia) ("BCBCA")) by the Fund and MPIC without the approval of the Supreme Court of British Columbia (the "Court") or the unitholders, provided that it concerns a matter which, in the reasonable opinion of the Fund and MPIC, is of an administrative nature required to better give effect to the implementation of this Arrangement or is not adverse to the financial or economic interests of any holder of units.

The Fund continues to seek and obtain certain necessary consents and approvals required to implement the Arrangement. If certain approvals and consents are not received prior to the Effective Date (the date on which the Arrangement is effective under the BCBCA), the Fund and MPIC may, pursuant to the Arrangement, without any additional approval from the Court or the unitholders, decide to proceed nonetheless by amending, modifying or supplementing the Arrangement to add, revise or remove one or more steps thereof. In addition, in the event the Fund incorporates, establishes or acquires additional subsidiaries between the date hereof and the Effective Date, the Fund and MPIC may, pursuant to the Arrangement, without any additional approval from the Court or the Unitholders, amend, modify or supplement the Arrangement to add, revise or remove one or more steps of the Arrangement in order to reflect such changes.

Assessment of Fair Market Value of Units and MPIC Common Shares

While management of the Fund has advised that it expects that the fair market value of a unit at the time of the disposition will be equal to the fair market value of a MPIC common share immediately after the disposition in which case there would be no excess share value or excess unit value, no assurance can be given that the Canada Revenue Agency will accept this conclusion.

Conditions Precedent and Regulatory Approvals

The completion of the Arrangement in the form contemplated by the Arrangement Agreement is subject to a number of conditions precedent, some of which are outside the control of the Fund and MPIC, including, without limitation, receipt of unitholder approval at the special meeting of unitholders to be held on November 15, 2010, consents of third parties, regulatory consents, exemptions and approvals, approval of the TSX for the listing of the MPIC common shares to be issued pursuant to the Arrangement and the granting of the Final Order by the Court. There can be no certainty, nor can the Fund provide any assurance, that these conditions will be satisfied or, if satisfied, when they will be satisfied. Failure to obtain the Final Order on terms acceptable to the Board of Trustees would likely result in the decision being made not to proceed with the Arrangement. If any regulatory consents, exemptions or approvals cannot be obtained on terms satisfactory to the Board of Trustees or at all, the Arrangement may have to be amended in order to mitigate against the negative consequence of the failure to obtain any such consent, exemption or approval, and accordingly, the benefits available to unitholders resulting from the Arrangement may be reduced. Alternatively, in the event that the Arrangement cannot be amended so as to mitigate the negative consequences of the failure to obtain a regulatory consent, exemption or approval, the Arrangement may not proceed at all. If the Arrangement is not completed, the market price of the units may be adversely affected.

Realization of Anticipated Benefits

The Board of Trustees believe that the Arrangement will result in a number of benefits, as described in the Fund's management information circular dated October 15, 2010. However, there is a risk that some or all of the anticipated benefits of the Arrangement may fail to materialize, or may not occur within the time or to the extent anticipated. The realization of such benefits may be affected by a number of factors, including the activities of corporate peers, perceptions of participants and analysts in Canadian capital markets and future trading activity in MPIC common shares, many of which are beyond the control of the Fund and MPIC.

Impact on Unit Prices and Future Business Operations

If the Arrangement is not completed, there may be a negative impact on the trading price of units and future business and operations, to the extent that the current trading price of the units reflects an assumption that the Arrangement will be completed. The price of the units may decline if the Arrangement is not completed.

Dilution of MPIC Shareholders

MPIC will be authorized to issue an unlimited number of MPIC common shares issuable in series, at all times limited to 50% of the number of MPIC Common shares outstanding at the relevant time, for that consideration and on those terms and conditions as shall be established by the board of directors of MPIC without the approval of any MPIC shareholders. The MPIC shareholders will have no pre-emptive rights in connection with such further issues.

Dividends are Not Guaranteed

Although it is anticipated that MPIC will adopt a policy of paying a dividend to its shareholders after the Arrangement is completed, whether dividends are declared and at what level will be in the discretion of MPIC's board of directors and the funds available for the payment of dividends from time to time will be dependent upon operating cash flows generated by subsidiaries of MPIC, financial requirements for the MPIC's operations and to execute its growth strategy, and the satisfaction of solvency tests imposed by the BCBCA for the declaration and payment of dividends.

Unpredictability and Volatility of Share Price

A publicly-traded company will not necessarily trade at values determined by reference to the underlying value of its business. The prices at which the MPIC common shares will trade cannot be predicted. The market price of the MPIC common shares could be subject to significant fluctuations in response to variations in quarterly operating results, dividends and other factors. The annual yield on the MPIC common shares as compared to the annual yield on other financial instruments may also influence the value of MPIC common shares in public trading markets. In addition, the securities markets have experienced significant price and volume fluctuations from time to time in recent years that often have been unrelated or disproportionate to the operating performance of particular issuers. These broad fluctuations may adversely affect the market price of the MPIC common shares.

Climate Change and the Environment

The Fund's assets are subject to a complex and increasingly stringent environmental, health and safety regime, which includes environmental laws, regulations and guidelines at the federal, provincial and local levels. As the Fund's gas cogeneration and biomass electricity generation businesses emit carbon dioxide ("CO_2"), the Fund must also comply with emerging federal and provincial climate change requirements, including programs to reduce and offset emissions. As at September 30, 2010, the Fund complied, in all material respects, with current federal, provincial and local environmental legislation and guidelines.

The details of such legislation and guidelines and their impact on emitting entities have not yet been determined. Moreover, it is not yet clear how these regulatory initiatives would be coordinated between the federal and provincial governments. As a result, at this time the Fund cannot estimate the impact of these regulations on its operations. The Fund's exposure to evolving environmental regulatory requirements is mitigated by its renewable power generation facilities.

A detailed description of the emerging environmental regulatory framework can be found in the Fund's annual report for the fiscal year ended December 31, 2009 in the section entitled "Climate change and the environment". Below is a summary of the applicable legislation as well as substantive changes since December 31, 2009.

Federal requirements

Federally, the Fund is subject to evolving legislation for greenhouse gas ("GHG") emissions and other air pollutants.

GHG emissions are subject to a broad regulatory framework entitled *Turning the Corner: Taking Action to Fight Climate Change,* which was issued March 10, 2008. This framework has not yet been finalized and will be harmonized with any federal climate change legislation passed in the United States ("U.S."). On January 30, 2010, the federal environment minister announced an updated GHG emissions reduction target of 17% from 2005 emission levels by 2020, from 20% previously in the *Turning the Corner* framework, to match the target in proposed U.S. climate change legislation. This target will be adjusted to reflect any changes to the final target established by the U.S.

The Canadian federal government is also developing a parallel framework for managing air pollutant emissions such as nitrous oxide ("NO_x"), sulphur oxides, volatile organic compounds and particulate matter. A draft proposal, known as the *Comprehensive Air Management System* ("CAMS"), was put forward in 2009 as an alternative to the *Turning the Corner* plan. The purpose of the CAMS proposal, which is currently under consultation, is to provide a national framework for regulating industrial emissions of air pollutants. The federal government, which is working with the provinces/territories, industry and non-governmental organizations, has indicated that the CAMS proposal could be finalized and approved by the end of 2010. Specific caps on pollutants for each sector, including electricity generation, are being contemplated under the CAMS proposal, but these would not likely come into effect before 2015. Until emissions standards and compliance mechanisms for these air pollutants are announced, the Fund cannot estimate the impact of such standards and compliance mechanisms on its operations.

Provincial requirements

In Ontario, Alberta and British Columbia ("B.C."), the Fund is subject to certain provincial environmental requirements. The Fund complies, in all material respects, with all applicable provincial environmental legislation.

In Ontario, a cap-and-trade system with respect to NO_x emissions was introduced in 2004, under which regulated facilities receive a maximum annual emission compliance limit, which may be achieved by source emission control or reduction or by trading NO_x allowances. On July 18, 2008, Ontario along with Quebec joined the Western Climate Initiative ("WCI"), which released draft design recommendations for a regional cap and trade program. Ontario is to implement a cap-and-trade system linked to the WCI system that is anticipated to begin trading on January 1, 2012. Ontario also issued a discussion paper in June 2009 entitled *Moving Forward: A Greenhouse Gas Cap-and-Trade System for Ontario*, suggesting that the most likely threshold for the electricity sector will be 25,000 tonnes of CO_2 per year, which is below the 500,000 tonnes of CO_2 per year currently produced by the Cardinal facility. To facilitate the implementation of its cap-and-trade system, Ontario's legislature passed the *Environmental Protection Amendment Act (Greenhouse Gas Emissions Trading)* in December 2009, which allows Ontario's program to link to other systems in North America and abroad. On January 1, 2010, Ontario's Greenhouse Gas Emissions Reporting regulation came into effect requiring certain operations located in Ontario and emitting 25,000 tonnes or more of CO_2 annually to report GHG emissions to the Ontario Ministry of the Environment. The Cardinal facility is accordingly required to report its GHG emissions.

