

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.

This short form prospectus constitutes an offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. **These securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the “U.S. Securities Act”), or any state securities laws. Accordingly, these securities may not be offered or sold or delivered within the United States of America except in transactions exempt from registration under the U.S. Securities Act and applicable state securities laws. This short form prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of these securities within the United States of America. See “Plan of Distribution”.**

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in the provinces of Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Secretary of Innergex Renewable Energy Inc. at 1111 Saint-Charles Street West, East Tower, Suite 1255, Longueuil, Québec, J4K 5G4, telephone (450) 928-2550 and are also available electronically at www.sedar.com.

SHORT FORM PROSPECTUS

New Issue

February 25, 2010



\$70,000,000

5.75% Extendible Convertible Unsecured Subordinated Debentures

This short form prospectus qualifies the distribution of \$70,000,000 aggregate principal amount of 5.75% extendible convertible unsecured subordinated debentures (the “**Debentures**”) of Innergex Renewable Energy Inc. (the “**Corporation**”) at a price of \$1,000 per \$1,000 principal amount of Debentures (the “**Offering**”).

The Debentures bear interest at an annual rate of 5.75% payable semi-annually, not in advance, on April 30 and October 31 in each year commencing on October 31, 2010 (an “**Interest Payment Date**”). The Debentures have a maturity date (the “**Maturity Date**”) that will initially be April 30, 2010 (the “**Initial Maturity Date**”). If the closing of the Arrangement (as defined below) takes place on or prior to April 30, 2010, then the maturity date will be automatically extended from the Initial Maturity Date to April 30, 2017 (the “**Final Maturity Date**”). If the closing of the Arrangement does not occur prior to 5:00 p.m. (EST) on the Initial Maturity Date, then the Debentures will mature on the Initial Maturity Date. Further particulars concerning the attributes of the Debentures are set out under “*Description of the Debentures*”.

On February 1, 2010, the Corporation announced by way of press release that it had entered into an arrangement agreement with Innergex Power Income Fund (the “**Fund**”) dated January 31, 2010 (the “**Arrangement Agreement**”) and agreed to undertake, subject to customary closing conditions and pursuant to a statutory plan of arrangement (the “**Arrangement**”), a strategic combination of the two entities whereby the Fund will acquire the Corporation by way of a reverse take-over which management believes will create one of the largest independent renewable power producers in Canada (the “**Combined Entity**”). The joint information circular dated February 17, 2010 of the Corporation and the Fund prepared in connection with the Corporation’s and the Fund’s securityholders meetings to be held, *inter alia*, to consider the Arrangement (the “**Information Circular**”), is incorporated by reference herein. The closing of the Arrangement is expected to occur on or about March 29, 2010. See “*Recent Developments - The Arrangement*”.

The terms and offering price of the Debentures were determined by negotiation between the Corporation and BMO Nesbitt Burns Inc., TD Securities Inc., CIBC World Markets Inc., RBC Dominion Securities Inc., Scotia Capital Inc., Desjardins Securities Inc. and Laurentian Bank Securities Inc. (collectively, the “**Underwriters**”). See “*Plan of Distribution*”.

BMO Nesbitt Burns Inc., TD Securities Inc., RBC Dominion Securities Inc. and Laurentian Bank Securities Inc. are wholly-owned indirect subsidiaries of Canadian chartered banks that are currently lenders to the Corporation or the Fund. Furthermore, such Canadian chartered banks affiliates to BMO Nesbitt Burns Inc. and TD Securities Inc. will be

lenders to the Corporation under certain credit facilities which will be entered into upon closing of the Arrangement. Furthermore, in connection with the Arrangement, TD Securities Inc. acts as financial advisor to the Corporation and the Corporation's special committee of independent directors (the "Corporation Special Committee") and rendered a fairness opinion to the Corporation while BMO Nesbitt Burns Inc. acts as financial advisor to the Committee of independent trustees of Innergex Power Trust, which is wholly-owned by the Fund (the "IPT Special Committee"). TD Capital Group Limited, an affiliate of TD Securities Inc., owns approximately 10.3% of the currently outstanding common shares of the Corporation (the "Common Shares"). Consequently, the Corporation may be considered a connected issuer of BMO Nesbitt Burns Inc., TD Securities Inc., RBC Dominion Securities Inc. and Laurentian Bank Securities Inc. under applicable securities laws in certain Canadian provinces. See "*Relationship Between the Corporation and Certain Persons*".

Debenture Conversion Privilege

Each Debenture will be convertible into Common Shares at the option of the holder at any time prior to the close of business on the earlier of the Maturity Date and the business day immediately preceding the date specified by the Corporation for redemption of the Debentures at a conversion price of \$10.65 per Common Share (the "**Conversion Price**"), being a conversion rate of approximately 93.8967 Common Shares per \$1,000 principal amount of Debentures, subject to adjustment in accordance with the trust indenture governing the terms of the Debentures. Holders converting their Debentures will receive accrued and unpaid interest thereon for the period from the last Interest Payment Date on their Debentures to, but not including, the date of conversion. Further particulars concerning the conversion privilege, including provisions for the adjustment of the Conversion Price, are set out under "*Description of the Debentures - Conversion Privilege*".

The Debentures may not be redeemed by the Corporation on or before April 30, 2013 (except in certain limited circumstances following a Change of Control (as defined herein)). After April 30, 2013 and prior to April 30, 2015, the Debentures may be redeemed by the Corporation, in whole or in part from time to time, on not more than 60-day and not less than 30-day prior notice, at a redemption price equal to the principal amount thereof plus accrued and unpaid interest, provided that the volume weighted average trading price of the Common Shares on the Toronto Stock Exchange (the "TSX") for the 20 consecutive trading days ending five trading days preceding the date on which notice of redemption is given is not less than 125% of the Conversion Price. On or after April 30, 2015 and prior to the Maturity Date, the Debentures may be redeemed in whole or in part at the option of the Corporation on not more than 60-day and not less than 30-day prior notice at a price equal to their principal amount plus accrued and unpaid interest. Subject to required regulatory approval and provided that there is not a current Event of Default (as defined herein), the Corporation may, at its option, elect to satisfy its obligation to pay the principal amount of the Debentures on redemption or at maturity, in whole or in part, through the issuance of freely tradeable Common Shares upon at least 40-day and not more than 60-day prior notice, by delivering that number of Common Shares obtained by dividing the principal amount of the Debentures by 95% of the Current Market Price (as defined herein). Any accrued or unpaid interest will be paid in cash. Further particulars of the interest, redemption, repurchase and maturity provisions of the Debentures are set out under "*Description of the Debentures*".

There is currently no market through which the Debentures may be sold and purchasers may not be able to resell Debentures purchased under this prospectus. The TSX has conditionally approved the listing of the Debentures to be issued under the Offering and the Common Shares issuable on conversion, maturity or redemption of the Debentures. Listing is subject to the Corporation fulfilling all of the listing requirements of the TSX. The Common Shares into which the Debentures are convertible are listed and posted for trading on the TSX under the symbol "INE". On February 24, 2010, the closing price of a Common Share on the TSX was \$7.80.

Price: \$1,000 per Debenture

	Price to the Public	Underwriters' Fee ⁽¹⁾	Net Proceeds ⁽²⁾
Per Debenture.....	\$ 1,000	\$ 40	\$ 960
Total Debentures ⁽³⁾	\$70,000,000	\$2,800,000	\$67,200,000

Notes:

- (1) The Underwriters' fee with respect to the Debentures is payable in full upon closing of the Offering and represents 4% of the Offering price of the Debentures.
- (2) After deducting the Underwriters' fee but before deducting the expenses of the Offering, which are estimated to be approximately \$950,000.
- (3) The Corporation has granted the Underwriters an option (the "**Over-Allotment Option**"), exercisable in whole or in part at any time until 30 days following the Closing Date (as defined below), to purchase at the offering price additional Debentures to cover over-allotments, if any, and for market stabilization purposes. The number of Debentures to be purchased pursuant to the Over-Allotment Option shall not exceed 15% of the number of Debentures issued pursuant to the Offering. If the Over-Allotment Option is exercised in full, the total offering price to the public, the Underwriters' fee and the net proceeds to the Corporation will be \$80,500,000, \$3,220,000 and \$77,280,000, respectively. This short form prospectus also qualifies the grant of the Over-Allotment Option and the distribution of the Debentures offered upon the exercise of such option. A purchaser who acquires Debentures forming part of the over-allotment position acquires such Debentures under this short form prospectus regardless of whether the over-allotment position is filled through the exercise of the Over-Allotment Option or secondary market purchases. See "*Plan of Distribution*".

Underwriters' Position	Maximum Size	Exercise Period	Exercise Price
Over-Allotment Option	\$10,500,000	30 days after closing of the Offering	\$1,000 per Debenture

The Underwriters, as principals, conditionally offer the Debentures, subject to prior sale, if, as and when issued, sold and delivered by the Corporation to, and accepted by, the Underwriters in accordance with the conditions contained in the Underwriting Agreement referred to under "*Plan of Distribution*" and subject to the approval of certain legal matters by McCarthy Tétrault LLP, as counsel to the Corporation, and Borden Ladner Gervais LLP, as counsel to the Underwriters.

Subject to applicable laws, the Underwriters may, in connection with the Offering, over-allot or effect transactions which stabilize or maintain the market price of the Debentures at levels other than those which might otherwise prevail on the open market. Such transaction, if commenced, may be discontinued at any time. The Underwriters propose to offer the Debentures initially at the offering price. **After the Underwriters have made reasonable efforts to sell all of the Debentures by this short form prospectus at such price, the offering price may be decreased, and further changed from time to time, to an amount not greater than the offering price. However, in no event will the Corporation receives less than net proceeds of \$960 per Debenture. See "*Plan of Distribution*".**

Subscriptions for Debentures will be received subject to rejection or allotment in whole or in part, and the Underwriters reserve the right to close the subscription books at any time without notice. The Debentures will be issued in "book-entry only" form through the facilities of CDS Clearing and Depository Services Inc. ("**CDS**"). Except as otherwise stated herein, holders of beneficial interests in the Debentures will not have the right to receive physical certificates evidencing their ownership of Debentures. The closing of the Offering is expected to occur on or about March 8, 2010, or such other date as the Corporation and the Underwriters may agree.

The head and registered office of each of the Corporation and the Fund is located at 1111 Saint-Charles Street West, East Tower, Suite 1255, Longueuil, Québec, J4K 4G4.

The earnings coverage ratios for the Corporation for the year ended December 31, 2008 and for the twelve-month period ended September 30, 2009 are less than one-to-one. If these ratios were calculated after giving effect to the Offering and the Arrangement, the earnings coverage ratios for the Corporation for the year ended December 31, 2008 and for the twelve-month period ended September 30, 2009 would have been minus 1.02 and minus 0.37 times, respectively. See "*Earnings Coverage Ratio*".

An investment in the Debentures involves certain risks that are described in the "Risk Factors" section of, and elsewhere in, this prospectus, including in the Information Circular incorporated herein by reference and should be considered by any prospective purchaser of the Debentures.

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FORWARD-LOOKING STATEMENTS

This short form prospectus, including documents incorporated by reference herein, contains forward-looking information within the meaning of applicable securities laws. All information and statements other than statements of historical facts contained in this short form prospectus are forward-looking information. Such statements and information may be identified by looking for words such as “about”, “approximately”, “may”, “believe”, “expects”, “will”, “intends”, “should”, “plan”, “predict”, “potential”, “projects”, “anticipates”, “estimates”, “continues” or similar words or the negative thereof or other comparable terminology. Such forward-looking information includes, without limitation, statements with respect to: the anticipated benefits of the Arrangement (including, without limitation, access to combined CCA tax pools, accretion to distributable cash, cost synergies and increased cash flow generation, access to capital markets, return on equity, market capitalization, enterprise value and trading liquidity), the future financial position, power production, growth prospects, business strategy and plans, and objectives of or involving the Corporation following the Arrangement; capital expenditures and investment programs; access to credit facilities and financing and expectations that adequate credit facilities and financing will be in place for the Combined Entity; capital taxes; income taxes; risk profile; cash flows and earnings and the components thereof; future income tax treatment following the Arrangement; the timing of the Final Order (as defined herein); the effective time of the Arrangement; the making of applications and the satisfaction of conditions for listing on the TSX and the timing thereof; the receipt of approval of the Arrangement under the Competition Act; the composition of the board of directors of the Corporation upon completion of the Arrangement; statements with respect to levels of distributions and dividends to be paid to securityholders, dividend policy, and the timing of payment of such distributions and dividends. Actual events or results may differ materially.

The forward-looking information is based on certain key expectations and assumptions made by the Corporation, including expectations and assumptions concerning availability of capital resources, economic and financial conditions, the success obtained in developing new facilities, the performance of operating projects, and the timing of receipt of the requisite securityholder, Court, Competition Act, TSX and other third party approvals. Although the Corporation believes that the expectations and assumptions on which such forward-looking information is based are reasonable, undue reliance should not be placed on the forward-looking information since no assurance can be given that they will prove to be correct.