In Alberta, the *Specified Gas Emitters Regulation* sets GHG intensity limits that are equal to or greater than 50,000 tonnes of CO_2 per year.

In April 2008, B.C. introduced legislation to create a cap-and-trade system for GHG emissions that will enable the province to participate in the WCI's system. As part of B.C.'s plan to implement the WCI's cap-and-trade system, B.C. has issued a Reporting Regulation, which came into effect on January 1, 2010, that requires certain operations that are located in B.C. and emitting 10,000 tonnes or more of CO_2 per year to report GHG emissions to the B.C. Ministry of Environment. In addition, the B.C. Ministry of Environment has proposed two regulations on emissions trading and offsets, which are currently under consultation and are expected to be finalized in early 2011. The proposed emissions trading regulation will apply to certain operations that emit 25,000 tonnes or more of CO_2 per year. The Fund's facilities in B.C. do not have emissions that exceed either of these threshold amounts.

ACCOUNTING POLICIES AND INTERNAL CONTROLS

The unaudited interim consolidated financial statements have been prepared in accordance with GAAP as described in the 2009 Annual Management's Discussion and Analysis.

New Pronouncements

Section 3855, Financial Instruments – Recognition and Measurement

On April 29, 2009, the Canadian Institute of Chartered Accountants ("CICA") amended this section to add more guidance on the application of the effective interest method to previously impaired financial assets and embedded prepayment options. The amendments are effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011, with early adoption permitted. As described below, the Fund will adopt IFRS on January 1, 2011 and therefore this standard will not impact the Fund.

Section 1582, Business Combinations

The CICA has issued accounting standard Section 1582, Business Combinations ("Section 1582") to replace the former Section 1581, Business Combinations. The objective of Section 1582 is to improve the relevance, reliability and comparability of the information that a reporting entity provides in its financial statements. Section 1582 is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period commencing on or after January 1, 2011. As described below, the Fund will adopt IFRS on January 1, 2011 and therefore this standard will not impact the Fund.

Section 1601, Consolidated Financial Statements, and Section 1602, Non-controlling Interest

The CICA has issued two accounting standards: Section 1601, Consolidated Financial Statements ("Section 1601"), and Section 1602, Non-controlling Interest ("Section 1602"), to replace the former Section 1600, Consolidated Financial Statements, and establish a new section for accounting for non-controlling interest in a subsidiary subsequent to a business combination. Sections 1601 and 1602 revise and enhance the standards for the preparation of consolidated financial statements subsequent to a business combination. Sections 1601 and 1602 apply to interim and annual consolidated financial statements relating to years beginning on or after January 1, 2011. As described below, the Fund will adopt IFRS on January 1, 2011 and therefore this standard will not impact the Fund.

International Financial Reporting Standards

In 2005, the Accounting Standards Board ("AcSB") announced that accounting standards in Canada are to be converged with IFRS. In February 2008, the AcSB confirmed that the use of IFRS will be required by January 1, 2011 with appropriate comparative data from the prior year for all Canadian publicly accountable enterprises. Under IFRS, there are significantly more disclosure requirements. Further, while IFRS uses a conceptual framework similar to Canadian GAAP, there are differences in accounting policy that must be addressed.

IFRS Project

The Fund commenced its IFRS conversion project in 2008. Management has allocated sufficient resources to the project. The Fund's conversion plan consists of diagnostic, design and implementation phases. As at September 30, 2010, management completed the diagnostic, and design phases and is currently in the implementation phase. This is consistent with the detailed project plan timeline and all remaining milestones are expected to be met. The following illustrates key elements of the conversion plan and the Fund's progress to date and should be read in conjunction with disclosures made in the 2009 Annual Report:

Areas	Key Activity	Progress
Financial reporting	1) Assess differences between Canadian GAAP and IFRS relevant to the Fund	✔ Major differences between Canadian GAAP and IFRS relevant to the Fund have been identified and assessed
	2) Select key accounting policies and IFRS 1 elections	✔ Management has substantially completed the analysis and impact on IFRS policies and transition elections subject to the impact of any new standards
	3) Quantify effects of conversion on the consolidated financial statements	✔ Quantitative impacts of conversion on the Fund's consolidated financial statements based on existing IFRS standards have been substantially completed subject to the finalization of certain adjustments and fund approval
	4) Develop opening balance sheet and IFRS financial statements, including disclosures	✔ Adjustments to restate the opening balance sheet and 2010 interim financial statements are substantially complete pending finalization of certain adjustments and final approvals. Financial statements and note disclosures in progress
Training and communication	1) Provide training of appropriate personnel 2) Communicate conversion plan and progress internally and externally	✔ The Fund established a formal project governance structure, which consists of a working group, led by finance management, as well as a steering committee consisting of senior management, finance, operations, legal and investor relations staff ✔ Progress reports are provided to senior management and the Audit Committee of the Fund's Board of Trustees on a regular basis ✔ The working group attends IFRS conversion and technical training sessions as required ✔ Initial training for the senior management team and other key stakeholders has been delivered ✔ MD&A disclosures on progress of the project have been provided in annual and interim financial statements
Systems and internal control processes	1) Assess impact of changes on accounting systems and internal control processes 2) Implement system and process changes	✔ Impact of the required changes on the existing accounting systems and internal controls has been assessed and expected not to be significant

Areas	Key Activity	Progress
	3) Document and test internal controls over new systems and processes	
Business impact	1) Assess impact of conversion on all areas of the business 2) Review contractual arrangements and impact on debt covenants	✔ New contracts take IFRS into consideration ✔ Existing contracts are being assessed for impact of conversion

Management has determined that in most cases Canadian GAAP is consistent with IFRS. In those areas where differences exist, management is still finalizing its calculations but has determined that adjustments will not have a material or adverse impact on the Fund's operations. The major differences and their impact on the consolidated financial statements are summarized below.

Unitholders' Equity

Unitholders' capital

Management has determined that the Fund units will qualify under IFRS to be classified as equity in both the 2010 comparative financial statements and in 2011 following the conversion from an income trust to a corporation.

Class B Exchangeable Units

Management has determined that IFRS requires the Class B exchangeable units of MPT LTC Holding LP, a subsidiary of the Fund, to be treated as a financial liability and measured at fair value up until 2011 when the Fund is converted from an income fund to a corporation. Fair value of the Class B exchangeable units will be measured based on the quoted price of the Fund's other trust units as the Class B exchangeable units provide the same economic benefits. The impact on the 2010 consolidated statement of operations is that distributions to Class B exchangeable unitholders are required to be treated as a financing expense and any movements in the fair value as an unrealized gain or loss.

Following conversion to a corporate structure on January 1, 2011, the Class B Units will be reclassified to the consolidated equity of the corporation based on their carrying value at December 31, 2010 under IFRS.

Capital Asset Componentization

Under IFRS, the Fund will be required to separate components of property, plant and equipment where the cost of the component is significant in relation to the overall cost of the item and the useful lives imply that the component should be depreciated separately. The Fund has determined that the impact is primarily for major maintenance and inspection costs which are periodically undertaken at each plant. Under IFRS, these costs will no longer be expensed as incurred. Instead, these costs will be capitalized and depreciated until the next major maintenance cycle of the plant. This change will require the Fund to retroactively capitalize the major maintenance expenses for each plant and recognize the corresponding depreciation. The historical plant costs and corresponding depreciation related to the major maintenance must also be derecognized.

Business Combination Transaction Costs

Under IFRS, only certain transaction costs directly related to debt or equity issuance are eligible to be capitalized. Other transaction costs arising during a business combination must be expensed as incurred as opposed to being capitalized to the purchase price of the business combination as allowed under Canadian GAAP. The Fund will elect to adopt the IFRS 1 exemption which will allow it to carry forward its previous GAAP accounting for business combinations prior to the transition date. This will also be the only IFRS 1 election the Fund will take. As such, only the June 2010 Amherstburg Solar Park business combination may be impacted. The impact on this transaction is still under review pending finalization of the fair values of the assets acquired through the business combination.

All future transaction costs relating of business combinations will also need to be expensed under IFRS.

It is anticipated that AcSB will continue to issue new accounting standards relevant to the Fund during the conversion period. As a result, management cannot definitively quantify the impact of the conversion on the Fund's consolidated financial statements at this time. Management will continue to review projects of the International Accounting Standards Board and invest in training and resources throughout the transition period to facilitate a timely and meaningful conversion.

Internal Controls and Procedures

The Fund's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), on behalf of the Fund's Board of Trustees, are required by various of the provincial securities regulators to certify annually that they have designed, or caused to be designed, the Fund's disclosure controls and procedures, as defined in the Canadian Securities Administrators' Multilateral Instrument 52-109 ("MI 52-109"), and that they have evaluated the effectiveness of these controls and procedures in the applicable period. Disclosure controls are those controls and other procedures that are designed to provide reasonable assurance that relevant information that the Fund is required to disclose is recorded, processed and reported within the time frames specified by such securities regulators.

The CEO and CFO have concluded that the Fund's disclosure controls and procedures were effective as at September 30, 2010 to ensure that information required to be disclosed in reports that the Fund files or submits under Canadian securities legislation is recorded, processed, summarized and reported within applicable time periods.

Internal Controls over Financial Reporting

The Fund's management, under the supervision of and with the participation of the CEO and CFO, has designed internal controls over financial reporting, as defined in MI 52-109. The purpose of internal controls over financial reporting is to provide reasonable assurance regarding the reliability of the Fund's financial reporting, in accordance with GAAP, focusing in particular on controls over information contained in the audited annual and unaudited interim consolidated financial statements. The internal controls are not expected to prevent and detect all misstatements due to error or fraud.

There were no changes made in the Fund's internal controls over financial reporting during the quarter ended September 30, 2010 that have materially affected, or are reasonably likely to materially affect, the Fund's internal controls over financial reporting.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

($000s unless otherwise noted)		Sep 30, 2010	Dec 31, 2009
Current assets			
Cash and cash equivalents		63,389	53,121
Restricted cash	Note 3	10,002	5,490
Accounts receivable		13,523	16,128
Other assets	Note 4	2,893	6,846
Current portion of loans receivable		861	794
Current portion of derivative contract assets	Note 6	1,949	1,026
		92,617	83,405
Long-term assets			
Loans receivable		5,451	6,105
Long-term investments	Note 5	55,558	54,186
Capital assets		387,602	396,172
Derivative contract assets	Note 6	6,050	15,476
Future income tax assets	Note 7	13,471	10,387
Intangible assets		139,215	140,866
Total assets		699,964	706,597
Current liabilities			
Accounts payable and accrued liabilities	Note 8	23,791	22,979
Loan payable	Note 5	49,200	-
Current portion of capital lease obligations		117	119
Current portion of derivative contract liabilities	Note 6	2,276	1,310
Current portion of long-term debt	Note 9	43,254	42,035
		118,638	66,443
Long-term liabilities			
Liability for asset retirement		3,121	3,171
Electricity supply and gas purchase contracts		6,935	8,154
Derivative contract liabilities	Note 6	17,916	6,143
Future income tax liabilities	Note 7	59,452	76,234
Capital lease obligations		159	248
Long-term debt	Note 9	219,325	253,189
Total liabilities		425,546	413,582
Unitholders’ equity	Note 10	274,418	293,015
Total liabilities and unitholders’ equity		699,964	706,597

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF UNITHOLDERS' EQUITY

(Unaudited, $000s unless otherwise noted)		Three months ended		Nine months ended	
		Sep 30, 2010	Sep 30, 2009	Sep 30, 2010	Sep 30, 2009
Unitholders' capital					
Opening balance		466,639	466,662	466,662	466,697
Trust units redeemed	Note 10	-	-	(23)	(35)
Ending balance		466,639	466,662	466,639	466,662
Class B exchangeable units		35,500	35,500	35,500	35,500
Equity portion of convertible debentures	Note 9	5,463	-	5,463	-
Accumulated other comprehensive income (loss)					
Opening balance		-	(108)	190	(292)
Equity share of other comprehensive income (loss) of Leisureworld	Note 5	-	202	(190)	386
Ending balance		-	94	-	94
Cumulative earnings (deficit)					
Opening balance		14,839	(11,071)	(157)	(11,416)
Net (loss) income for the period		(9,400)	(587)	5,596	(242)
Ending balance		5,439	(11,658)	5,439	(11,658)
Total accumulated comprehensive income (loss)		5,439	(11,564)	5,439	(11,564)
Cumulative distributions					
Opening balance		(230,387)	(187,710)	(213,916)	(161,502)
Distributions declared to unitholders for the period		(8,236)	(13,103)	(24,707)	(39,311)
Ending balance		(238,623)	(200,813)	(238,623)	(200,813)
Total unitholders' equity		274,418	289,785	274,418	289,785

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF OPERATIONS

(Unaudited, $000s except for trust units and per trust unit amounts)		Three months ended		Nine months ended	
		Sep 30, 2010	Sep 30, 2009	Sep 30, 2010	Sep 30, 2009
Revenue		34,598	32,731	114,247	105,589
Costs and expenses					
Operating expenses		22,028	21,408	69,490	68,544
Administrative expenses		2,726	1,857	7,971	5,681
Depreciation on capital assets		5,016	5,203	15,484	15,742
Amortization on intangible assets		1,993	1,958	5,875	5,855
		31,763	30,426	98,820	95,822
		2,835	2,305	15,427	9,767
Other income and expenses					
Interest income		280	178	662	757
Interest expense		(4,539)	(4,216)	(13,957)	(11,741)
Equity accounted income (loss) from long-term investments	Note 5	622	722	3,773	571
Unrealized (loss) gain on swap contracts		(5,149)	326	(7,906)	3,724
Unrealized (loss) gain on embedded derivative instruments		(6,532)	768	(13,336)	(803)
Foreign exchange gain (loss)		-	6	(4)	17
Loss on debt extinguishment		-	-	-	(351)
Income before income taxes		(12,483)	89	(15,341)	1,941
Income tax recovery (expense)					
Current		-	1	(8)	(24)
Future		3,083	(677)	20,945	(2,159)
Total income tax recovery (expense)	Note 7	3,083	(676)	20,937	(2,183)
Net (loss) income		(9,400)	(587)	5,596	(242)
Basic and diluted net (loss) income per unit		(0.188)	(0.012)	0.112	(0.005)
Basic & diluted weighted average number of trust units and Class B exchangeable units outstanding (“unit”)		49,911	49,915	49,913	49,918

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Unaudited, $000s unless otherwise noted)		Three months ended		Nine months ended	
		Sep 30, 2010	Sep 30, 2009	Sep 30, 2010	Sep 30, 2009
Net (loss) income		(9,400)	(587)	5,596	(242)
Equity share of other comprehensive income (loss) of Leisureworld	Note 5	-	202	(190)	386
Total comprehensive (loss) income		(9,400)	(385)	5,406	144

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

		Three months ended		Nine months ended	
(Unaudited, $000s unless otherwise noted)		Sep 30, 2010	Sep 30, 2009	Sep 30, 2010	Sep 30, 2009
Cash flows from operating activities:					
Net (loss) income		(9,400)	(587)	5,596	(242)
Add back:					
Depreciation and amortization		7,009	7,161	21,359	21,597
Unrealized loss (gain) on swap contracts		5,149	(326)	7,906	(3,724)
Unrealized loss (gain) on embedded derivative instruments		6,532	(768)	13,336	803
Equity accounted (income) loss from long-term investments	Note 5	(622)	(722)	(3,773)	(571)
Future income tax (recovery) expense	Note 7	(3,083)	677	(20,945)	2,159
Unpaid interest on levelization amounts		349	357	1,058	1,090
Loss on debt extinguishment		-	-	-	351
Amortization of deferred financing costs		481	278	1,472	486
Accretion of asset retirement obligations		45	42	133	92
Non-cash changes in working capital					
Decrease (increase) in accounts receivable		(888)	(1,079)	2,603	6,564
Decrease (Increase) in other assets		184	(496)	3,218	(1,593)
Increase (decrease) in accounts payable and accrued liabilities		1,014	1,435	(2,461)	1,524
Total cash flows from operating activities		6,770	5,972	29,502	28,536
Cash flows from investing activities:					
Proceeds from sale of short-term investments		-	-	-	5,087
Investment in Leisureworld	Note 5	-	-	-	(6,750)
Transaction costs paid	Note 13	(84)	-	(2,330)	(46)
Receipt of loans receivable		201	181	587	527
Distributions received from long-term investments	Note 5	80	2,588	2,211	7,763
Investment in capital assets		(677)	(290)	(1,698)	(1,425)
Total cash flows from investing activities		(480)	2,479	(1,230)	5,156
Cash flows from financing activities:					
Repayment of long-term debt		(793)	-	(2,329)	-
Proceeds from issuance (repayment) of convertible debentures	Note 9	-	4,759	(31,418)	(21,691)
Proceeds from loan payable	Note 5	-	-	49,200	(3,450)
Financing fees paid on debt issuance		-	-	(1,710)	(35)
Redemption of units	Note 10	-	-	(23)	-
Repayment of capital lease obligations		(28)	(48)	(90)	(140)
Proceeds from levelization amounts		391	(187)	999	212
Increase in restricted cash		-	-	(6,304)	-
Distributions paid to unitholders		(8,235)	(13,103)	(26,329)	(39,311)
Total cash flows from financing activities		(8,665)	(8,579)	(18,004)	(64,415)
(Decrease) increase in cash and cash equivalents		(2,375)	(128)	10,268	(30,723)
Cash and cash equivalents, beginning of period		65,764	16,222	53,121	46,817
Cash and cash equivalents, end of period (1)		63,389	16,094	63,389	16,094
Supplemental information:					
Interest paid		2,717	3,193	10,159	9,740
Taxes paid		-	1	8	24

(1) At September 30, 2010, cash and cash equivalents consisted of cash of $48,379 (Q3 2009 - $16,094) and cash equivalents of $15,010 (Q3 2009 - $nil).