Since forward-looking information addresses future events and conditions, by its very nature it involves inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to, the impact of, the failure to complete the Arrangement; the ability of the Corporation to repay the Debentures at the Initial Maturity Date, the fact that some or all of the anticipated benefits of the Arrangement may not be realized; the ability of the Corporation to execute its corporate strategy; the inability to access sufficient capital from internal and external sources; liquidity risks related to derivative financial instruments; general economic conditions; availability of water flows and wind; delays in project development; uncertainty relating to the development of new power generating facilities; uncertainty relating to the amounts of power that current or future operating facilities are able to generate; equipment failure; interest rate fluctuations and debt refinancing; contractual restrictions contained in instruments governing current and future indebtedness; penalties for events of default under certain power purchase agreements; the ability to retain qualified personnel and management; the performance of third-party suppliers; reliance on major customers; relationships with communities in which projects or facilities are located and joint venture partners; wind turbine supply; obtainments of permits; changes to governmental regulatory requirements and applicable governing statutes; obtaining new power purchase agreements; securing appropriate land for projects; reliance on power purchase agreements; reliance on transmission systems; water and land rental expenses; dam safety; health, safety and environmental risks; natural disasters; foreign exchange fluctuations and sufficiency of insurance coverage. Readers are cautioned that the foregoing list is not exhaustive. Readers should carefully review and consider the risk factors described under the section “*Risk Factors*”, and the section “*Risk Factors*” of the joint information circular of the Corporation and the Fund dated February 17, 2010 in respect of the Arrangement. **The information contained in this short form prospectus, including the documents incorporated by reference herein, identifies additional factors that could affect the operating results and performance of the Corporation and the Combined Entity. Prospective investors are urged to carefully consider those factors.**

The reader is further cautioned that the preparation of financial statements, including pro forma financial statements, in accordance with GAAP requires management to make certain judgments and estimates that affect the reported amounts of assets, liabilities, revenues and expenses.

The forward-looking information contained herein is expressly qualified in its entirety by this cautionary statement. The forward-looking information contained herein is made as of the date of this short form prospectus (or, in the case of information contained in a document incorporated by reference herein, as of the date of such document), and the Corporation undertakes no obligation to publicly update such forward-looking information to reflect new information, subsequent or otherwise, unless required by applicable securities laws.

FINANCIAL INFORMATION AND CURRENCY

The financial statements of the Corporation and the Fund and the pro forma financial information on the Combined Entity incorporated by reference or included in this prospectus are reported in Canadian dollars and have been prepared in accordance with Canadian GAAP. Except as otherwise indicated, all dollar amounts in this prospectus are expressed in Canadian dollars and references to \$ are to Canadian dollars.

DOCUMENTS INCORPORATED BY REFERENCE

Documents of the Corporation

The following documents of the Corporation, which have been filed with the securities commissions or similar regulatory authorities in each of the provinces of Canada where the Corporation is a reporting issuer, are specifically incorporated by reference into, and form an integral part of, this prospectus:

1. the annual information form of the Corporation dated March 25, 2009 for the year ended December 31, 2008;
2. the audited consolidated balance sheets of the Corporation as at December 31, 2008 and 2007 and the consolidated statements of earnings, comprehensive income and deficit and cash flows for the years ended December 31, 2008 and 2007, together with the notes thereto, the auditors' report thereon and the management's discussion and analysis in respect thereof;
3. the unaudited consolidated balance sheet of the Corporation as at September 30, 2009 and the statements of earnings, comprehensive income and cash flows for the three and nine months ended September 30, 2009 and 2008 and the consolidated statements of deficit for the nine months ended September 30, 2009 and 2008, together with the notes thereto and the management's discussion and analysis in respect thereof;
4. the management information circular of the Corporation in respect of the annual general meeting of the Corporation shareholders held on May 27, 2009;
5. the material change report dated December 14, 2009 in respect of the initiation of commercial operation of the Ashlu Creek run-of-river hydroelectric power generating plant;
6. the material change report dated February 2, 2010 in respect of the entering into of the Arrangement Agreement and the retirement of Gilles Lefrançois;
7. the material change report dated February 8, 2010 in respect of the initiation of commercial operation of the Fitzsimmons Creek run-of-river hydroelectric power generating plant;
8. The Information Circular, including the unaudited pro forma consolidated financial statements of the Corporation attached thereto as Appendix F; and
9. the material change report dated February 16, 2010 in respect of the entering into of a bought deal agreement letter relating to the Offering.

Any documents of the type described in Section 11.1 of Form 44-101F1 of National Instrument 44-101 – Short Form Prospectus Distributions filed by the Corporation with a securities commission or similar authority in any of the provinces of Canada after the date of this prospectus and prior to the termination of the Offering, shall be deemed to be incorporated by reference into this prospectus.

Documents of the Fund

The following documents of the Fund, which have been filed with the securities commissions or similar regulatory authorities in each of the provinces of Canada where the Fund is a reporting issuer, are specifically incorporated by reference into, and form an integral part of, this prospectus:

1. the annual information form of the Fund dated March 16, 2009 for the year ended December 31, 2008;

2. the audited consolidated balance sheets of the Fund as at December 31, 2008 and 2007 and the consolidated statements of income, comprehensive income, changes in unitholders' equity and cash flows for the years ended December 31, 2008 and 2007, together with the notes thereto, the auditors' report thereon and the management's discussion and analysis in respect thereof;
3. the unaudited consolidated balance sheet of the Fund as at September 30, 2009 and the consolidated statements of earnings, comprehensive income and cash flows for the three and nine months ended September 30, 2009 and 2008 and the changes in unitholders' equity for the nine months ended September 30, 2009 and 2008, together with the notes thereto and the management's discussion and analysis in respect thereof;
4. the management information circular of the Fund in respect of the annual meeting of Fund Unitholders held on May 11, 2009;
5. the material change report dated February 2, 2010 in respect of the entering into of the Arrangement Agreement; and
6. the Information Circular.

Any documents of the type described in Section 11.1 of Form 44-101F1 of National Instrument 44-101 – Short Form Prospectus Distributions filed by the Corporation with a securities commission or similar authority in any of the provinces of Canada after the date of this prospectus and prior to the termination of the Offering, shall be deemed to be incorporated by reference into this prospectus.

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

ELIGIBILITY FOR INVESTMENT

In the opinion of McCarthy Tétrault LLP, counsel to the Corporation, and Borden Ladner Gervais LLP, counsel to the Underwriters, subject to the qualifications and assumptions discussed under the heading "*Certain Canadian Federal Income Tax Considerations*", provided the Debentures and the Common Shares are listed on a designated stock exchange (which currently includes the TSX), the Debentures and the Common Shares issuable on the conversion, redemption or maturity of the Debentures will, on the date of closing of the Offering, be qualified investments under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans (except, in the case of the Debentures, a deferred profit sharing plan to which the Corporation, or an employer that does not deal at arm's length with the Corporation, has made a contribution), registered education savings plans, registered disability savings plans and tax-free savings accounts ("TSFA").

Notwithstanding the foregoing, if the Debentures or the Common Shares are "prohibited investments" for the purposes of a TSFA, a holder of such account will be subject to a penalty tax as set out in the Tax Act. Debentures and Common Shares will generally be "prohibited investments" if the holder of a TSFA does not deal at arm's length with the Corporation for the purposes of the Tax Act or the holder of a TSFA has a "significant interest" (within the meaning of the Tax Act) in the Corporation or a Corporation, partnership or trust with which the Corporation does not deal at arm's length for the purposes of the Tax Act. Holders of a TSFA should consult their own tax advisors in this regard.

INNERGEX RENEWABLE ENERGY INC.

The Corporation was incorporated in Canada under the *Canada Business Corporations Act* (the “CBCA”), by articles of incorporation dated October 25, 2002. On October 25, 2007, the articles of the Corporation were amended to change its name from Innergex Management Inc. to Innergex Renewable Energy Inc. The Corporation’s head and registered office is located at 1111 Saint-Charles Street West, East Tower, Suite 1255, Longueuil, Québec, J4K 5G4.

BUSINESS OF THE CORPORATION

The Corporation is a leading developer, owner and operator of run-of-river hydroelectric facilities and wind energy projects in North America. The Corporation’s management team has been involved in the renewable power industry since 1990. The Corporation owns a portfolio of projects which consists of: (i) interests in five operating facilities with an aggregate net installed capacity of 116 MW (gross 198 MW) and interests in four projects under development with an aggregate net installed capacity of 128 MW (gross 320 MW); and (ii) prospective projects of more than 1,600 MW (gross expected capacity of more than 1,800 MW). The Corporation also owns 16.1% of the Fund and acts as its manager under long-term management agreements. The Fund is an open-ended income trust that indirectly owns interests in 10 hydroelectric power-generating facilities and two wind farms. The Fund’s aggregate net installed capacity is 210 MW (gross 340 MW). The Fund’s units are traded on the TSX under the symbol IEF.UN.

RECENT DEVELOPMENTS

The Arrangement

On February 1, 2010, the Corporation announced by way of press release that it had entered into the Arrangement Agreement with the Fund and agreed to undertake, subject to customary closing conditions and pursuant to a statutory plan of arrangement (the “**Arrangement**”), a strategic combination of the two entities whereby the Fund will acquire the Corporation by way of a reverse take-over which management believes will create one of the largest independent renewable power producers in Canada.

Pursuant to the Arrangement, holders (“**Unitholders**”) of units of the Fund (“**Fund Units**”) (other than the Corporation) will exchange each Fund Unit held by them for 1.460 Common Shares (the “**Exchange Ratio**”). It is anticipated that Fund Unitholders (other than the Corporation) will own approximately 61% of the outstanding Common Shares immediately following the Arrangement and the Corporation shareholders will own the remaining 39% of the outstanding Common Shares immediately following the Arrangement (assuming no dissent rights are exercised). Assuming that all required securityholder approvals are obtained, the Fund and the Corporation are expected to apply to the Court on March 26, 2010 for a final order in respect of the Arrangement. Assuming that the final order is obtained and all other conditions precedent to the Arrangement are satisfied or waived, the Arrangement is expected to become effective on or about March 29, 2010.

The Arrangement will create a pure play entity that, management believes, will be one of the largest independent renewable power producers in Canada. The Combined Entity will own an attractive portfolio of 100% renewable energy generating assets producing cash flow, combined with extensive growth opportunities. The following are some of the anticipated benefits of the Arrangement:

- The Combined Entity will benefit from an improved asset diversification, owning a net interest in 326 MW distributed across 14 operating hydro facilities (204.1 MW) and three operating wind farms (121.4 MW). It will also have four projects under development with PPAs (103 MW of wind and 25 MW of hydro) coming on-line in the next two years and over 1,600 MW (net) of various prospective projects. This attractive portfolio is diversified by geographic location, electricity off-taker and stage of development, with no individual project accounting for more than 15% of the total electricity production once all development projects with PPAs are in operation. In addition, the weighted remaining average power purchase agreement (“**PPA**”) term of the Combined Entity will be approximately 18 years which management believes to be longer than any of its Canadian peers.
- The Combined Entity will generate approximately 73% of its power from hydroelectric facilities and approximately 27% from wind facilities. Moreover, all the output will be sold pursuant to long-term PPAs with investment grade and governmental counterparties.
- Management believes that the Combined Entity will represent an attractive investment opportunity with 100% renewable power assets, robust growth and an attractive yield.

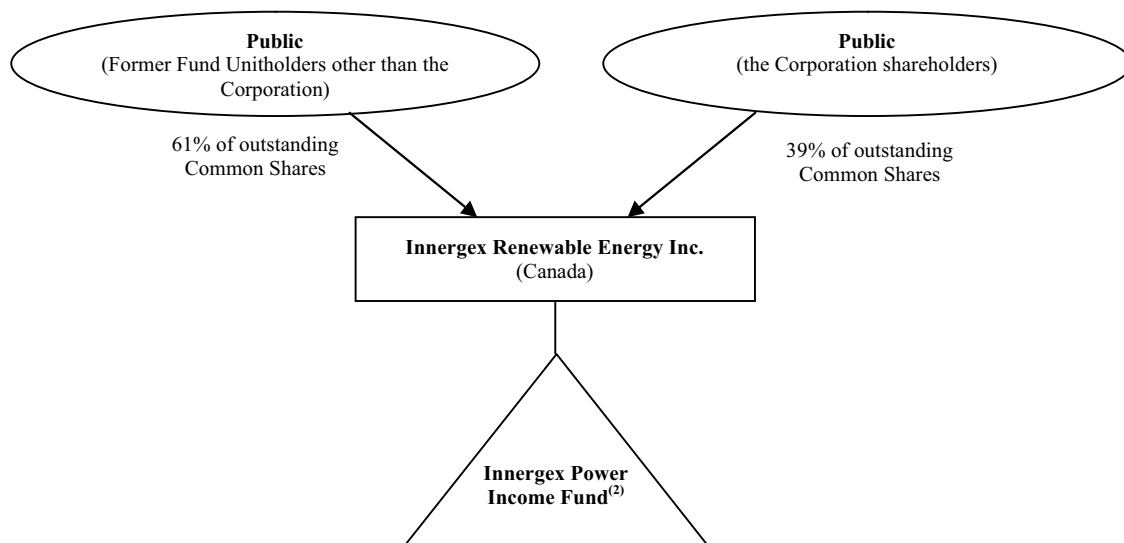
- In addition to benefiting from improved tax efficiency and access to combined CCA tax pools for a combined total of approximately \$750 million, assuming all development projects with PPAs are constructed, the Combined Entity will benefit from cost synergies and from a management team with a proven track record. The combination of two entities under common management is expected to result in a smooth transition, devoid of material integration risks, given that the Corporation already provides all of the technical, financial and administrative support to the Fund under the Management Agreements (as defined herein).
- The Combined Entity will be of significantly larger scale with increased financial strength, and a substantially improved balance sheet. In addition to benefiting from the net proceeds of the Offering, the Combined Entity will enjoy significant internal cash flow generation and enhanced access to capital markets. Improved financial strength is also expected to lower the Combined Entity's cost of capital, facilitate and accelerate project development and enhance its anticipated return on equity. It is also expected to benefit from increased market capitalization and a larger enterprise value, combined CCA tax pools, increased trading liquidity and greater access to capital to finance its growth. See "*The Combined Entity - New Credit Facilities*". The Combined Entity is anticipated to have more exposure and earlier access to the growth oriented assets to the Corporation which can be developed earlier using the cash flow generated by the more mature assets of the Fund.