See accompanying notes to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION

Macquarie Power & Infrastructure Income Fund (the "Fund") is an unincorporated open-ended trust established on March 15, 2004, under the laws of the Province of Ontario. The Fund began its operations on April 30, 2004 and indirectly acquired a 100% interest in Cardinal Power of Canada, L.P. ("Cardinal").

On October 18, 2005, the Fund acquired an indirect 45% interest in Macquarie Long Term Care LP ("MLTCLP"), which was the sole owner of Leisureworld Senior Care LP ("LSCLP" or "Leisureworld"), a long-term care ("LTC") provider in Ontario. On June 27, 2007, the Fund acquired a 100% interest in Clean Power Income Fund ("CPIF"), an unincorporated open-ended investment trust that had indirect investments in power infrastructure assets employing technologies in wind, hydro and biomass. The Fund indirectly owns the CPIF investments through a 100% interest in Clean Power Operating Trust ("CPOT"), which includes an indirect 31.3% interest in one of the two classes of preferred shares of Chapais Électrique Limitée ("Chapais") and a subordinated debt interest in Chapais Énergie, société en commandite ("CHESEC"), a subsidiary of Chapais.

On March 23, 2010, MLTCLP divested of its equity interest in Leisureworld through an initial public offering ("IPO") of Leisureworld Senior Care Corporation ("LSCC"). Operating results of Leisureworld have been consolidated with MLTCLP up to March 22, 2010. The Fund accounts for its investment in MLTCLP using the equity method. On June 23, 2010, the Fund acquired a 100% interest in Helios Solar Star A-1 Ltd. ("Helios GP") and Helios Solar Star A-1 L.P. ("Helios LP") (collectively, "Helios"), which entered into agreements for the acquisition and construction of the Amherstburg Solar Park (the "Amherstburg Solar Park") facility located in southern Ontario.

On May 20, 2010, the Fund incorporated 0881592 B.C. Ltd, subsequently renamed Macquarie Power and Infrastructure Corporation (the "Corporation") as a subsidiary of the Fund. The Corporation was established as part of the Fund's plan of arrangement to convert the Fund to a corporation.

Macquarie Power Management Ltd. ("MPML" or the "Manager") is an indirect wholly-owned subsidiary of Macquarie Group Limited ("MGL"), an Australian public company listed on the Australian Securities Exchange. MPML provided administrative services to the Fund and Macquarie Power & Infrastructure Income Trust ("Trust") in accordance with an administration agreement, and management services to Cardinal, MPT LTC Holding LP ("LTC Holding LP"), Helios LP and CPOT in accordance with management agreements.

Seasonality

The seasonality of wind speed and density, water flows, major maintenance cycle and pricing provisions within the power purchase agreements ("PPA") with the Ontario Electricity Financial Corporation ("OEFC") may result in fluctuations in revenue and net income during the year. The Fund maintains reserve accounts and free cash in order to offset the impact of seasonality and other factors, such as unplanned outages, that can affect electricity production.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies adopted by the Fund.

Basis of Presentation

These unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and follow the same accounting policies and methods described in the audited consolidated financial statements for the year ended December 31, 2009. Under GAAP, additional disclosures are required in annual financial statements; therefore, these unaudited interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2009. In the opinion of management, all adjustments considered necessary for a fair presentation of the financial position, results of operations and cash flows of the Fund as at and for the quarter and nine months ended September 30, 2010 have been included.

New Pronouncements

Section 3855, Financial Instruments – Recognition and Measurement

On April 29, 2009, the CICA amended this section to add more guidance on the application of the effective interest method to previously impaired financial assets and embedded prepayment options. The amendments are effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011 with early adoption permitted. As described below, the Fund will adopt International Financial Reporting Standards ("IFRS") on January 1, 2011 and therefore this standard will not impact the Fund.

All amounts in Canadian $000s unless otherwise noted

Section 1582, Business Combinations

The CICA has issued accounting standard Section 1582, Business Combinations ("Section 1582"), to replace the former Section 1581, Business Combinations. The objective of Section 1582 is to improve the relevance, reliability and comparability of the information that a reporting entity provides in its financial statements. Section 1582 is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period commencing on or after January 1, 2011. As described below, the Fund will adopt IFRS on January 1, 2011 and therefore this standard will not impact the Fund.

Section 1601, Consolidated Financial Statements, and Section 1602, Non-controlling Interest

The CICA has issued two accounting standards: Section 1601, Consolidated Financial Statements ("Section 1601"), and Section 1602, Non-controlling Interest ("Section 1602"), to replace the former Section 1600, Consolidated Financial Statements, and establish a new section for accounting for non-controlling interest in a subsidiary subsequent to a business combination. Sections 1601 and 1602 revise and enhance the standards for the preparation of consolidated financial statements subsequent to a business combination. Sections 1601 and 1602 apply to interim and annual consolidated financial statements relating to years beginning on or after January 1, 2011. As described below, the Fund will adopt IFRS on January 1, 2011 and therefore this standard will not impact the Fund.

3. RESTRICTED CASH

	Sep 30, 2010	Dec 31, 2009
Debt service reserve account	4,607	2,304
Cash in escrow related to GRS	1,395	3,186
Cash backed letter of credit	4,000	-
	10,002	5,490

The debt service reserve account represents segregated cash under the terms of the project debt agreement for Erie Shores Wind Farm LP ("Erie Shores"). Under the agreement, Erie Shores is subject to certain financial and non-financial covenants including a debt service coverage ratio defined as operating income to debt service. As at September 30, 2010, the debt service coverage ratio was at a level requiring principal and interest payments for the next six months to be held in the debt service reserve account. As at September 30, 2010, the Fund was in compliance with all financial and non-financial covenants on its credit facility (see Note 9).

Cash in escrow represents the remaining net proceeds that were deposited into an escrow account for the legacy issues for Gas Recovery Systems, LLC "GRS" operations following CPIF's sale of its investment in GRS in 2006. The amount in escrow represents the Fund's maximum exposure to the legacy issues. The Fund has recorded a liability for the same amount which is included under other liabilities in Note 8.

A cash backed letter of credit was provided on June 23, 2010 for the Amherstburg Solar Park acquisition. The cash backing the letter of credit is invested in an interest bearing investment with the Fund's bank with interest paid monthly. The Fund expects the cash to be released during the construction phase of Amerherstburg Solar Park.

4. OTHER ASSETS

	Sep 30, 2010	Dec 31, 2009
Inventory	1,164	246
Prepaid expenses	1,344	3,525
Deferred charges	385	3,075
	2,893	6,846

All amounts in Canadian $000s unless otherwise noted

5. LONG-TERM INVESTMENTS

	Three months ended		Nine months ended	
	Sep 30, 2010	Sep 30, 2009	Sep 30, 2010	Sep 30, 2009
MLTCLP				
Opening balance	55,016	57,070	54,186	55,416
Equity accounted income	622	722	3,773	571
Equity share of other comprehensive gain (loss)	-	202	(190)	386
Investment in Leisureworld	-	-	-	6,750
Transaction costs paid	-	-	-	46
Distributions received	(80)	(2,588)	(2,211)	(7,763)
Ending balance	55,558	55,406	55,558	55,406
Chapais(1)				
Opening balance	-	-	-	-
Equity accounted income	-	-	-	-
Ending balance	-	-	-	-
Total long-term investment	55,558	55,406	55,558	55,406
Loan payable	(49,200)	-	(49,200)	-
Net investment	6,358	55,406	6,358	55,406

(1) The Fund does not record any income on its equity interest in Chapais as the investment has been fully impaired and management does not expect to recover any income from the investment.

On March 23, 2010, MLTCLP divested of its equity interest in Leisureworld through an IPO of LSCC. Net proceeds from the IPO to MLTCLP were $122,426 composed of $112,840 in cash and a $9,586 promissory note receivable from LSCC. The Fund's share of the initial cash proceeds (net of holdback and closing expenses) was $49,200, which was received from MLTCLP in exchange for a non-interest bearing loan, payable on demand. Management expects the loan to be settled by way of a non-cash distribution from MLTCLP in 2011.

On April 23, 2010, 958,649 of common shares were issued by LSCC to MLTCLP to repay the promissory note. Through its 45% interest in MLTCLP, the Fund indirectly owns 431,392 of these common shares or approximately 2.2% of the outstanding common shares of LSCC as at September 30, 2010. These shares are subject to holdback arrangements under the acquisition agreement between MLTCLP and LSCC. The arrangements require MLTCLP to retain 10% of net proceeds as a holdback amount, covering MLTCLP's indemnification obligations under the agreement, until March 31, 2011.

The Fund's remaining net investment of $6,358 primarily represents the Fund's share of the holdback plus previously capitalized costs from the investment. Other than the holdback amount described above, there are no other significant assets and liabilities attributable to the Fund's investment in MLTCLP and its economic interest in MLTCLP has not been reduced as a result of the transaction.

The Fund's pro rata share of equity accounted income of MLTCLP for the nine months ended September 30, 2010 includes net income of Leisureworld for the quarter period up to and including March 22, 2010 as well as a gain on sale from the disposition of Leisureworld, combined with other expenses at the MLTCLP level.

All amounts in Canadian $000s unless otherwise noted

The following is a breakdown of the net income of MLTCLP for the quarter and nine months ended September 30, 2010:

	Three months ended Sep 30, 2010	Nine months ended Sep 30, 2010
Net income of Leisureworld from January 1 to March 22, 2010	-	346
Dividend income received from LSCC	204	427
Total income	204	773
Net proceeds from IPO	-	112,840
Shares issued by LSCC	-	9,586
Total proceeds from the sale of Leisureworld	-	122,426
Book value of Leisureworld as at March 22, 2010	-	115,399
Gain on sale of investment	-	7,027
Unrealized gain on fair value movement of LSCC shares	1,179	326
Selling costs	-	(425)
Derecognition of cumulative Other Comprehensive Income	-	684
	1,179	585
Total net income of MLTCLP	1,383	8,385
The Fund's pro rata share of equity accounted income	622	3,773

6. DERIVATIVE FINANCIAL INSTRUMENTS

The Fund uses gas and interest rate swap contracts to hedge the risk of gas price and interest rate volatility. The Fund has also separately valued embedded derivatives within the gas purchase contracts it has at the Cardinal facility. The Fund reports derivative contracts and embedded derivatives at their fair value on the statement of financial position and reports the change in fair value in the consolidated statement of operations.

(A) Derivative Contract Assets

	Sep 30, 2010	Dec 31, 2009
Gas swap contracts	2,214	2,131
Interest rate swap contracts	565	278
Embedded derivatives	5,220	14,093
	7,999	16,502
Current portion of derivative contracts		
Gas swap contracts	(1,949)	(1,026)
	(1,949)	(1,026)
Long-term portion of derivative contracts	6,050	15,476

All amounts in Canadian $000s unless otherwise noted

(B) Derivative Contract Liabilities

	Sep 30, 2010	Dec 31, 2009
Interest rate swap contracts	10,870	2,594
Embedded derivatives	9,322	4,859
	20,192	7,453
Current portion of derivative contracts		
Interest rate swap contracts	(2,276)	(1,310)
	(2,276)	(1,310)
Long-term portion of derivative contracts	17,916	6,143

(C) Interest Rate Swap Contracts

As at September 30, 2010, the Fund had various interest rate swap contracts to mitigate interest rate risk on a notional amount of $85,000 on the CPOT-Cardinal credit facility. Under each contract, the Fund will pay a fixed rate in return for a floating rate equal to the then current three-month bankers' acceptances ("BA") rate. The Fund also had outstanding an interest rate swap for the debt on the Amherstburg Solar Park project. The terms of the swap contracts are as follows:

Maturity Dates	Notional Amount	Swap Fixed Rate
CPOT-Cardinal credit facility swaps		
June 29, 2012	40,000	2.14%
June 29, 2012	18,000	3.13%
June 29, 2012	11,700	3.12%
June 29, 2012	10,000	2.28%
June 29, 2012	5,300	3.13%
CPOT-Erie Shores project debt swap		
December 1, 2016 (1)	20,000	5.63%
Amherstburg Solar Park debt swap		
June 23, 2015 (2)	-	4.19%

(1) Forward swap commences on December 1, 2011 to partially hedge refinancing risk for Tranche C of the Erie Shores project debt.

(2) Contract is an accreting swap which increases until construction of the project is completed when the notional amount reaches $96,200 and then begins to reduce as the debt amortizes.

(D) Gas Swap Contracts

As at September 30, 2010, the Fund had outstanding gas swap contracts to mitigate exposure to natural gas price fluctuations with respect to sales of excess natural gas in the years 2010 and 2011 for the seven-month period from April to October. These contracts require the Fund to make monthly payments at the market rate for natural gas based on a notional amount of gas in exchange for receiving payments at a fixed price per MMBtu. The terms of the gas swap contracts are as follows:

Swap Term	Notional Amount	Swap Fixed Price
April 1, 2010 - October 1, 2010	62,402 MMBtu	$ 8.68
April 1, 2011 - October 1, 2011	62,402 MMBtu	$ 9.35

7. FUTURE INCOME TAXES

On June 22, 2007, the government's tax proposals pertaining to taxation of distributions paid by income trusts and changes to the personal tax treatment of trust distributions were passed into law. Starting in 2011, the taxable portion of distributions will be subject to income tax by the Fund while taxable Canadian Unitholders will receive the favourable tax treatment on distributions currently applicable to qualifying dividends. For the quarter ended September 30, 2010, the Fund recognized a future income tax recovery of $3,083 (Q3 2009 – $677 expense) and $20,945 for the nine months ended September 30, 2010 (nine months ended September 30, 2009 - $2,159 expense). For the three months ended September 30, 2010, the future tax recovery primarily reflected the fair value adjustments in derivatives and interest rate swaps. For the nine months ended September 30, 2010, the future income tax recovery also reflected the derecognition of future income tax assets and liabilities relating to Leisureworld following the sale of the investment on March 23, 2010.

All amounts in Canadian $000s unless otherwise noted

(A) Future Income Tax Assets

The tax effect of temporary differences is as follows:

	Sep 30, 2010	Dec 31, 2009
Capital loss carry-forwards	14,127	13,958
Loan premium and deferred financing costs	694	685
Non-capital loss carry-forwards	7,497	8,318
Debt retirement	2,540	2,540
Levelization amounts	4,047	4,047
Deferred gains	0	174
Asset retirement obligations	780	793
Capital assets	798	833
Intangible assets	883	1,054
Financial instruments	3,729	261
Total	35,095	32,663
Less: Valuation allowance (1)	(21,624)	(22,276)
Future income tax assets	13,471	10,387

(1) The Fund records a valuation allowance to the extent the future income tax asset exceeds the amount that is more likely than not to be realized.

(B) Future Income Tax Liabilities

The tax effect of temporary differences is as follows:

	Sep 30, 2010	Dec 31, 2009
Capital assets	25,469	40,227
Intangible assets	33,554	34,242
Equity investment in Chapais	253	163
Loan premium and deferred financing costs	176	183
Financial instruments	-	1,419
Future income tax liabilities	59,452	76,234

(C) Tax Loss Carryforwards

As at September 30, 2010, entities of the Fund had accumulated capital and non-capital losses available to reduce taxable income in the future as follows:

	Expiry	Sep 30, 2010	Dec 31, 2009
Canadian capital losses	No expiry	113,018	110,637
Canadian non-capital losses	2025 – 2029	5,301	25,823
U.S. non-capital losses	2023 – 2027	18,153	20,692

All amounts in Canadian $000s unless otherwise noted

(D) Provision for Income Taxes

The provision for income taxes on the Consolidated Statement of Operations reflects an effective tax rate that differs from the statutory rate for the following reasons:

	Three months ended		Nine months ended	
	Sep 30, 2010	Sep 30, 2009	Sep 30, 2010	Sep 30, 2009
Income before income taxes	(12,483)	89	(15,341)	1,941
Income tax payable at 46.41%	5,794	(41)	7,120	(901)
Income tax related to Leisureworld divestment	-	-	(10,722)	-
Income attributable to unitholders	(5,794)	41	(7,120)	901
Impact of tax post-2010	(3,136)	630	(10,296)	(353)
Impact of tax rate movements	-	-	-	2,463
Other	53	46	81	73
Total income tax (recovery) expense	(3,083)	676	(20,937)	2,183

8. ACCOUNTS PAYABLE AND OTHER LIABILITIES

	Sep 30, 2010	Dec 31, 2009
Accounts payable and accrued liabilities	19,651	15,425
Distributions payable	2,745	4,368
Accrued liability related to GRS	1,395	3,186
	23,791	22,979