For the Arrangement to be implemented, it must be approved (i) at the Fund's special meeting by not less than two-thirds of the votes cast by Fund Unitholders present in person or by proxy at such meeting as well as a simple majority of the votes cast by Fund Unitholders present in person or by proxy at the Fund special meeting after excluding such Fund Units beneficially owned or over which control or direction is exercised by such persons whose votes must be excluded for the purpose of determining minority approval pursuant to Multilateral Instrument 61 101 – Protection of Minority Securityholders in Special Transactions; and (ii) at the Corporation's special meeting by not less than two-thirds of the votes cast by the Corporation's shareholders present in person or by proxy at such meeting. The Arrangement is also subject to certain other conditions, including in particular the approval of the Superior Court of Québec and certain regulatory and stock exchange approvals

The Combined Entity

Organizational Structure of the Combined Entity

The following diagram illustrates the organizational structure of the Combined Entity following the completion of the Arrangement: (1)



Notes:

- (1) Assumes (i) no Dissent Rights are exercised; and (ii) the same number of Fund Units and Common Shares are outstanding as were outstanding on February 24, 2010.
- (2) Following the closing of the Arrangement, it is anticipated that the Fund will be wound-up on or prior to December 31, 2010. See under "*Post-Arrangement Reorganization*" below.

Pro Forma Financial Information

The unaudited pro forma consolidated financial statements of the Corporation giving effect, *inter alia*, to the Arrangement and the Offering are set forth in Appendix F to the Information Circular which is incorporated herein by reference.

Post-Arrangement Reorganization

It is expected that, following completion of the Arrangement, the Corporation will undergo a corporate reorganization pursuant to which, inter alia, (i) Innergex Power Trust (“IPT”) will, as promptly as practicable and not later than December 31, 2010, distribute all of its assets and transfer all of its liabilities to the Fund and will cease to exist in accordance with the IPT Trust Indenture (as defined in the Information Circular); (ii) the Fund will subsequently, but not later than December 31, 2010, distribute all of its assets and transfer all of its liabilities to the Corporation and cease to exist in accordance with the Fund Trust Indenture (as defined in the Information Circular); and (iii) Innergex Inc. and Innergex II Inc. will, prior to December 31, 2010, amalgamate in accordance with the provisions of Part 1A of the Companies Act (Québec).

Authorized Share Capital

The authorized share capital of the Corporation immediately following the Arrangement will continue to consist of an unlimited number of Common Shares and an unlimited number of preferred shares.

Principal Holders of Common Shares

To the knowledge of the Corporation and the Fund, as of February 24, 2010, there is no person who, following the completion of the Arrangement, is expected to beneficially own, directly or indirectly, or exercise control over Common Shares carrying 10% or more of the voting rights attached to the Common Shares, other than Goodman & Company Investment Counsel Ltd. (“**Goodman & Company**”), which, upon completion of the Arrangement, and assuming that Goodman & Company holds the same number of Fund Units at the time of the Arrangement as it held on January 31, 2010, is expected to own approximately 7,521,482 Common Shares, representing approximately 12.63% of the issued and outstanding Common Shares upon the completion of the Arrangement.

Dividend Policy

Following the completion of the Arrangement, it is intended that the Corporation will establish a dividend policy of paying \$0.58 per Common Share per annum (equivalent to approximately \$0.85 per Fund Unit, based on the Exchange Ratio) payable quarterly. The amount of future cash dividends of the Combined Entity, if any, will be subject to the discretion of the board of directors of the Corporation and may vary depending on a variety of factors, including capital expenditure requirements, revenue, actual power production, operating costs and general working capital requirements.

New Credit Facilities

The existing credit facilities of the Corporation, IPT, Innergex Holdings USA Inc. and Innergex BDS L.P., a wholly-owned subsidiary of the Fund, currently amount to an aggregate of \$170 million (the “**Existing Credit Facilities**”). It is intended that, concurrently with the completion of the Arrangement, the Existing Credit Facilities will be refinanced and replaced by new credit facilities in the aggregate principal amount of \$170 million.

To that effect, a commitment letter has been executed pursuant to which two Canadian Schedule A banks have agreed to underwrite, subject to certain closing conditions, new credit facilities comprised of a three-year revolving credit facility in a principal amount not to exceed \$117.4 million and a three-year term facility in a principal amount of \$52.6 million, such credit facilities to be guaranteed by certain of the subsidiaries of the Combined Entity and secured by certain of their property and assets. The new credit facilities will be subject to customary affirmative and negative covenants and events of default.

In addition certain subsidiaries of the Corporation and the Fund have non-recourse construction and loan financings with respect to certain of their projects which will remain unchanged.

Directors and Officers of the Combined Entity

The Corporation’s management team will remain unchanged following the Arrangement. Gilles Lefrançois announced his retirement on January 31, 2010 and will cease acting as Chairman of the board of directors of the Corporation upon the completion of the Arrangement.

On the effective date of the Arrangement and pursuant to the Arrangement Agreement, the number of directors forming the board of directors of the Corporation will be increased from seven to nine, and Jean La Couture and Daniel L. Lafrance, both of whom are current trustees of IPT, will be appointed as directors of the Corporation. Immediately thereafter, each of Gilles Lefrançois, Raymond Laurin and Cyrille Vittecoq will in turn resign as directors of the Corporation and the vacancies thereby created will be filled with each of John A. Hanna, Richard Laflamme and Lise Lachapelle, also current trustees of IPT, being successively appointed as directors of the Corporation.

Consequently, the board of directors of the Combined Entity following the Arrangement will be composed of nine directors, consisting of five current members of the IPT board of trustees (being John A. Hanna, Lise Lachapelle, Jean La Couture, Richard Laflamme and Daniel L. Lafrance); three current members of the board of directors of the Corporation (being Pierre Brodeur, William A. Lambert and Susan M. Smith); and one director who currently sits on both the IPT board of trustees and the board of directors of the Corporation (being Michel Letellier). Michel Letellier, as President and Chief Executive Officer of the Corporation, will be the only non-independent director on the initial board of directors of the Combined Entity. Mr. Jean La Couture, current Chairman of the board of trustees of IPT, will be appointed Chairman of the board of directors of the Combined Entity.

USE OF PROCEEDS

The estimated net proceeds from the Offering, after deducting fees payable to the Underwriters and the expenses of the Offering payable by the Corporation will be approximately \$66.25 million. The net proceeds of the Offering will be used by the Corporation to enhance its financial flexibility in the context of the Arrangement, to reduce indebtedness and for general corporate purposes. In particular, upon closing of the Arrangement, the Corporation intends to use a portion of the proceeds of the Offering: i) as to approximately \$40 million, to repay outstanding credit facilities with Canadian chartered banks which are affiliates of BMO Nesbitt Burns Inc., TD Securities Inc. and Laurentian Bank Securities Inc. (approximately \$10 million of which was incurred in the previous two years for general corporate purposes), and ii) as to approximately \$18 million, to settle derivative financial instruments with Canadian chartered banks which are affiliates of TD Securities Inc. and RBC Dominion Securities Inc. Consequently, the Corporation may be considered a connected issuer of BMO Nesbitt Burns Inc., TD Securities Inc., RBC Dominion Securities Inc. and Laurentian Bank Securities Inc. under applicable securities laws in certain Canadian provinces. See “*Relationship Between the Corporation and Certain Persons*”.

DESCRIPTION OF THE DEBENTURES

The Debentures will be issued under and pursuant to an indenture (the “**Indenture**”) between the Corporation and Computershare Trust Company of Canada (the “**Debenture Trustee**”). The following description of the Debentures is a summary of their material attributes and characteristics, which does not purport to be complete and is qualified in its entirety by reference to the Indenture. The following summary uses words and terms which will be defined in the Indenture. For full particulars, reference is made to the Indenture.

General

The Debentures will be issued under and pursuant to the provisions of the Indenture to be entered into between the Corporation and the Debenture Trustee. The Debentures will be limited to the aggregate principal amount of \$70,000,000 (plus any Debentures issued upon exercise of the Over-Allotment Option). The Corporation may, however, from time to time, without the consent of the holders of the outstanding debentures of the Corporation, issue debentures in addition to the Debentures offered hereby.

The Debentures will be dated as of the Closing Date and will be issuable only in denominations of \$1,000 and integral multiples thereof. The Debentures will mature initially on the Initial Maturity Date. If the closing of the Arrangement takes place on or prior to the Initial Maturity Date, the maturity date of the Debentures will be automatically extended from the Initial Maturity Date to the Final Maturity Date. If the closing of the Arrangement does not take place by the Initial Maturity Date, the Debentures will mature on the Initial Maturity Date. If the Debentures mature on the Initial Maturity Date, holders of the Debentures will receive, on the third business day following the Initial Maturity Date, an amount equal to the issue price of the Debentures, plus the accrued and unpaid interest thereon to, but excluding the Initial Maturity Date.

At the closing of the Offering, the Debentures will be available for delivery in book-entry form only through the facilities of CDS. Holders of beneficial interests in the Debentures will not have the right to receive physical certificates evidencing their ownership of Debentures except under certain circumstances described under “*Description of the Debentures - Book Entry, Delivery and Form*”. No fractional Debentures will be issued.

The Debentures will bear interest from the date of issue at 5.75% per annum, which will be payable semi-annually on the 30th day of April and the 31st day of October in each year, commencing on October 31, 2010, computed on the basis of a 365-day year. The first payment will represent accrued interest for the period from the closing of the Offering up to, but excluding October 31, 2010. The interest on the Debentures will be payable in lawful money of Canada as specified in the Indenture. Subject to any required regulatory approval and provided no Event of Default has occurred and is continuing, the Corporation shall have the option to pay such interest by delivering a number of Common Shares to an agent for sale, in which event holders of the Debentures will be entitled to receive a cash payment equal to the interest owed from the proceeds of the sale of the requisite number of Common Shares by the agent. See “*Description of the Debentures - Interest Payment Election*” below. The Indenture will not contain a requirement for the Corporation to increase the amount of interest or other payments to holders of Debentures should the Corporation become required to withhold amounts in respect of income or similar taxes on payment of interest or other amounts. See “*Risk Factors - Possibility of Withheld Amounts*”.

The principal on the Debentures will be payable in lawful money of Canada or, at the option of the Corporation and subject to applicable regulatory approval, by delivery of Common Shares to satisfy in whole or in part its obligation to repay principal under the Debentures as further described under “*Description of the Debentures - Payment upon Redemption or Maturity*” and “*Description of the Debentures - Redemption and Purchase*”.

The Debentures will be direct obligations of the Corporation and will not be secured by any mortgage, pledge, hypothec or other charge and will be subordinated to other liabilities of the Corporation as described under “*Description of the Debentures - Subordination*”.

The Indenture will not restrict the Corporation from incurring additional indebtedness for borrowed money or from mortgaging, pledging or charging its assets to secure any indebtedness. The Debentures will be transferable, and may be presented for conversion, at the principal offices of the Debenture Trustee in Montréal, Québec.

The Debentures will mature on April 30, 2017, assuming the Arrangement has been completed on or prior to the Initial Maturity Date.

Conversion Privilege

The Debentures will be convertible at the holder’s option into fully paid, non-assessable and freely tradable Common Shares at any time prior to the close of business on the earlier of the Maturity Date and the last business day immediately preceding the date specified by the Corporation for redemption of the Debentures, at a conversion price of \$10.65 per Common Share being a ratio of approximately 93.8967 Common Shares per \$1,000 principal amount of Debentures. No adjustment will be made for dividends payable on Common Shares issuable upon conversion; however, holders converting their Debentures shall be entitled to receive, in addition to the applicable number of Common Shares, accrued and unpaid interest in respect thereof for the period from the latest Interest Payment Date up to, but excluding, the date of conversion.