9. LONG-TERM DEBT

(A) Components of Long-term Debt

	Sep 30, 2010	Dec 31, 2009
CPOT-Cardinal credit facility	85,000	85,000
Erie Shores project debt	107,858	110,180
Convertible debentures	51,749	83,928
Levelization amounts	23,224	21,166
	267,831	300,274
Less: Deferred debt issuance costs	(5,252)	(5,050)
	262,579	295,224
Current portion of long-term debt		
Erie Shores project debt	43,254	3,117
Convertible debentures	-	38,918
	43,254	42,035
Long-term debt	219,325	253,189

All amounts in Canadian $000s unless otherwise noted

(B) CPOT-Cardinal Credit Facility

The CPOT-Cardinal credit facility is comprised of a term facility and revolving facility as follows:

	Sep 30, 2010	Dec 31, 2009
Total available credit		
Term facility	141,875	141,875
Revolving facility	40,625	40,625
	182,500	182,500
Less: amounts drawn		
Term facility	85,000	85,000
Revolving facility	-	-
	85,000	85,000
Less: letters of credit		
Term facility	-	-
Revolving facility	40,625	2,533
	40,625	2,533
Less: Guarantee	10,000	10,000
Remaining credit	46,875	84,967

There are four letters of credit authorized under the Revolver consisting of three for the benefit of Erie Shores totalling $2,533 and one for $38,092 under the terms of the acquisition of the Amherstburg Solar Park on June 23, 2010. In addition, $10,000 of the term facility has been reserved for an unsecured guarantee which has been provided to the lenders of the Erie Shores project debt for Tranche C project debt.

Advances under the credit facility are made in the form of a series of BAs and prime rate loans. Interest paid on BAs is based on the then current BA rate plus an applicable margin ("stamping fee") based on the ratio of consolidated total debt to consolidated earnings before interest, taxes, depreciation and amortization and unrealized gains and losses ("EBITDA"). The weighted average contractual rate of interest at September 30, 2010 was 4.24% and the maturity date of the facility is June 29, 2012. The Collateral for the facility is provided by first ranking security interest covering the assets of CPOT, Cardinal and certain direct subsidiaries, collectively the "restricted group". The restricted group is subject to certain financial and non-financial covenants including limits on the interest coverage ratio and the ratio of consolidated total debt to consolidated EBITDA.

(C) Erie Shores Project Debt

The Fund has a non-recourse project financing loan for Erie Shores with three tranches:

	Interest Rate	Maturity	Sep 30,2010	Dec 31, 2009
Tranche A	5.96%	April 1, 2026	62,855	64,629
Tranche B	5.28%	April 1, 2016	5,003	5,551
Tranche C	5.05%	April 1, 2011	40,000	40,000
			107,858	110,180

Tranche A and B are fully amortizing loans while Tranche C is for interest only. The financing was borrowed by Erie Shores and is secured only by assets of Erie Shores. CPOT has provided an unsecured guarantee in the amount of $10,000 to the lenders under the Tranche C loan. Interest on the facility is fixed as presented above.

(D) Amherstburg Solar Park Project Debt

On June 23, 2010, a subsidiary of the Fund entered into a credit agreement with a consortium of lenders in conjunction with the acquisition of the Amherstburg Solar Park, a 20 megawatt ("MW") solar photovoltaic power facility currently under development in Amherstburg, Ontario. Under the terms of the credit agreement, there is a project construction facility and a term facility with Helios LP. During project development, Helios LP will make draws under the construction facility to finance work as it is completed on the project. All interest accruing on the construction facility during development will be capitalized to the outstanding balance of the debt. Upon completion of the construction, the outstanding balance of the construction facility will be converted into the term facility which requires regular principal and interest payments amortized over 17 years with a maturity five years from the date of conversion. Helios LP has entered into a swap to convert its floating interest rate obligations under the credit agreement to a fixed rate. The effective interest rate of the debt is 7.32%.

All amounts in Canadian $000s unless otherwise noted

As at September 30, 2010, Helios LP had not made any draws under the credit agreement.

(E) Convertible Debentures

As at September 30, 2010, the Fund had $57,500 of unsecured subordinated convertible debentures that are due on December 31, 2016 ("2016 Debentures"). Total transaction costs incurred in connection with the issuance were $2,880. The 2016 Debentures bear an interest rate of 6.50% per annum payable semi-annually in arrears on June 30 and December 31 of each year commencing on June 30, 2010. They are convertible into trust units of the Fund at the option of the holder at a conversion price of $7.00 per trust unit. Gross proceeds from the offering were used to redeem the Fund's existing 6.75% convertible debentures ("2010 Debentures") on January 11, 2010 in the principal amount of $38,918 plus accrued interest. Interest expense on the Fund's 2016 Debentures was $1,157 for the quarter ended September 30, 2010 and for the nine months ended September 30, 2010 was $3,532 (Q3 2009 - $662; nine months ended September 2009 - $1,976)

The carrying value of the liability and equity component of the 2016 and 2010 Debentures were as follows:

	Sep 30, 2010	Dec 31, 2009
2010 debentures – liability component	-	38,918
2016 debentures – liability component	51,749	45,010
	51,749	83,928
Deferred financing costs	(1,921)	(2,273)
	49,828	81,655
2016 debentures – equity component (1)	5,463	4,736
Total carrying value	55,291	86,391

(1) The carrying value of the conversion option of the 2016 Debentures reflected the fair value at issuance net of its pro rata share of transaction costs.

(F) Levelization Amounts

The levelization liability relates to payments received from the OEFC in excess of the revenue recorded using the base rates as set out under the PPA for the Wawatay hydro power facility. In accordance with the PPA, the OEFC is required to make monthly guaranteed payments as well as variable payments based on actual electricity production. To the extent that these payments exceed the revenue recorded in a given month, the Fund records an increase in the levelization amounts. To the extent that these payments were less than the revenue recorded, the Fund records a reduction in the levelization amounts. The interest rate on the levelization liability as at September 30, 2010 was 6.94% (September 30, 2009 – 7.17%)

(G) Long-term Debt Covenants

As at September 30, 2010, the Fund and its subsidiaries were in compliance with all financial and non-financial long-term debt covenants.

Collateral for the CPOT-Cardinal credit facility is provided by a first ranking hypothec covering the assets of CPOT, Cardinal and certain direct subsidiaries, collectively the "restricted group". As at September 30, 2010, the carrying value of the assets of the restricted group exceeded total amounts drawn on the facility.

The Erie Shores project debt is secured only by the assets of Erie Shores, with no recourse to the Fund's other assets. As at September 30, 2010, the carrying value of the assets of Erie Shores exceeded the total amount of project debt outstanding. Under the agreement, Erie Shores is subject to certain financial and non-financial covenants including a debt service coverage ratio defined as operating income to debt service. As at September 30, 2010, the debt service coverage ratio was at a level that would require funding of an amount equal to the next six months' principal and interest payments in the debt service reserve account, which will be $4,607. The Fund has recorded this amount as restricted cash on the consolidated statement of financial position as at September 30, 2010.

All amounts in Canadian $000s unless otherwise noted

10. UNITHOLDERS' EQUITY

(A) Trust Units

An unlimited number of units may be issued by the Fund pursuant to its trust indenture. Each unit is transferable and represents a Unitholder's proportionate undivided beneficial ownership interest in any distributions from the Fund including distributions of net income, net realized capital gains or other amounts. Each unit also entitles the Unitholder to a share in the net assets of the Fund in the event of termination or wind-up. All units have equal rights and privileges. The units are not subject to future calls or assessments and entitle the Unitholder to one vote for each unit held at all meetings of Unitholders. Units do not have conversion, retraction or pre-emptive rights, and are redeemable at any time on demand by Unitholders at an amount equal to the lesser of:

(i) 90% of the daily weighted average price per unit during the 10 business days prior to and including the redemption date; and
(ii) 100% of the closing price of the units on the redemption date.

The total amount payable in cash by the Fund in respect of such units and all other units tendered for redemption in the same calendar month shall not exceed $50 (provided that such limitation may be waived at the discretion of the Trustees of the Fund).

During the third quarter and for the first nine months of 2009 and 2010, the number of units outstanding changed as follows:

	Three months ended		Nine months ended	
	Sep 30, 2010	Sep 30, 2009	Sep 30, 2010	Sep 30, 2009
Opening balance	46,661,979	46,665,537	46,665,537	46,672,194
Trust units redeemed	(22)	-	(3,580)	(6,657)
Ending balance	46,661,957	46,665,537	46,661,957	46,665,537

(B) Class B Exchangeable Units Issued

LTC Holding LP had 3,249,390 Class B exchangeable units outstanding as at September 30, 2010 (December 31, 2009 - 3,249,390 units). Each unit is exchangeable into one unit of the Fund. The Class B exchangeable units are eligible to receive distributions under the same terms and conditions as units of the Fund.