Subject to the provisions thereof, the Indenture will provide for the adjustment of the Conversion Rights in certain events including: (i) the subdivision or consolidation of the outstanding Common Shares; (ii) the issuance of Common Shares, options, rights or warrants or other securities convertible or exchangeable into Common Shares to all or substantially all the holders of Common Shares (other than the issue of Common Shares to the holders of Common Shares who have elected to receive dividends in the form of Common Shares in lieu of cash dividends) entitling them to acquire Common Shares or other securities convertible into Common Shares at less than 95% of the then Current Market Price (as defined hereafter) of the Common Shares; and (iii) the distribution to all or substantially all holders of Common Shares of any securities or assets (other than cash dividends and equivalent dividends in securities paid in lieu of cash dividends in the ordinary course).

Provided the Common Shares are then listed on the TSX, the term “Current Market Price” will be defined in the Indenture to mean the volume weighted average trading price of the Common Shares on the TSX for the 20 consecutive trading days ending on the fifth trading day preceding the date of the applicable event.

There will be no adjustment of the Conversion Price in respect of any event described in (ii) or (iii) above if, subject to prior regulatory approval, if required, the holders of the Debentures are allowed to participate as though they had converted their Debentures prior to the applicable record date or effective date. The Corporation will not be required to make adjustments in the Conversion Price unless the cumulative effect of such adjustments would change the Conversion Price by at least 1%. In the case of any reclassification or change (other than a change resulting only from consolidation or subdivision) of the Common Shares or in case of any amalgamation, consolidation or merger of the Corporation with or into any other entity, or in the case of any sale, transfer or other disposition of the properties and assets of the Corporation as, or substantially as, an entirety to any other entity, the terms of the conversion privilege shall be adjusted so that each Debenture shall, after such reclassification, change, amalgamation, consolidation, merger or sale, be exercisable for the kind and amount of securities or property of the Corporation, or such continuing, successor or purchaser entity, as the case may be, which the holder thereof would have been entitled to

receive as a result of such reclassification, change, amalgamation, consolidation, merger or sale if on the effective date thereof it had been the holder of the number of Common Shares into which the Debenture was convertible prior to the effective date of such reclassification, change, amalgamation, consolidation, merger or sale.

No fractional Common Shares will be issued on any conversion of the Debentures, but in lieu thereof the Corporation shall satisfy such fractional interest by a cash payment equal to the relevant fraction of the Current Market Price of a whole share. Upon conversion, the Corporation may offer and the converting holder may agree to the delivery of cash for all or a portion of the Debentures surrendered in lieu of Common Shares.

Redemption and Purchase

The Debentures may not be redeemed by the Corporation on or before April 30, 2013 (except in certain limited circumstances following a Change of Control). See "*Description of the Debentures - Repurchase upon a Change of Control*" below. After April 30, 2013 and prior to April 30, 2015, the Debentures may be redeemed in whole or in part from time to time at the option of the Corporation on not more than 60 day and not less than 30 day prior written notice at a redemption price equal to their principal amount plus accrued and unpaid interest thereon, provided that the Current Market Price of the Common Shares on the date on which notice of redemption is given is not less than 125% of the Conversion Price. On or after April 30, 2015 and prior to the Final Maturity Date, the Debentures may be redeemed by the Corporation, in whole or in part, from time to time on not more than 60-day and not less than 30-day prior notice at a redemption price equal to their principal amount plus accrued and unpaid interest.

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

The Corporation or any of its affiliates will have the right to purchase Debentures in the market, by tender, or by private contract, provided however that, if an Event of Default has occurred and is continuing, the Corporation or any of its affiliates will not have the right to purchase Debentures by private contract.

Payment upon Redemption or Maturity

Upon redemption (the "**Redemption Date**") or on the Final Maturity Date, the Corporation will repay the indebtedness represented by the Debentures by paying to the Debenture Trustee in lawful money of Canada an amount equal to the principal amount of the outstanding Debentures, together with accrued and unpaid interest thereon. The Corporation may, at its option, on not more than 60-day and not less than 40-day prior notice and subject to any required regulatory approvals, unless an Event of Default has occurred and is continuing, elect to satisfy its obligation to repay, in whole or in part, the principal amount of the Debentures which are to be redeemed or which have matured by issuing and delivering freely tradeable Common Shares to the holders of the Debentures. The number of Common Shares to be issued will be determined by dividing the principal amount of the Debentures which are to be redeemed or have matured by 95% of the Current Market Price of the Common Shares on the Redemption Date or the Final Maturity Date, as the case may be.

No fractional Common Shares will be issued to holders of Debentures, but in lieu thereof, the Corporation shall satisfy such fractional interest by a cash payment equal to the relevant fraction of the Current Market Price of a whole share.

Cancellation

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

Subordination

The payment of the principal of, and interest on, the Debentures will be subordinated in right of payment, in the circumstances referred to below and more particularly as set forth in the Indenture, to the prior payment in full of all existing and future Senior Indebtedness of the Corporation. "Senior Indebtedness" of the Corporation will be defined in the Indenture and will include: (a) indebtedness of the Corporation for borrowed money; (b) obligations of the Corporation evidenced by bonds, debentures, notes or other similar instruments; (c) obligations of the Corporation arising pursuant or in relation to bankers' acceptances, letters of credit and letters of guarantee (including payment and reimbursement obligations in respect thereof) or indemnities issued in connection therewith; (d) obligations of the Corporation under any swap, hedging or other similar contracts or arrangements; (e) obligations of the Corporation under guarantees, indemnities, assurances, legally binding comfort letters or other contingent obligations relating to the Senior Indebtedness or other obligations of any other person which would otherwise constitute Senior Indebtedness within the meaning of this definition; (f) all indebtedness of the Corporation representing the

deferred purchase price of any property including, without limitation, purchase money mortgages; (g) accounts payable to trade creditors; (h) all renewals, extensions and refinancing of any of the foregoing; and (i) all costs and expenses incurred by or on behalf of the holder of any Senior Indebtedness in enforcing payment or collection of any such Senior Indebtedness, including enforcing any security interest securing the same. The Debentures will be effectively structurally subordinate to claims of creditors (including trade creditors and holders of subordinated debt) of the Corporation subsidiaries, and will rank *pari passu* to all future subordinated unsecured indebtedness of the Corporation.

The Indenture will provide that in the event of any insolvency or bankruptcy proceedings, or any receivership, liquidation or reorganization or other similar proceedings relating to the Corporation, or to its property or assets, or in the event of any proceedings for voluntary liquidation, dissolution or other winding-up of the Corporation, whether or not involving insolvency or bankruptcy, or any marshalling of the assets and liabilities of the Corporation, then holders of Senior Indebtedness will receive payment in full before the holders of Debentures will be entitled to receive any payment or distribution of any kind or character, whether in cash, property or securities, which may be payable or deliverable in any such event in respect of any of the Debentures or any unpaid interest accrued thereon.

The Indenture will also provide that the Corporation will not make any payment, and the holders of the Debentures will not be entitled to demand, institute proceedings for the collection of, or receive any payment or benefit (including, without any limitation, by set-off, combination of accounts or realization of security or otherwise in any manner whatsoever) on account of indebtedness represented by the Debentures at any time when a default or an event of default has occurred under the Senior Indebtedness and is continuing or upon the acceleration of certain Senior Indebtedness and the notice of such default or event of default or acceleration has been given by or on behalf of holders of Senior Indebtedness to the Corporation, unless such notice has been revoked, such default or event of default has been cured or the Senior Indebtedness has been repaid or satisfied in full as defined in the Indenture.

The Debenture Trustee and the Corporation will also be authorized (and obligated upon any request from certain holders of Senior Indebtedness) under the Indenture to enter into subordination agreements on behalf of the holders of Debentures with any holder of Senior Indebtedness.

Repurchase upon a Change of Control

Upon the occurrence of a Change of Control of the Corporation, the holders of the Debentures will have the right to require the Corporation to repurchase their Debentures, in whole or in part at a price equal to 100% of the principal amount thereof (the “**Offer Price**”) plus accrued and unpaid interest thereon. A Change of Control will be deemed to occur upon: (i) an acquisition by a person or group of persons acting jointly or in concert (within the meaning of the *Securities Act* (Ontario) (the “**Securities Act**”)) of ownership of, or voting control or direction over, 50% or more of the Common Shares; or (ii) the sale or other transfer of all or substantially all of the consolidated assets of the Corporation.

A Change of Control will not include a sale, merger, reorganization, or other similar transaction if the previous holders of the Common Shares hold at least 50% of the voting control in such merged, reorganized or other continuing entity. For greater certainty, the Arrangement or the consummation of a transaction which constitutes a Superior Proposal shall not be considered a Change of Control.

If 90% or more of the aggregate principal amount of the Debentures outstanding on the date of the giving of notice of the Change of Control have been tendered for purchase following a Change of Control, the Corporation will have the right to redeem all the remaining Debentures on the purchase date, together with accrued and unpaid interest to such date. Notice of such redemption must be given to the Debenture Trustee by the Corporation within 10 days following expiry of the right of the holders of the Debentures to require repurchase after the Change of Control and, as soon as possible thereafter, by the Debenture Trustee to the holders of the Debentures not tendered for purchase.

The Indenture will contain notification provisions to the effect that:

- (a) the Corporation will promptly give written notice to the Debenture Trustee of the occurrence of a Change of Control and the Debenture Trustee will thereafter give to the Debentureholders a notice of the Change of Control, the right of the holders of Debentures to require repurchase and the right of the Corporation to redeem untendered Debentures under certain circumstances; and
- (b) a Debenture holder, to exercise the right to require repurchase following the Change of Control, must deliver to the Debenture Trustee, not less than five business days prior to the date which is 30 days after the date the Debenture Trustee delivers notice of the Change of Control to the Debentureholder, written notice of the holder’s exercise of the right to require repurchase, together with a duly endorsed form of transfer.

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

Cash Change of Control

If a Change of Control occurs in which 10% or more of the consideration for the Common Shares in the transaction or transactions constituting a Change of Control consists of: (i) cash; (ii) equity securities that are not traded or intended to be traded immediately following such transactions on a stock exchange; or (iii) other property that is not traded or intended to be traded immediately following such transactions on a stock exchange (a “**Cash Change of Control**”), then subject to regulatory approvals, during the period beginning ten trading days before the anticipated date on which the Change of Control becomes effective (the “**Effective Date**”) and ending 30 days after the notice of the Change of Control is delivered, holders of Debentures will be entitled to convert their Debentures at a new conversion price (the “**Change of Control Conversion Price**”) calculated as follows:

$COCCP = OCP / (1 + (CP \times (c/t)))$ where:

COCCP is the Change of Control Conversion Price;

OCP is the Conversion Price in effect on the Effective Date;

CP = 34.8%;

c = the number of days from and including the Effective Date to but excluding the Final Maturity Date; and

t = the number of days from and including the Closing Date to but excluding the Final Maturity Date.

In the event that the Change of Control Conversion Price calculated in accordance with the formula above is less than any regulatory permitted discount to market price, the Change of Control Conversion Price shall be deemed to be that implied by the maximum permitted discount to market price.

Interest Payment Election

Unless an Event of Default has occurred and is continuing, the Corporation may elect, from time to time, subject to applicable regulatory approval, to satisfy its obligation to pay interest on the Debentures (the “**Interest Obligation**”), on an Interest Payment Date, (i) in cash; (ii) by delivering sufficient Common Shares to the Debenture Trustee, for sale, to satisfy the Interest Obligation on the Interest Payment Date, in which event holders of the Debentures will be entitled to receive a cash payment equal to the interest payable from the proceeds of the sale of such Common Shares (the “**Common Share Interest Payment Election**”); or (iii) any combination of (i) and (ii) above.

The Indenture will provide that, upon the Corporation making a Common Share Interest Payment Election, the Debenture Trustee shall (i) accept delivery from the Corporation of Common Shares; (ii) accept bids with respect to, and consummate sales of, such Common Shares, each as the Corporation shall direct in its absolute discretion through the investment banks, brokers or dealers identified by the Corporation; (iii) invest the proceeds of such sales in securities issued or guaranteed by the Government of Canada which mature prior to the applicable Interest Payment Date, and use the proceeds received from investment in such permitted government securities, together with any additional cash provided by the Corporation, to satisfy the Interest Obligation; and (iv) perform any other action necessarily incidental thereto.

The Indenture will set forth the procedures to be followed by the Corporation and the Debenture Trustee in order to effect the Common Share Interest Payment Election. If a Common Share Interest Payment Election is made, the sole right of a holder of Debentures in respect of interest will be to receive a cash payment equal to the interest owed on their Debentures from the Debenture Trustee out of the proceeds of the sale of Common Shares (plus any amount received by the Debenture Trustee from the Corporation) in full satisfaction of the Interest Obligation, and the holder of such Debentures will have no further recourse to the Corporation in respect of the Interest Obligation.

Neither the Corporation’s making of the Common Share Interest Payment Election nor the consummation of sales of Common Shares will (a) result in the holders of the Debentures not being entitled to receive on the applicable Interest Payment Date cash in an aggregate amount equal to the interest payable on such Interest Payment Date; or (b) entitle such holders to receive any Common Shares in satisfaction of the Interest Obligation.

Modification

The rights of the Debentureholders as well as any other series of debentures that have been or may be issued under the Indenture may be modified in accordance with the terms of the Indenture. For that purpose, among others, the Indenture will contain certain provisions which make binding on all Debentureholders resolutions passed at meetings of the Debentureholders by votes cast thereat by holders of not less than 66 $\frac{2}{3}$ % of the principal amount of the then outstanding Debentures present at the meeting or represented by proxy, or rendered by instruments in writing signed by the holders of not less than 66 $\frac{2}{3}$ % of the principal amount of the then outstanding Debentures. In certain cases, the modification will, instead or in addition, require assent by the holders of the required percentage of each particularly affected series of debentures, as the case may be. Under the Indenture, certain amendments may be made to the Indenture without the consent of the Debentureholders.

Events of Default

The Indenture will provide that an event of default (“**Event of Default**”) in respect of the Debentures will occur if certain events described in the Indenture occur, including if any one or more of the following described events has occurred and is continuing with respect to the Debentures: (i) failure for 15 days to pay interest on the Debentures when due; (ii) failure to pay principal or premium, if any, on the Debentures, whether at maturity, upon redemption, by declaration or otherwise; or (iii) certain events of bankruptcy, insolvency or reorganization of the Corporation under bankruptcy or insolvency laws. If an Event of Default has occurred and is continuing, the Debenture Trustee may, in its discretion, and shall, upon the request of holders of not less than 25% in principal amount of the then outstanding Debentures, declare the principal of (and premium, if any) and interest on all outstanding Debentures to be immediately due and payable.

Offers for Debentures

The Indenture will contain provisions to the effect that if an offer is made for the Debentures which is a take-over bid for Debentures within the meaning of the Securities Act and not less than 90% of the Debentures (other than Debentures held at the date of the take-over bid by or on behalf of the offeror or associates or affiliates of the offeror) are taken up and paid for by the offeror, the offeror will be entitled to acquire the Debentures held by Debentureholders who did not accept the offer on the terms offered by the offeror.

Book Entry, Delivery and Form

Debentures will be issued in the form of fully registered global Debentures (the “**Global Debentures**”) held by, or on behalf of, CDS or its successor (the “**Depository**”), as custodian for its participants.

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

If the Depository notifies the Corporation that it is unwilling or unable to continue as depository in connection with the Global Debentures, or if at any time the Depository ceases to be a clearing agency or otherwise ceases to be eligible to be a depository and the Corporation and the Debenture Trustee are unable to locate a qualified successor, or if the Corporation elects, in its sole discretion, to terminate the book-entry system, with the consent of the Debenture Trustee, or if under certain circumstances described in the Indenture, an Event of Default has occurred, beneficial owners of Debentures represented by Global Debentures at such time will receive Debentures in registered and definitive form (the “**Definitive Debentures**”).

Transfer and Exchange of Debentures

Transfers of beneficial ownership in Debentures represented by Global Debentures will be effected through records maintained by the Depository for such Global Debentures or its nominees (with respect to interests of participants) and on the records of participants (with respect to interests of persons other than participants). Unless the Corporation elects, in its sole discretion, to prepare and deliver Definitive Debentures, beneficial owners who are not participants in the Depository’s book

entry system, but who desire to purchase, sell or otherwise transfer ownership of or other interests in Global Debentures, may do so only through participants in the Depository's book-entry system.

The ability of a beneficial owner of an interest in a Debenture represented by a Global Debenture to pledge the Debenture or otherwise take action with respect to such owner's interest in a Debenture represented by a Global Debenture (other than through a participant) may be limited due to the lack of a physical certificate.

Registered holders of Definitive Debentures may transfer such Debentures upon payment of taxes or other charges incidental thereto, if any, by executing and delivering a form of transfer together with the Debentures to the registrar for the Debentures at its principal offices in Montréal, Québec or such other city or cities as may from time to time be designated by the Corporation, whereupon new Debentures will be issued in authorized denominations in the same aggregate principal amount as the Debentures so transferred, registered in the names of the transferees. No transfer of a Debenture will be registered on any Interest Payment Date or during the five business days preceding the Interest Payment Date or on any Redemption Date or during the five business days preceding the Redemption Date.

Payments

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

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

If Definitive Debentures are issued instead of or in place of Global Debentures, payments of interest on each Definitive Debenture will be made by electronic funds transfer, if agreed to by the holder of the Definitive Debenture, or by cheque dated the Interest Payment Date and mailed to the address of the holder appearing in the register maintained by the registrar for the Debentures at least one business day prior to the applicable Interest Payment Date. Payment of principal at maturity will be made at the principal office of the paying agent in the City of Toronto (or in such other city or cities as may from time to time be designated by the Corporation) against surrender of the Definitive Debentures, if any.

Reports to Holders

The Corporation shall file with the Debenture Trustee, within 15 days after the filing thereof with the securities commission or securities regulatory authority in the provinces in which the Corporation is a reporting issuer (the "**Securities Commissions**"), copies of the Corporation's information, documents and other reports that the Corporation is required to file with the Securities Commissions and deliver to shareholders. Notwithstanding that the Corporation may not be required to remain subject to the reporting requirements of the Securities Commissions, the Corporation shall provide to the Debenture Trustee (a) within 90 days after the end of each fiscal year (or such later date as may be permitted by the Autorité des marchés financiers (the "**AMF**")), the annual financial statements of the Corporation, and (b) within 45 days after the end of each of the first three fiscal quarters of each fiscal year (or such later date as may be permitted by the AMF), interim financial statements of the Corporation which shall, at a minimum, contain such information as is required to be provided in annual filings and quarterly reports under the laws of Canada or any province thereof to security holders of a company with securities listed on the TSX, whether or not the Corporation has any of its securities so listed. Each of such reports will be prepared in accordance with Canadian disclosure requirements for public companies. The Corporation will provide copies of such information, documents and reports to holders of Debentures upon request.

Governing Law

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

DESCRIPTION OF SHARE CAPITAL

The authorized share capital of the Corporation consists of an unlimited number of Common Shares and an unlimited number of preferred shares issuable in series, of which none are issued and outstanding. Holders of Common Shares are entitled to receive dividends as and when declared by the board of directors of the Corporation and are entitled to one vote per share on all matters to be voted on at all meetings of shareholders. Upon the voluntary or involuntary liquidation, dissolution or winding-up of the Corporation, the holders of Common Shares will be entitled to share rateably in the remaining assets available for distribution, after payment of liabilities.

The Common Shares into which the Debentures are convertible are listed for trading on the TSX under the symbol "INE". At the close of business on February 24, 2010, there were 23,500,000 Common Shares outstanding. Upon completion of the Arrangement (assuming no conversion of the Debentures and no additional share issuances other than as contemplated by the Arrangement) there will be 59,532,606 Common Shares outstanding.

PRIOR SALES

Other than in respect of the Offering and pursuant to the Arrangement Agreement, since December 31, 2008, the Corporation has not sold or agreed to sell or issue any Common Shares or securities convertible into Common Shares. Pursuant to the Arrangement, the Fund Unitholders (other than the Corporation) will exchange their Fund Units for Common Shares of the Corporation on the basis of an exchange ratio of 1.460 Common Shares for each Fund Unit such that, on the closing date of the Arrangement, 36,032,606 Common Shares will be issued to Fund Unitholders. See "*Recent Developments*".

EARNINGS COVERAGE RATIO

The Corporation's losses before interest and income tax expense for the year ended December 31, 2008, as restated for the retroactive application of the CICA Handbook Section 3064, and the twelve-month period ended September 30, 2009 were \$47,161,000 and \$31,148,000, respectively.

The earnings coverage ratios for the Corporation for the year ended December 31, 2008 and for the twelve-month period ended September 30, 2009 are less than one-to-one.

The Corporation's interest requirements, before giving effect to the issuance of the Debentures and the Arrangement, for the year ended December 31, 2008 and the twelve-month period ended September 30, 2009 amount to \$11,695,000 and \$14,202,000, respectively, for earnings to interest coverage ratios of minus 4.03 times and minus 2.19 times, respectively. The Corporation's pro forma interest requirements, after giving effect to the issuance of the Debentures but before giving effect to the Arrangement, for the year ended December 31, 2008 and the twelve-month period ended September 30, 2009 amounted to \$16,255,000 and \$18,763,000, respectively, for earnings to interest coverage ratios of minus 2.90 times and minus 1.66 times, respectively. Since the Debentures are convertible into Common Shares, they are accounted for, in part, as equity. The liability portion of the Debentures is accreted up to the face value of the Debentures during the period they are outstanding, resulting in non-cash interest charges. The aforementioned ratios have been calculated including these non-cash interest charges.

The Corporation's pro forma losses, before interest and income tax expense and after giving effect to the issuance of the Debentures and the completion of the Arrangement, for the year ended December 31, 2008 and for the twelve-month period ended September 30, 2009 were \$31,789,000 and \$13,010,000 respectively. The Corporation's pro forma interest requirements, after giving effect to the issuance of the Debentures and the completion of the Arrangement, for the year ended December 31, 2008 and for the twelve-month period ended September 30, 2009 amount to \$31,266,000 and \$34,764,000 respectively for an earnings to interest coverage ratio of minus 1.02 and minus 0.37 times respectively. Based on earnings coverage ratio as prescribed by the Canadian Securities Administrators, the additional earnings, required to bring the ratios to one-to-one are \$63,055,000 at December 31, 2008 and \$47,775,000 at September 30, 2009.

The earnings coverage ratios set forth above have been prepared in accordance with Canadian disclosure requirements, using financial information that was prepared in accordance with Canadian GAAP. The pro forma earnings assume that there are no additional earnings derived from the net proceeds of the Debentures. Earnings coverage is equal to net income before interest expense on all long-term debt and income taxes divided by interest expense on all long-term debt.

CONSOLIDATED CAPITALIZATION

The following table sets forth the consolidated capitalization of the Corporation as at the dates indicated before and after the completion of the Offering and the Arrangement. This table should be read in conjunction with the financial statements of the Corporation (including the unaudited pro forma consolidated financial statements of the Corporation giving effect to the Arrangement) incorporated by reference into this short form prospectus.

<i>(\$000s)</i>	As at December 31, 2008	As at September 30, 2009	As at September 30, 2009 after giving effect to, <i>inter alia</i> , the Offering ¹ and the Arrangement ⁽²⁾
Indebtedness:			
Debt ³	175,258	200,260	392,749
Debentures	-	-	64,550
Shareholders' equity:			
Share Capital	229,472	229,472	15,574
Convertible debentures – Equity component	-	-	1,700
Contributed Surplus	1,694	2,867	412,190
Warrants	175	175	25
Total deficit and cumulative other comprehensive income...	(34,302) ⁽⁴⁾	(30,530)	(118,283)
Total Shareholders' Equity:	197,039	201,984	311,206

Notes:

- (1) Not including the proceeds from the sale of the Debenture pursuant to the Over-Allotment Option.
- (2) Including the reductions of the stated capital account maintained in respect of the Common Shares, to be effected in connection with the Arrangement.
- (3) Includes current portion and bank loan.
- (4) As restated for the retroactive application of the CICA Handbook Section 3064.

TRADING PRICE AND VOLUME

The Common Shares are listed and trade on the TSX. The trading symbol for the Common Shares is "INE". The following table sets forth the trading history of the Common Shares for each month in the twelve month period ended January 31, 2010 and for the 24-day period ended February 24, 2010.

	High (\$)	Low (\$)	Volume
<u>2009</u>			
February	4.10	3.55	55,342
March	4.08	3.70	32,481
April	3.99	2.75	201,762
May	3.95	3.00	520,712
June	4.50	3.20	400,768
July	4.45	3.12	272,815
August	5.25	3.76	355,895
September	5.15	4.50	686,317
October	5.75	4.91	516,958
November	5.35	5.00	199,485
December	5.50	5.01	220,134
<u>2010</u>			
January	5.70	5.30	275,038
February 1 to 24	8.20	6.30	2,811,358

On January 29, 2010, the last trading day on which the Common Shares traded prior to the announcement of the Arrangement, the closing price of the Common Shares on the TSX was \$5.43. On February 24, 2010, the closing price of the Common Shares on the TSX was \$7.80.

PLAN OF DISTRIBUTION

Subject to the terms and conditions contained in the Underwriting Agreement dated February 18, 2010 (the “**Underwriting Agreement**”), the Corporation has agreed to issue and sell and the Underwriters have agreed to purchase, jointly and not solidarily (the equivalent of severally in common law), on the closing date, being March 8, 2010 or such other date as may be agreed upon by the Corporation and the Underwriters, subject to the conditions in the Underwriting Agreement, an aggregate \$70,000,000 principal amount of Debentures, payable in cash to the Corporation against delivery by the Corporation of certificates evidencing the Debentures. The Debentures are being offered to the public in all of the provinces of Canada. The terms and conditions were determined by negotiation between the Corporation and the Underwriters. The Underwriting Agreement provides that the Corporation will pay the Underwriters’ fee of \$40.00 per \$1,000 principal amount of Debentures in consideration for their services in connection with the Offering.