The holders of the Class B exchangeable units are not permitted to acquire any additional units of the Fund (other than pursuant to the exchange of the Class B exchangeable units or pursuant to a distribution reinvestment plan) without the consent of the Fund until October 18, 2015. Each Class B exchangeable unit will convert into a unit of the Fund on October 18, 2015 unless converted earlier at the option of the Class B exchangeable Unitholders. The Class B exchangeable Unitholders are not permitted to sell more than 5% of their aggregate outstanding trust units in any four-month period and are not eligible to vote with any units they receive on exchange of their Class B exchangeable units until they, together, hold 1% or less of the aggregate outstanding units.

(C) Capital Management

The Fund defines its capital as its long-term debt and unitholders' equity as follows:

	Sep 30, 2010	Dec 31, 2009
Long-term debt	262,579	295,224
Unitholders equity	274,418	293,015
Total capitalization	536,997	588,239

The Fund manages its capital to achieve the following objectives:

(i) maintain a capital structure that provides financing options to the Fund when a financing or a refinancing need arises to ensure access to capital, on commercially reasonable terms, without exceeding its debt capacity;
(ii) maintain financial flexibility in order to preserve its ability to meet financial obligations, including debt servicing payments and distribution payments; and
(iii) deploy capital to provide an appropriate investment return to its Unitholders.

All amounts in Canadian $000s unless otherwise noted

The Fund's financial strategy is designed to maintain a flexible capital structure consistent with the objectives stated above and to respond to changes in economic conditions. In doing so, the Fund may issue additional units, issue additional debt, issue debt to replace existing debt with similar or different characteristics, and adjust the amount of distributions paid to Unitholders. The Fund's financing and refinancing decisions are made on a specific transaction basis and depend on such things as the Fund's needs and economic conditions at the time of the transaction.

The Board of Trustees of the Fund reviews the level of distributions paid to Unitholders on a quarterly basis. Effective January 2010, distributions to Unitholders decreased from $1.05 per unit on an annualized basis to $0.66 per unit. This decrease will provide the Fund with more flexibility over time and better position the Fund to pursue future growth opportunities.

The Fund is not subject to any external capital requirements and is in compliance with all of its long-term debt covenants as described in Note 9.

11. SEGMENTED INFORMATION

The Fund's presentation of reportable segments is based on how management has organized the business for operating and capital allocation decisions and assessing performance. Each reportable segment has similar economic characteristics based on the nature of the products or services, type of customers, method of distributing their products or services and regulatory environment. The performance of these segments is evaluated by the Manager primarily on revenue, net income and operating cash flows.

The Fund operates in one geographic segment, Canada, and has two reportable segments:

(i) Power infrastructure, which consists of the Fund's investments in gas cogeneration, wind, hydro and biomass power assets; and

(ii) Social infrastructure, which consisted of the Fund's 45% indirect ownership of Leisureworld.

Following the divestment of Leisureworld on March 23, 2010, the Fund currently has only one operating segment.

	Three months ended Sep 30, 2010				Three months ended Sep 30, 2009			
	Power	Social	Fund	Total	Power	Social	Fund	Total
Revenue	34,598	-	-	34,598	32,731	-	-	32,731
Interest expense	3,384	-	1,155	4,539	3,553	-	663	4,216
Depreciation on capital assets	5,026	-	(10)	5,016	5,198	-	5	5,203
Amortization on intangibles	1,978	-	15	1,993	1,958	-	-	1,958
Income tax recovery (expense)	87	-	2,996	3,083	7		(683)	(676)
Net income (loss)	(10,286)	622	264	(9,400)	1,186	578	(2,351)	(587)
Total assets	588,251	59,667	52,046	699,964	615,067	55,567	1,982	672,616
Additions to capital assets	6,182	-	-	6,182	290	-	-	290

	Nine months ended Sep 30, 2010				Nine months ended Sep 30, 2009			
	Power	Social	Fund	Total	Power	Social	Fund	Total
Revenue	114,247	-	-	114,247	105,589	-	-	105,589
Interest expense	10,427	-	3,530	13,957	9,765	-	1,976	11,741
Depreciation of capital assets	15,484	-	-	15,484	15,727	-	15	15,742
Amortization of intangibles	5,860	-	15	5,875	5,855	-	-	5,855
Income tax recovery (expense)	205	-	20,732	20,937	213	-	(2,396)	(2,183)
Net income (loss)	(11,376)	3,505	13,467	5,596	7,181	57	(7,480)	(242)
Total assets	588,251	59,667	52,046	699,964	615,067	55,567	1,982	672,616
Additions to capital assets	7,203	-	-	7,203	1,425	-	-	1,425

12. RELATED PARTY TRANSACTIONS

MPML provided management services to Cardinal, LTC Holding LP, CPOT and Helios LP under management agreements that expire on April 30, 2024. MPML also provides the Fund and the Trust with certain administrative and support services under administrative agreements. Annual management and administrative fees charged are adjusted annually by the consumer price index. MPML also receives reimbursement for reasonable costs and expenses incurred in carrying out such services as approved by the independent Trustees.

All amounts in Canadian $000s unless otherwise noted

On an annual basis, MPML earns an incentive fee equal to 25% of the amount by which the distributable cash per unit exceeds $0.95, multiplied by the weighted average number of units of the Fund outstanding for the relevant fiscal year or part thereof.

The following table summarizes total amounts recorded with respect to services provided by MPML:

	Three months ended		Nine months ended	
	Sep 30, 2010	Sep 30, 2009	Sep 30, 2010	Sep 30, 2009
Management fees	416	450	1,195	1,335
Administrative fees	28	28	83	82
Cost reimbursement (1)	991	712	2,777	2,122
Incentive fees	-	(490)	-	-
	1,435	700	4,055	3,539

(1) $239 (Q3 2009 - $65) of cost reimbursement for the quarter ended September 30, 2010 for a total of $392 for the nine months ended September 30, 2010 (nine months ended September 30, 2009 - $220) has been capitalized as deferred charges and deferred financing fees.

As at September 30, 2010, $1,255 (December 31, 2009 – $1,573) due to MPML was included in accounts payable and accrued liabilities on the consolidated statement of financial position.

With respect to the exercise of the over-allotment option on the convertible debentures in January 2010, an underwriter fee of $37 was paid to a subsidiary of MGL, as a member of the syndicate. These costs are included in deferred financing fees that have been netted against the equity and liability portion of the convertible debentures in the consolidated statement of financial position as at September 30, 2010.

As part of the LSCC IPO, subsidiaries of MGL earned underwriting and selling concession fees of $2,100, as a member of the underwriting syndicate. These fees were paid by LSCC from the IPO proceeds. As part of the Helios acquisition, a subsidiary of MGL earned advisory and debt arranging fees of $2,530.

The Fund has gas swap agreements with an affiliate of MGL to hedge against fluctuations in the price of excess gas sold under the gas mitigation clause of Cardinal's gas purchase contract for the seven-month period from April to October for each of the years from 2010 to 2011. The gas swap contracts require Cardinal to make payments to an affiliate of MGL based on 436,814 MMBtu of gas at the then market rate of natural gas in exchange for receiving payments based on 436,814 MMBtu of gas at a fixed price per MMBtu.

All related party transactions were carried out under normal arm's length commercial terms and have been measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

13. ACQUISITION

On June 23, 2010, the Fund, through a wholly-owned subsidiary, acquired Helios LP and Helios GP, together, Helios, for total consideration of $4,274 composed of nominal cash consideration paid to SunPower Corp. ("SunPower") and transaction costs of $4,274. From the date of acquisition to September 30, 2010, $6,357 of capitalized construction costs were included in capital assets.

On closing, the Fund, through Helios LP, entered into a fixed price engineering procurement and construction agreement with SunPower for the design and build of the Amherstburg Solar Park. The $130,000 approximate project cost will primarily be funded by a syndicate of lenders with approximately $26,100 of equity to be contributed by the Fund before the start of commercial operations which is estimated to be in June 2011. Once completed, SunPower will operate the project under a 20-year operations and maintenance contract. Energy generated by the facility will be sold under the Province of Ontario Renewable Energy Standard Offer Program ("RESOP") to the Ontario Power Authority ("OPA") at a guaranteed price of $420 per MWh for the next 20 years. Helios LP is the supplier under the RESOP contracts with the OPA and leases the land where the project is to be developed. For the first two years of commercial operations, SunPower will financially support the performance of the facility at the expected production.