The Corporation has granted to the Underwriters the Over-Allotment Option to purchase up to an additional \$10,500,000 principal amount of the Debentures at a price of \$1,000 per Debenture on the same terms and conditions as the Offering, exercisable in whole or in part, at the sole discretion of the Underwriters at any one time on or prior to the 30th day after the closing of the Offering, for the purposes of covering the Underwriters’ over-allotment position, if any. If the Over-Allotment Option is exercised in full, the “Price to the Public”, “Underwriters’ Fee” and “Net Proceeds” (before deducting expenses of the Offering) will be \$80,500,000, \$3,220,000 and \$77,280,000, respectively. This short form prospectus also qualifies for distribution the grant of the Over-Allotment Option and the issuance of Debentures pursuant to the exercise of the Over-Allotment Option. A purchaser who accepts Debentures forming part of the Over-Allotment Option acquires such Debentures under the short form prospectus regardless of whether the over-allotment position is filled through the exercise of the Over- Allotment Option or secondary market purchases.

The TSX has conditionally approved the listing of the Debentures to be issued under the Offering and the Common Shares issuable on conversion, maturity or redemption of the Debentures. Listing is subject to the Corporation fulfilling all of the requirements of the TSX.

The obligations of the Underwriters under the Underwriting Agreement are joint and may be terminated at their discretion upon the occurrence of certain stated events. If an Underwriter fails to purchase the Debentures which it has agreed to purchase and the aggregate number of Debentures failed to be purchased exceeds 12% of the Debentures, the other Underwriters may, but are not obligated to, purchase such Debentures. The Underwriters are, however, obligated to take up and pay for all Debentures if any Debentures are purchased under the Underwriting Agreement. The Underwriters propose to offer the Debentures to the public initially at the Offering price and in the principal amount, respectively, specified on the cover page of this prospectus. After the Underwriters have made a reasonable effort to sell all of the Debentures at the Offering price and in the principal amount, respectively, specified on the cover page, the Offering price for the Debentures may be decreased and may be further changed from time to time to amounts not greater than those set forth on the cover page. The compensation realized by the Underwriters will be decreased by the amount that the aggregate price paid by the purchasers of the Debentures is less than the amount paid by the Underwriters to the Corporation.

Pursuant to rules and regulations of certain securities regulators, the Underwriters may not, throughout the period of distribution, bid for or purchase Debentures. The foregoing restriction is subject to exceptions, on the condition that the bid or purchase is not engaged in for the purpose of creating actual or apparent active trading in, or raising the price of, the Debentures. These exceptions include bids or purchases permitted under the Universal Market Integrity Rules for Canadian Marketplaces of Market Regulation Services Inc. relating to market stabilization and passive market making activities and bids or purchases made for and on behalf of a customer where the order was not solicited during the period of distribution. Under the first mentioned exception, in connection with this Offering, the Underwriters may effect transactions that stabilize or maintain the market price of the Debentures at levels other than those which might otherwise prevail in the open market. Those transactions, if commenced, may be interrupted or discontinued at any time.

The Corporation has agreed with the Underwriters, subject to certain exceptions, not to issue, offer, sell, contract to sell or otherwise issue any Common Shares or any securities convertible into or exercisable or exchangeable for any Common Shares or financial instruments convertible into or exercisable or exchangeable for Common Shares, or announce any intention to effect any of the foregoing, for a period of 90 days from the date of closing without the prior written consent of BMO Nesbitt Burns Inc. and TD Securities Inc., on behalf of the Underwriters, which consent may not be unreasonably withheld.

The Securities have not been and will not be registered under the U.S. Securities Act or any state securities laws, and may not be offered or sold within the United States except in transactions exempt from the registration requirements of the U.S. Securities Act and applicable state securities laws.

The Underwriters have agreed that they will not offer, sell or deliver Debentures within the United States, except pursuant to certain transactions that are exempt from registration under the U.S. Securities Act. This short form prospectus does not constitute an offer to sell or a solicitation of an offer to buy any Securities within the United States. In addition, until 40 days after the commencement of the Offering, an offer or sale of the Debentures within the United States by any dealer (whether or not participating in the Offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with an exemption from registration under the U.S. Securities Act.

The Debentures will be issued in book-entry only form and must be purchased or transferred through a CDS participant. At closing, the Corporation will cause a global certificate or certificates representing the Debentures to be delivered to, and registered in the name of, CDS or its nominee. All rights of holders of Debentures must be exercised through, and all payments or other property to which such holder is entitled will be made or delivered by, CDS or the CDS participant through which the holder of Debentures holds such Debentures. See “*Description of the Debentures - Book Entry, Delivery and Form*”.

INTEREST OF EXPERTS

Certain legal matters in connection with the Offering will be passed upon on behalf of the Corporation by McCarthy Tétrault LLP and on behalf of the Underwriters by Borden Ladner Gervais LLP. In connection with the Arrangement (i) National Bank Financial Inc. (“**NBF**”) was retained by the IPT Special Committee to prepare and deliver the Formal Valuation and Fund Fairness Opinion, a copy of which is attached as Appendix D to the Circular incorporated by reference herein, (ii) TD Securities Inc. was retained by the Corporation Special Committee and the Board of Directors of the Corporation to prepare and deliver the Corporation Fairness Opinion, a copy of which is attached as Appendix E to the Circular incorporated by reference herein, and (iii) McCarthy Tétrault LLP and Fasken Martineau DuMoulin LLP passed upon certain legal matters on behalf of the Corporation and the IPT Special Committee respectively. As at the date hereof, (i) the partners and associates of McCarthy Tétrault LLP, as a group, beneficially own, directly or indirectly, less than 1% of the outstanding Common Shares or Fund Units, (ii) the partners and associates of Borden Ladner Gervais LLP, as a group, beneficially own, directly or indirectly, less than 1% of the outstanding Common Shares or Fund Units, (iii) the partners and associates of Fasken Martineau DuMoulin LLP, as a group, beneficially own, directly or indirectly, less than 1% of the outstanding Common Shares or Fund Units, (iv) the designated professionals of NBF, who prepared the Formal Valuation and Fund Fairness Opinion, as a group directly or indirectly, hold less than 1% of the outstanding Common Shares or Fund Units, and (v) the designated professionals of TD Securities Inc., who prepared the Corporation Fairness Opinion, as a group directly or indirectly, hold less than 1% of the outstanding Common Shares or Fund Units.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of McCarthy Tétrault LLP, counsel to the Corporation and Borden Ladner Gervais LLP, counsel to the Underwriters, the following is, as of the date hereof, a summary of the principal Canadian federal income tax considerations generally applicable under the Tax Act to a holder of Debentures who acquires Debentures pursuant to the Offering and who, for purposes of the Tax Act and at all relevant times, holds the Debentures and will hold the Common Shares issuable on the conversion, redemption or maturity of the Debentures (collectively, the “**Securities**”) as capital property, and deals at arm's length and is not affiliated with the Corporation (a “**Holder**”). Generally, the Securities will be considered to be capital property to a holder provided that the holder does not hold the Securities in the course of carrying on a business of buying and selling securities and has not acquired them in one or more transactions considered to be an adventure in the nature of trade. Certain holders who are residents of Canada and who might not otherwise be considered to hold their Debentures and Common Shares as capital property may, in certain circumstances, be entitled to have them treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act.

This summary is not applicable to a Holder: (i) that is a “financial institution” (as defined in the Tax Act for purposes of the mark-to-market rules); (ii) that is a “specified financial institution” (as defined in the Tax Act); (iii) an interest in which is a “tax shelter investment” (as defined in the Tax Act); or who makes or has made a functional currency reporting election pursuant to section 261 of the Tax Act. Any such Holder should consult its own tax advisor with respect to an investment in the Securities.

This summary is based on the provisions of the Tax Act in force at the date hereof, all specific proposals to amend the Tax Act which have been publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the “**Proposed Amendments**”), counsel's understanding of the current published administrative practices of the Canada Revenue Agency (the “**CRA**”). This summary assumes the Proposed Amendments will be enacted in the form proposed, however, no assurance can be given that the Proposed Amendments will be enacted in the form proposed, if at all. This summary is not

exhaustive of all possible Canadian federal income tax considerations and, except for the Proposed Amendments, does not take into account any changes in the law, whether by legislative, governmental or judicial action, nor does it take into account provincial, territorial or foreign tax considerations, which may differ significantly from those discussed herein.

This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to particular holder of Securities, and no representations with respect to the income tax consequences to any holder or prospective holder are made. This summary is not exhaustive of all Canadian federal income tax consequences. Consequently, holders and prospective holders should consult their own tax advisors for advice with respect to the tax consequences to them of acquiring the Securities pursuant to the Offering, having regard to their particular circumstances.

Holders Resident in Canada

The following discussion applies to a Holder of Securities who, at all relevant times, for purposes of the Tax Act and any applicable income tax treaty or convention, is resident in Canada (a “**Resident Holder**”).

Taxation of Interest on Debentures

A Resident Holder of Debentures that is a corporation, partnership, unit trust or any trust of which a corporation or a partnership is a beneficiary will be required to include in computing its income for a taxation year any interest on the Debentures that accrues to it to the end of the taxation year or that has become receivable by or is received by the Resident Holder before the end of that taxation year, except to the extent that such interest was included in computing the Resident Holder's income for a preceding taxation year.

Any other Resident Holder, including an individual, will be required to include in computing income for a taxation year all interest on the Debentures that is received or receivable by the Resident Holder in that taxation year (depending upon the method regularly followed by the Resident Holder in computing income), except to the extent that the interest was included in the Resident Holder's income for a preceding taxation year. In addition, if at any time a Debenture should become an “investment contract” (as defined in the Tax Act) in relation to a Resident Holder, such Resident Holder will be required to include in computing income for a taxation year any interest that accrues to the Resident Holder on the Debenture up to any “anniversary day” (as defined in the Tax Act) in that year to the extent such interest was not otherwise included in computing the Resident Holder's income for that year or a preceding year.

A Resident Holder of Debenture that throughout the relevant taxation year is a “Canadian-controlled private corporation” (as defined in the Tax Act) may be liable to pay the refundable tax of 6 2/3% on its “aggregate investment income”, which is defined in the Tax Act to include interest income.

As described above under the heading “*Description of the Debentures - Interest Payment Election*”, the Corporation may elect to pay interest by issuing Common Shares to the Debenture Trustee for sale, in which event a Resident Holder would be entitled to receive a cash payment equal to the interest owed to the Resident Holder from the proceeds of sale of such Common Shares by the Debenture Trustee. If the Corporation were to pay interest in this manner, the Canadian federal income tax consequences to a Resident Holder would generally be the same as those described above.

Exercise of the Conversion Privilege

Generally, a Resident Holder who converts a Debenture into Common Shares (or Common Share and cash delivered in lieu of a fraction of a Common Share) pursuant to the conversion privilege will be deemed not to have disposed of the Debenture and, accordingly, will not recognize a capital gain (or capital loss) on such conversion. Under the current administrative practice of the CRA, a Resident Holder who, upon conversion of a Debenture, receives cash not in excess of \$200 in lieu of a fraction of a Common Share may either treat this amount as proceeds of disposition of a portion of the Debenture, thereby recognizing a capital gain (or capital loss), or reduce the adjusted cost base of the Common Shares that the Resident Holder receives on the conversion by the amount of the cash received.

Upon a conversion of a Debenture, interest accrued thereon will be included in computing the income of the Resident Holder as described above under “*Taxation of Interest on Debentures*”.

The aggregate cost to a Resident Holder of the Common Shares acquired on the conversion of a Debenture will generally be equal to the aggregate of the Resident Holder's adjusted cost base of the Debenture immediately before the conversion. The adjusted cost base to a Resident Holder of Common Shares at any time will be determined by averaging the cost of such Common Shares with the adjusted cost base of any other Common Shares owned by the Resident Holder as capital property at the time.

Disposition of Debentures

A disposition or deemed disposition of a Debenture by a Resident Holder, including a redemption, payment on maturity, purchase for cancellation but not including the conversion of a Debenture into Common Shares pursuant to the Resident Holder's right of conversion described above, will generally result in the Resident Holder realizing a capital gain (or capital loss) equal to the amount by which the proceeds of disposition, net of accrued interest, are greater (or less) than the aggregate of the Resident Holder's adjusted cost base thereof and any reasonable costs of disposition. Such capital gain (or capital loss) will be subject to the tax treatment described below under "*Taxation of Capital Gains and Capital Losses*".

If the Corporation pays any amount upon the redemption, purchase or maturity of a Debenture by issuing Common Shares to the Resident Holder, the Resident Holder's proceeds of disposition of the Debenture will be equal to the fair market value, at the time of disposition of the Debenture, of the Common Shares and any other consideration so received (except consideration received in satisfaction of accrued interest). The Resident Holder's cost base of the Common Shares so received will be equal to the fair market value of such Common Shares. The adjusted cost base to a Resident Holder of Common Shares at any time will be determined by averaging the cost of such Common Shares with the adjusted cost base of any other Common Shares owned by the Resident Holder as capital property at the time.

Upon a disposition or deemed disposition of a Debenture, interest accrued thereon will be included in computing the income of the Resident Holder as described above under "*Taxation of Interest on Debentures*".

Receipt of Dividends on Common Shares

A Resident Holder will be required to include in computing its income for a taxation year any taxable dividends received or deemed to be received on such Resident Holder's Common Shares.

In the case of a Resident Holder who is an individual (other than certain trusts), such taxable dividends will be subject to the normal gross-up and dividend tax credit rules applicable to taxable dividends received from taxable Canadian corporations under the Tax Act. Taxable dividends received from a taxable Canadian corporation which are designated by such Corporation as "eligible dividends" will be subject to an enhanced gross-up and dividend tax credit regime in accordance with the rules in the Tax Act.

Taxable dividends received by a Resident Holder who is an individual (other than certain trusts) may result in such Resident Holder being liable for alternative minimum tax under the Tax Act. Resident Holders who are individuals should consult their own tax advisors in this regard.

In the case of a Resident Holder that is a corporation, the amount of any such taxable dividend that is included in its income for a taxation year will generally be deductible in computing its taxable income for that taxation year. The Tax Act imposes a 33 1/3% refundable tax on dividends received (or deemed to be received) in a taxation year by a corporation that is a "private corporation" or "subject corporation" (as defined in the Tax Act) for purposes of Part IV of the Tax Act to the extent that such dividends are deductible in computing the corporation's taxable income for the year.

Disposition of Common Shares

A disposition or deemed disposition of a Common Share by a Resident Holder (except to the Corporation) will generally result in the resident Holder realizing a capital gain (or capital loss) equal to the amount by which the proceeds of disposition of the Common Share are greater (or less) than the aggregate of the Resident Holder's adjusted cost base thereof and any reasonable cost of disposition. Such capital gain (or capital loss) will be subject to the tax treatment described below under "*Taxation of Capital Gains and Capital Losses*".

Taxation of Capital Gains and Capital Losses

Generally, one half of any capital gain realized by a Resident Holder (a "**taxable capital gain**") in a taxation year will be included in the Resident Holder's income for the year, and one half of any capital loss realized by a Resident Holder (an "**allowable capital loss**") in a taxation year must be deducted from taxable capital gains realized by the Resident Holder in that year. Allowable capital losses for a taxation year in excess of taxable capital gains for that year generally may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against net taxable capital gains realized in such years, to the extent and under the circumstances described in the Tax Act.

The amount of any capital loss realized by a Resident Holder that is a corporation on the disposition of a Common Share may be reduced by the amount of any dividends received or deemed to be received by the Resident Holder on such

Common Share (or on a share for which the Common Share has been substituted) to the extent and under the circumstances described in the Tax Act. Similar rules may apply where a corporation is a member of a partnership or a beneficiary of a trust that owns Common Shares, directly or indirectly, through a partnership or trust.

A Resident Holder that is throughout the relevant taxation year a “Canadian-controlled private corporation” (as defined in the Tax Act) may be liable to pay, in addition to tax otherwise payable under the Tax Act, a 6 2/3% refundable tax on certain investment income including taxable capital gains.

Capital gains realized by an individual (including certain trusts) may give rise to liability for alternative minimum tax as calculated under the detailed rules set out in the Tax Act.

Holders Not Resident in Canada

The following discussion applies to a Holder of Securities who, at all relevant times, for the purposes of the Tax Act and any applicable income tax treaty or convention, is neither a resident of Canada nor deemed to be resident in Canada and does not use or hold, and is not deemed to use or hold, the Securities in carrying on a business in Canada (a “**Non-Resident Holder**”). In addition, this discussion does not apply to an insurer who carries on an insurance business in Canada and elsewhere or an authorized foreign bank (as defined in the Tax Act).

Taxation of Interest on Debentures

A Non-Resident Holder will generally not be subject to Canadian withholding tax in respect of amounts paid or credited or deemed to have been paid or credited by the Corporation as, on account or in lieu of, or in satisfaction of, interest or principal on the Debentures. However, a Non-Resident Holder who transfers or is deemed to transfer a Debenture to a holder resident or deemed to be resident in Canada for purposes of the Tax Act should consult its own tax advisor for advice with respect to the tax consequences of such transfer.

Exercise of Conversion Privilege

The conversion of a Debenture into Common Shares only on the exercise of a conversion privilege by a Non-Resident Holder will generally be deemed not to constitute a disposition of the Debenture and, accordingly, a Non-Resident Holder will not recognize a gain (or loss) on such conversion.

Disposition of Debentures and Common Shares

A Non-Resident Holder will not be subject to tax under the Tax Act in respect of any capital gain realized by such Non-Resident Holder on a disposition or deemed disposition of a Debenture or a Common Shares, as the case may be, unless the Non-Resident Holder’s Debenture or Common Shares are, or are deemed to be, “taxable Canadian property” (as defined in the Tax Act) to the Non-Resident Holder at the time of disposition and the Non-Resident Holder is not entitled to relief under an applicable tax treaty between Canada and the country of residence of the Non-Resident Holder. As long as the Debentures, and in the case of Common Shares, the Common Shares are listed on a designated stock exchange (which currently includes the TSX) at the time of disposition, the Debentures and the Common Shares generally will not constitute taxable Canadian property of a Non-Resident Holder, unless, at any time during the 60-month period preceding the disposition, the Non-Resident Holder, persons not dealing at arm’s length with such Non-Resident Holder or the Non-Resident Holder together with all such persons, owned 25% or more of the issued shares of any class or series of the capital stock of the Corporation. A Non-Resident Holder owning Debentures or Common Shares that may constitute taxable Canadian property should consult its tax advisors prior to a disposition thereof.

Receipt of Dividends on Common Shares

Where a Non-Resident Holder receives or is deemed to receive a dividend on Common Shares, the amount of such dividend will be subject to Canadian withholding tax at the rate of 25% of the gross amount of the dividend unless the rate is reduced under the provisions of an applicable income tax treaty or convention between Canada and the Non-Resident Holder’s country of residence. Where the Non-Resident Holder is a resident of the United States who is entitled to benefits under the *Canada-United States Income Tax Convention (1980)* and is the beneficial owner of the dividends, the rate of Canadian withholding tax applicable to dividends is generally reduced to 15%.

RISK FACTORS

An investment in the Debentures is subject to certain risks. In addition to the risks described below relating to the ownership of the Debentures, reference is made to the “The Arrangement – Risk Factors Relating to the Arrangement” section of the Information Circular and the “Risk Factor” sections of the annual information form of the Corporation dated March 25, 2009 and the annual information form of the Fund dated March 16, 2009, all of which are incorporated herein by reference. Such risk factors could have a materially adverse effect on the future results of operations, business prospects or financial condition of the Corporation, and could cause actual events to differ materially from those described in forward-looking statements. Additional risks and uncertainties not presently known to the Corporation, or which the Corporation currently deems to be immaterial, may also have an adverse effect upon the Corporation.

Failure to Implement the Arrangement

There is no guarantee that the contemplated Arrangement will be implemented on the targeted closing date or that it will be implemented at all. Several factors may delay or prevent the closing of the Arrangement, including the failure to obtain the required securityholder, Court, Competition Act, TSX and other third party approvals in a timely manner and the termination of the Arrangement Agreement in the event of a Superior Proposal. If the Corporation fails to complete the Arrangement, the creditworthiness of the Corporation will be materially lower than the creditworthiness which would have benefited the Combined Entity after the Arrangement. In such a case, although the Corporation will be required to repay the Debentures at the Initial Maturity Date, such Debentures will remain subject to the subordination provisions described under the heading “*Description of the Debentures - Subordination*” and there is no guarantee that the Corporation will be able to repay the Debentures at such time.

Trading Market for Debentures

The Debentures constitute a new issue of securities of the Corporation for which there is currently no public market. Even though an application has been made to list the Debentures on the TSX, there can be no assurance that such listing application will be accepted by the TSX. The Debentures may trade at a discount from their offering price depending on prevailing interest rates, the market for similar securities, the performance of the Corporation and other factors. No assurance can be given as to whether an active trading market will develop or be maintained for the Debentures. To the extent that an active trading market for the Debentures does not develop, the liquidity and trading prices for the Debentures may be adversely affected.

Repayment of the Debentures

The Debentures mature on April 30, 2017. The Corporation may not be able to refinance the principal amount of the Debentures in order to repay the principal outstanding or may not have generated enough cash from operations to meet this obligation. There is no guarantee that the Corporation will be able to repay the outstanding principal amount upon maturity of the Debentures.

Absence of Covenant Protection

The Indenture will not restrict the Corporation or any of its subsidiaries from incurring additional indebtedness for borrowed money or otherwise from mortgaging, pledging or charging its real or personal property or properties to secure any indebtedness or other financing. The Indenture will not contain any provisions specifically intended to protect holders of the Debentures in the event of a future leveraged transaction involving the Corporation or any of its subsidiaries.

Redemption on a Change of Control

The Corporation will be required to offer to purchase all outstanding Debentures upon the occurrence of a Change of Control. However, it is possible that following a Change of Control, the Corporation will not have sufficient funds at that time to make the required purchase of outstanding Debentures or that restrictions contained in other indebtedness will restrict those purchases. See “Description of the Debentures – Cash Change of Control”.

Redemption Prior to Maturity

The Debentures may be redeemed, at the Corporation’s option, subject to certain conditions, on or after April 30, 2013 and prior to the Maturity Date in whole or in part, at a redemption price equal to the principal amount thereof, together with any accrued and unpaid interest, as described under “*Description of the Debentures - Redemption and Purchase*”. Holders of Debentures should assume that this redemption option will be exercised if the Corporation is able to refinance at a lower interest rate or it is otherwise in the interest of the Corporation to redeem the Debentures.

Conversion Following Certain Transactions

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

Credit Risk

The likelihood that purchasers of the Debentures will receive payments owing to them under the terms of the Debentures will depend on the financial health of the Corporation and its creditworthiness.

Subordination of Debentures

The Debentures are unsecured obligations of the Corporation and are subordinate in right of payment to all of the Corporation's existing and future Senior Indebtedness. In the event of the insolvency, bankruptcy, liquidation, reorganization, dissolution or winding up of the Corporation, the assets that serve as collateral for any Senior Indebtedness would be made available to satisfy the obligations of the creditors of such Senior Indebtedness before being available to pay the Corporation's obligations to Debentureholders. Accordingly, all or a substantial portion of the Corporation's assets could be unavailable to satisfy the claims of the Debentureholders.

Dilution

The Corporation may determine to redeem outstanding Debentures for Common Shares or to repay outstanding principal amounts thereunder at maturity of the Debentures by issuing additional Common Shares. The issuance of additional Common Shares may have a dilutive effect on the Corporation's shareholders and an adverse impact on the price of Common Shares.

Discretion in the Use of Proceeds

The Corporation will have discretion concerning the use of proceeds of the Offering as well as the timing of their expenditures. As a result, investors will be relying on the judgment of the Corporation's management as to the application of the proceeds of the Offering. The management of the Corporation may use the net proceeds of the Offering in ways that an investor may not consider desirable. The results and effectiveness of the application of the proceeds are uncertain. If the proceeds are not applied effectively, the Corporation's results of operations may suffer.

Possibility of Withheld Amounts

The Indenture will not contain a requirement for the Corporation to increase the amount of interest or other payments to holders of Debentures should the Corporation be required to withhold amounts in respect of income or similar taxes on payments of interest or other amounts.

RELATIONSHIP BETWEEN THE CORPORATION AND CERTAIN PERSONS

BMO Nesbitt Burns Inc., TD Securities Inc. and Laurentian Bank Securities Inc. are wholly-owned indirect subsidiaries of Canadian chartered banks that are currently lenders to the Corporation or the Fund under the Existing Credit Facilities which will be refinanced upon closing of the Arrangement pursuant to certain credit facilities to be entered into with Canadian chartered banks which are affiliates of BMO Nesbitt Burns Inc., TD Securities Inc. and Laurentian Bank Securities Inc. for an aggregate amount of \$170 million. See "*Recent Developments - The Combined Entity - New Credit Facilities*". Furthermore, upon closing of the Arrangement, the Corporation intends to use a portion of the proceeds of the Offering: i) as to approximately \$40 million, to repay outstanding amounts under the outstanding credit facilities (approximately \$10 million of which was incurred in the two previous years for general corporate purposes), and ii) as to approximately \$18 million, to settle derivative financial instruments under a credit facility of the Fund with Canadian chartered banks which are affiliates of TD Securities Inc. and RBC Dominion Securities Inc. TD Capital Group Limited, an affiliate of TD Securities Inc., owns approximately 10.3% of the currently outstanding Common Shares. Consequently, the Corporation may be considered a connected issuer of BMO Nesbitt Burns Inc., TD Securities Inc., RBC Dominion Securities Inc. and Laurentian Bank Securities Inc. under applicable securities laws in certain Canadian provinces.

The Corporation is in compliance with the terms of the Existing Credit Facilities. Since the execution of the credit agreement relating to the Existing Credit Facilities, the lenders have not waived a breach, on the part of the Corporation, of the such credit facility. Except pursuant to the Arrangement and as otherwise disclosed herein, the financial position of the Corporation has not changed in a material manner since such indebtedness was incurred. The indebtedness under the Existing Credit Facilities is secured by pledges of partnership interests and share capital of, and guarantees provided by, certain subsidiaries of the Corporation.

Furthermore, in connection with the Arrangement, TD Securities Inc. is acting as financial advisor to the Corporation and the Corporation Special Committee and rendered the Corporation Fairness Opinion while BMO Nesbitt Burns Inc. is acting as financial advisor to the IPT Special Committee.