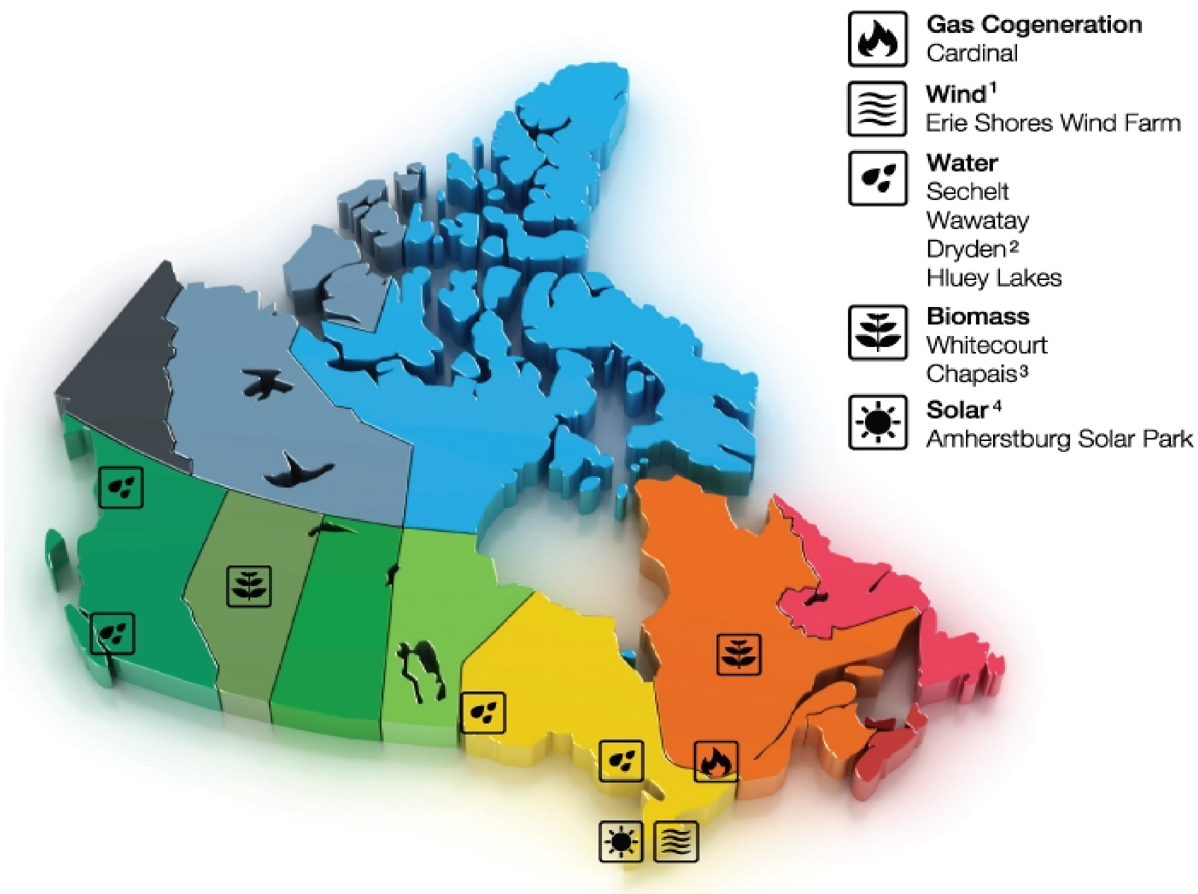
The acquisition was accounted for using the purchase method in accordance with Emerging Issues Committee Abstract 124 and the results of operations are included from the date of the acquisition. The preliminary allocation, to be finalized upon completion of the valuation report, to the net assets of Helios on the basis of fair values was to intangible assets for $5,357, including the associated future income tax effect of $1,083.

14. PROPOSED PLAN OF ARRANGEMENT

On October 12, 2010, the Board of Trustees of the Fund approved a proposed transaction providing for the reorganization of the Fund's income trust structure into a corporate structure through a plan of arrangement. If the reorganization is approved by both holders of Macquarie Power & Infrastructure Income Fund trust units ("Fund unitholders") and the Supreme Court of British Columbia, each Fund unit will be automatically exchanged for one common share of the Corporation.

Pursuant to the plan of arrangement, a notice of meeting and management information circular dated October 15, 2010 was filed by the Fund. The Special Meeting of Unitholders will take place on November 15, 2010 at which time the proposed plan of arrangement will be considered for approval. The plan of arrangement is subject to court and unitholder approval and is anticipated to be effective on or about January 1, 2011.

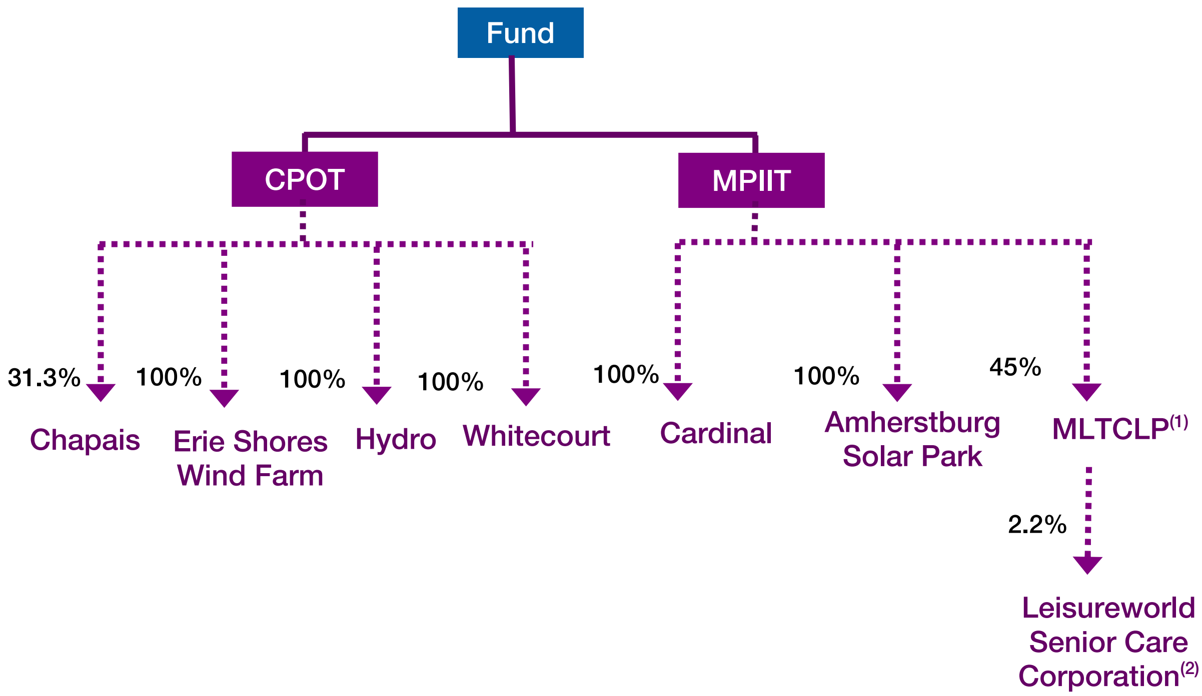
PORTFOLIO



Asset	Year Built	Interest	Net Capacity (MW)	PPA Counterparty	PPA Expiry	Fuel Supply Counterparty	Fuel Supply Expiry
Cardinal	1994	100%	156	OEFC	2014	Husky	2015
Erie Shores(1)	2006	100%	99	OPA	2026	n/a	n/a
Whitecourt	1994	100%	25	TransAlta	2014	Millar Western	2016
Sechelt	1997	100%	16	BC Hydro	2017	n/a	n/a
Wawatay	1992	100%	14	OEFC	2042	n/a	n/a
Hluey Lakes	2000	100%	3	BC Hydro	2020	n/a	n/a
Dryden(2)	Various	100%	3	OEFC	2020	n/a	n/a
Amherstburg Solar Park(4)	2011	100%	20	OPA	2031	n/a	n/a
Chapais(3)	1995	31.3%	28	Hydro-Québec	2015	Barrette/Chantiers/ Société en commandite Scierie Opitciwan	2015

(1) One 1.5 MW turbine is owned by a landowner.
(2) The Dryden facility is composed of three facilities, built in 1922 (Wainwright), 1928 (Eagle) and 1938 (McKenzie). These facilities were refurbished in 1986.
(3) MPT's investment in Chapais consists of a 31.3% interest in one of two classes of preferred shares, a 24.8% interest in Tranche A and B debt, and a 50% interest in Tranche C debt.
(4) Expected to commence commercial operations in June 2011.

ORGANIZATIONAL STRUCTURE



(1) The Fund indirectly holds a 45% interest in Macquarie Long-Term Care LP ("MLTCLP"), which formerly held 100% of the ownership interests in Leisureworld Senior Care LP. The other 55% of MLTCLP is indirectly held by Macquarie International Infrastructure Fund.

(2) MLTCLP currently owns 958,649 common shares of LSCC. As a result, the Fund currently indirectly owns 431,392 common shares of LSCC.

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