The decision to issue the Debentures and the determination of the terms of the distribution were made through negotiation among the Corporation and the Underwriters. The Canadian chartered banks which are lenders to the Corporation and the Fund, including the three Canadian chartered banks of which BMO Nesbitt Burns Inc., TD Securities Inc., RBC Dominion Securities Inc. and Laurentian Bank Securities Inc. are the respective subsidiaries, did not have any involvement in such decision or determination, but have been advised of the Offering and the terms thereof. As a consequence of the Offering, neither BMO Nesbitt Burns Inc., TD Securities Inc., RBC Dominion Securities Inc. nor Laurentian Bank Securities Inc. will receive any benefit in connection with the Offering other than their respective share of the Underwriters' fee.

AUDITORS, TRANSFER AGENT AND REGISTRAR AND DEBENTURE TRUSTEE

The auditors of the Corporation are Samson Bélair/Deloitte & Touche s.e.n.c.r.l, Montréal, Quebec. The transfer agent and registrar for the Common Shares is Computershare Investor Services Inc, at its principal office located in Montréal, Québec and Toronto, Ontario. The Debenture Trustee under the Indenture and the transfer agent of the Debentures is Computershare Trust Company of Canada, at its principal office located in Montreal, Québec.

PURCHASERS' STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

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

GLOSSARY OF TERMS

The following terms used in this short form prospectus have the meanings set forth below, unless otherwise indicated:

“**allowable capital loss**” means one half of any capital loss realized by a Resident Holder;

“**Arrangement**” means the contemplated strategic combination of the Corporation and the Fund that will create the Combined Entity;

“**Arrangement Agreement**” means the arrangement agreement dated January 31, 2010 between the Corporation and the Fund, and any amendments thereto;

“**Cash Change of Control**” has the meaning attributed thereto under “*Description of the Debentures - Cash Change of Control*”;

“**CBCA**” the *Canadian Business Corporations Act*;

“**CDS**” means CDS Clearing and Depository Services Inc.;

“**Change of Control**” means (i) an acquisition by a person or group of persons acting jointly or in concert (within the meaning of the Securities Act) of ownership of, or voting control or direction over, 50% or more of the Common Shares; or (ii) the sale or other transfer of all or substantially all of the consolidated assets of the Corporation. For further certainty, the Arrangement or the consummation of a transaction which constitutes a Superior Proposal, shall not be considered a “Change of Control”;

“**Change of Control Conversion Price**” has the meaning attributed thereto under “*Description of the Debentures - Cash Change of Control*”;

“**Closing Date**” means the date of closing of the Offering;

“**Combined Entity**” means the Corporation, as the combined company resulting from the Arrangement;

“**Common Shares**” means the common shares in the share capital of the Corporation;

“**Common Share Interest Payment Election**” has the meaning attributed thereto under “*Description of the Debentures - Interest Payment Election*”;

“**Conversion Price**” means \$10.65 per Common Share, subject to adjustment on the occurrence of certain events;

“**Corporation**” means Innergex Renewable Energy Inc., a corporation existing under the laws of Canada;

“**Corporation Fairness Opinion**” means the opinion of TD Securities Inc. to the board of directors of the Corporation and the Corporation Special Committee, dated January 31, 2010, a copy of which is attached as Appendix E to the Information Circular;

“**Corporation Special Committee**” means the independent committee of the board of directors of the Corporation established by such board in connection with the Arrangement, comprised of Cyrille Vittecoq (Chair), Pierre Brodeur and Susan M. Smith;

“**Court**” means the Superior Court of Québec;

“**CRA**” means the Canada Revenue Agency;

“**Current Market Price**”, at any date, means the volume-weighted average trading price for the Common Shares on the TSX for the 20 consecutive trading days ending five trading days prior to the applicable date;

“**Debenture Trustee**” means Computershare Trust Company of Canada;

“**Debentureholder**” means a holder of Debenture;

“**Debentures**” means the \$70,000,000 aggregate principal amount of 5.75% extendible convertible unsecured subordinated debentures;

“**Definitive Debentures**” has the meaning attributed thereto in the Indenture;

“**Depository**” means CDS or its successor;

“**Dissent Rights**” has the meaning attributed thereto in the Information Circular;

“**Effective Date**” means date on which a Change of Control becomes effective;

“**Event of Default**” means, in respect of the Debentures, the occurrence of certain events described in the Indenture, including (i) failure for 15 days to pay interest on the Debentures when due; (ii) failure to pay principal or premium, if any, on the Debentures, whether at maturity, upon redemption, by declaration or otherwise; or (iii) certain events of bankruptcy, insolvency or reorganization of the Corporation under bankruptcy or insolvency laws. If an Event of Default has occurred and is continuing, the Debenture Trustee may, in its discretion, and shall, upon the request of holders of not less than 25% in principal amount of the then outstanding Debentures, declare the principal of (and premium, if any) and interest on all outstanding Debentures to be immediately due and payable;

“**Exchange Ratio**” means 1.460 Common Shares for each Fund Unit;

“**Existing Credit Facilities**” has the meaning set forth under “*Recent Developments - The Combined Entity - New Credit Facilities*”;

“**Final Maturity Date**” means April 30, 2017;

“**Final Order**” means the final order of the Court approving the Arrangement, as such order may be amended, or, if appealed, then unless such appeal is withdrawn or denied, as affirmed or as amended on appeal;

“**First Call Date**” means April 30, 2013;

“**Formal Valuation and Fund Fairness Opinion**” means the formal valuation of the Fund Units and the non-cash consideration to be received by the Fund Unitholders pursuant to the Arrangement (being the Common Shares) and fairness opinion of NBF to the IPT Special Committee, dated as of January 31, 2010, a copy of which is attached as Appendix D to the Information Circular;

“**Fund**” means Innergex Power Income Fund, a trust existing under the laws of the Province of Québec and governed by the Fund Trust Indenture;

“**Fund Trust Indenture**” means the amended and restated trust indenture of the Fund dated June 25, 2003, as amended on March 14, 2007;

“**Fund Units**” means trust units of the Fund;

“**GAAP**” means Canadian generally accepted accounting principles;

“**Global Debenture**” means Debentures issued in the form of fully registered global Debentures;

“**Holder**” means a person holding Securities;

“**Indenture**” means the trust indenture to be entered into at the Closing Date between the Corporation and the Debenture Trustee, governing the terms of the Debentures;

“**Information Circular**” means the joint information circular of the Corporation and the Fund dated February 17, 2010 in respect of the Arrangement;

“**Initial Maturity Date**” means April 30, 2010;

“**Interest Obligation**” has the meaning attributed thereto under “*Description of the Debentures - Interest Payment Election*”;

“**Interest Payment Date**” means the date that interest will be paid on the Debentures, payable semi-annually on the last day of April and October in each year, commencing on October 31, 2010 computed on the basis of a 365- day year;

“**IPT**” means Innergex Power Trust, a trust existing under the laws of the Province of Québec, all of the issued and outstanding units of which are held by the Fund;

“**IPT Special Committee**” means the special committee of independent trustees established by the board of trustees of IPT in connection with the Arrangement, comprised of Jean La Couture and Daniel L. Lafrance (co-chairs), John A. Hanna and Lise Lachapelle;

“**IPT Trust Indenture**” means the trust indenture of IPT dated as of June 25, 2003;

“**Management Agreements**” means, collectively, the administration agreement between the Corporation and the Fund, the management agreement between the Corporation and IPT and the services agreement between the Corporation, the Fund and certain subsidiaries of the Fund, all of which agreements were amended and restated on December 6, 2007;

“**Maturity Date**” means the Initial Maturity Date or the Final Maturity Date, as applicable;

“**NBF**” means National Bank Financial Inc.;

“**Non-Resident Holder**” means a Holder who, at all relevant times, for the purposes of the Tax Act and any applicable income tax treaty or convention, is neither a resident of Canada nor deemed to be resident in Canada and does not use or hold, and is not deemed to use or hold, the Securities in carrying on a business in Canada;

“**Offer Price**” has the meaning attributed thereto under “*Description of the Debentures - Repurchase upon a Change of Control*”;

“**Offering**” means the distribution of Debentures under this short form prospectus;

“**OSC**” means the Ontario Securities Commission;

“**Over-Allotment Option**” means the option granted to the Underwriter to purchase a maximum of 10,500 additional Debentures at the offering price to cover over-allotments, if any, and for market stabilization purposes as described under “*Plan of Distribution*”;

“**PPA**” means power purchase agreement, energy supply agreements, electricity supply agreements or renewable energy supply agreements for power projects;

“**Redemption Date**” has the meaning attributed thereto under “*Description of the Debentures - Payment upon Redemption or Maturity*”;

“**Resident Holder**” means a Holder who, at all relevant times, for purposes of the Tax Act and any applicable income tax treaty or convention, is resident in Canada;

“**Securities**” means the Debentures and the Common Shares;

“**Securities Act**” means the Securities Act (Ontario);

“**Securities Commissions**” means the securities commissions or authorities in the provinces in which the Corporation is a reporting issuer;

“**Senior Indebtedness**” has the meaning ascribed thereto in the Indenture;

“**Superior Proposal**” has the meaning attributed thereto in the Information Circular;

“**Tax Act**” means the Income Tax Act (Canada), R.S.C. 1985, c.1, (5th Supp.), as amended, including the regulations promulgated thereunder, as amended from time to time;

“**taxable capital gain**” has the meaning set forth under “*Taxation of Capital Gains and Capital Losses*”;

“**TSFA**” means a tax-free savings account;

“**TSX**” means the Toronto Stock Exchange;

“**Underwriters**” means, collectively, BMO Nesbitt Burns Inc., TD Securities Inc., CIBC World Markets Inc., RBC Dominion Securities Inc., Scotia Capital Inc., Desjardins Securities Inc. and Laurentian Bank Securities Inc.;

“**Underwriting Agreement**” means the underwriting agreement dated February 18, 2010 between the Corporation and the Underwriters;

“**Unitholders**” means holders of Units;

“**U.S. Securities Act**” means the United States Securities Act of 1933, as amended.

AUDITORS' CONSENT

We have read the short form prospectus of Innergex Renewable Energy Inc. (the "**Corporation**") dated February 25, 2010 qualifying the distribution of \$70,000,000 principal aggregate amount of 5.75% extendible convertible unsecured subordinated debentures of the Corporation. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the incorporation by reference in the above-mentioned short form prospectus of our report to the shareholders of the Corporation on the consolidated balance sheets of the Corporation as at December 31, 2008 and 2007 and the consolidated statement of earnings, comprehensive income, deficit and cash flows for the years then ended. Our report is dated March 24, 2009.

Montréal, Québec
February 25, 2010

(Signed) Samson Bélair/Deloitte & Touche s.e.n.c.r.l
Chartered Accountants Auditor Permit no. 15452

AUDITORS' CONSENT

We have read the short form prospectus of Innergex Renewable Energy Inc. (the "**Corporation**") dated February 25, 2010 qualifying the distribution of \$70,000,000 principal amount of 5.75% extendible convertible unsecured subordinated debentures of the Corporation. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the incorporation by reference in the above-mentioned short form prospectus of our report to the unitholders of Innergex Power Income Fund (the "**Fund**") on the consolidated balance sheets of the Fund as at December 31, 2008 and 2007 and the consolidated statements of income, comprehensive income, changes in unitholders' equity and cash flows for the years then ended. Our report is dated February 23, 2009.

Montréal, Québec
February 25, 2010

(Signed) KPMG LLP
Chartered Accountants

CERTIFICATE OF THE CORPORATION

Dated: February 25, 2010

This short form prospectus, together with the documents incorporated herein by reference, constitutes, full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the provinces of Canada.

By: *(Signed)* Michel Letellier
President and Chief Executive Officer

By: *(Signed)* Jean Perron
Vice-President and Chief Financial Officer

On behalf of the Board of Directors

By: *(Signed)* Pierre Brodeur
Director

By: *(Signed)* Cyrille Vittecoq
Director

CERTIFICATE OF THE FUND

Dated: February 25, 2010

This short form prospectus, together with the documents incorporated herein by reference, constitutes, full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the provinces of Canada.

INNERGEX POWER INCOME FUND

By: Innergex Renewable Energy Inc., as administrator of the Fund

By: *(Signed)* Michel Letellier
President and Chief Executive Officer

By: *(Signed)* Jean Perron
Vice-President and Chief Financial Officer

**On behalf of the Board of Trustees
Of Innergex Power Trust, for the trustee of Innergex Power Income Fund**

By: *(Signed)* Jean La Couture
Trustee

By: *(Signed)* Daniel L. Lafrance
Trustee

CERTIFICATE OF THE UNDERWRITERS

Dated: February 25, 2010

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of each of the provinces of Canada.

BMO NESBITT BURNS INC.

TD SECURITIES INC.

By: *(Signed)* Pierre-Olivier Perras

By: *(Signed)* Louis G. Véronneau

CIBC WORLD MARKETS INC.

By: *(Signed)* Paul St-Michel

RBC DOMINION SECURITIES INC.

SCOTIA CAPITAL INC

By: *(Signed)* David Dal Bello

By: *(Signed)* Éric Michaud

DESJARDINS SECURITIES INC.

By: *(Signed)* Mathieu Cardinal

LAURENTIAN BANK SECURITIES INC.

By: *(Signed)* David Hinchey

