

MACQUARIE POWER &
INFRASTRUCTURE INCOME FUND
ANALYST DAY
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PARTICIPANTS

Gregory Smith, Chief Executive Officer, MPT
Harry Atterton, Chief Financial Officer, MPT
Dennis Dmytrow, General Manager, Cardinal
David Cutler, Chief Executive Officer, Leisureworld
Martin Liddell, Chief Financial Officer, Leisureworld

MANAGEMENT PRESENTATIONS

Gregory Smith, Chief Executive Officer, MPT

Good morning, everyone. It is my pleasure to welcome you to Macquarie Power & Infrastructure Income Fund's 2006, and very first, Analyst day. I also extend a warm welcome to those listening via our live webcast. An archive of today's events along with the accompanying slides will be available on our website at www.macquarie.com/mpt. I would like to start by introducing a few of the speakers you'll hear from this morning.

To my left is Harry Atterton, who is the Fund's Chief Financial Officer. Harry has nearly 20 years of experience in finance and M&A.

To his left is Dennis Dmytrow, the General Manager of the Cardinal Plant. Dennis is an engineer with experience in the power and resource sectors. Dennis has been with Cardinal since 1993, so he has been there from the very beginning of the plant.

David Cutler directs the operations of our long-term care facilities as Chief Executive Officer of Leisureworld Senior Care LP. David has over 15 years of experience in the long-term sector and has been a great asset to the business. He is also currently vice president

of government relations with the Ontario Long-Term Care Association where he has served a variety of capacities, including as Chair.

Following our acquisition last year, Martin Liddell joined Leisureworld as Chief Financial Officer. Since then, Martin has led significant improvements in business processes, controls, and corporate government standards.

Finally, I am Greg Smith, the Fund's Chief Executive Officer. I was the manager-appointed trustee at the Fund's IPO in April 2004 and took on the role of President and Chief Executive Officer in December of 2005. Brief bios for each of us are included in your binder.

Our objective today is to provide you an overview of the Fund's strategy and opportunities as well as insight into the market and regulatory landscapes in which our businesses operate. I will start with a review of the infrastructure sector in Canada and the Fund's competitive edge through the Macquarie Group in sourcing new investment opportunities. I will then talk about the value Fund has delivered to the unitholders since inception and, more importantly, what will continue to drive the Fund's growth. Harry will then review the Fund's financials. Dennis will walk you through the operations at Cardinal and tell you why Cardinal is one of the most efficient co-generation plants in Ontario. David and Martin will outline Leisureworld's first-class facilities and strong performance as well as the opportunities and challenges that are evolving in the long-term care sector. I will then be back with to discuss MPT's acquisition strategies as well as our outlook for 2007 and beyond.

This Analyst Day is quite timely given recent policy announcements at both the provincial and federal level. We will be devoting some time to discuss the *Long-term Care Homes Act* as well as the proposed tax policy changes by the federal government.

Following the presentations, we will hold a question-and-answer session. Lunch will be served around 12:30 p.m. and then we will depart for the tour of Leisureworld at 1:30 p.m. For those of you that will be joining us on the tour this afternoon, we will be showcasing two homes: O'Connor Court and O'Connor Gate. They are located in East Toronto. We will aim to have you back here at the Hilton by 4 p.m. We think that the tour will give you a real appreciation for the quality of our long-term care portfolio and what really sets Leisureworld apart from others in the industry.

At the Cardinal site tour tomorrow, you will see exactly how a top-class power plant operates. For those of you that are joining us tomorrow, we will be traveling from Union Station at 6:55 a.m. and arriving in Brockville just after 10a.m. Dennis will take us on a plant tour and we will have some lunch before returning to Toronto 5 p.m. Sarah will

distribute your tickets today if you do not already have them, and will be able to answer any logistical questions that you may have.

Before we get started, let me remind you that during the course of our presentation, we will be making forward-looking statements regarding the Fund's business, performance and outlook. These forward-looking statements are subject to a number of risks and uncertainties and could differ materially from the actual results. Please refer to the disclaimer in your binders and on the slide presentation.

The Fund's mandate is to invest in infrastructure assets, with an emphasis on power infrastructure. Our current portfolio includes:

- Cardinal, a contracted power infrastructure asset and one of the largest gas cogeneration plants in Ontario; and
- A 45% holding in Leisureworld, a long-term social infrastructure business. Leisureworld is the third-largest provider of long-term care services in Ontario.

Both assets have performed strongly and in line with our expectations, enabling us to deliver stable and increasing distributions to unitholders.

It is this unique focus on infrastructure assets that distinguishes MPT from other income trust vehicles. Moreover, our active, prudent management approach helps to ensure a high rate of return to investors. We believe that the Fund represents a rare opportunity for unitholders to participate in and benefit from an emerging asset class in Canada that to date has largely been available only to private equity investors.

Our aim today is to communicate three key messages:

- First, infrastructure assets are an ideal investment for those seeking long-term stable returns with the opportunity for capital growth.
- Second, the Fund has a compelling cash flow profile and is strongly positioned to deliver increasing value to unitholders over the long term.
- And finally, we have the experience to capitalize on investment opportunities in the infrastructure sector in North America that will extend the life of our assets and further enhance the Fund's stability.

While infrastructure is a relatively new asset class here in Canada, it is an area where the Macquarie group has established a significant presence worldwide. The Macquarie group manages \$30 billion of equity in infrastructure in 25 countries. Worldwide, Macquarie has

more than 400 advisory professionals who source infrastructure investment opportunities and execute those deals in conjunction with clients, including MPT.

This market presence and proven expertise gives the Fund valuable insight into the financing and management of infrastructure assets ---- and access to a robust deal flow. In most cases, sourced assets have a natural home in a particular Macquarie vehicle, either on the basis of geography or industry focus. So at MPT, we only consider those assets that make sense for MPT, which means that they must meet our cash flow and stability criteria and be accretive to unitholder value. Our focus is on total return in addition to immediate yield, which has made for a highly disciplined approach.

MPT's own management team includes infrastructure professionals who bring a breadth of management skills and experience to the Fund and our individual assets, as well as specialized expertise in evaluating and executing infrastructure investments.

While infrastructure is a defined asset class elsewhere in the world, in Canada the term usually means different things to different people.

In our view, infrastructure assets meet an essential community need, such as power generation, or safe highways and bridges. Infrastructure assets may also be structures or services that society depends on and cannot function without, whether it is water systems, healthcare or long-term care. Public infrastructure underpins our country's productivity, economic competitiveness and the quality of life we enjoy --- both today and into the future.

But not all infrastructure assets are created equal. We are quite specific in our investment criteria about what kind of asset meets our requirements.

First, our focus is on long-life infrastructure assets that provide essential everyday services. Power generation capacity will always be vital to economic growth, while long-term care facilities serve a pressing social need to care for an aging population.

Second, we look for assets that operate within a regulated or contractual framework where revenue is stable and costs are predictable or controlled, and where other barriers to entry exist, such as planning restrictions or availability of land, or the high cost of new development. Combined, these features significantly mitigate economic risk.

This profile is exemplified by Cardinal. As a contracted power plant with long-term Power Purchase and gas supply agreements in place, Cardinal is not subject to fluctuations in market prices or demand, unlike a merchant power plant. Both contracted and merchant power plants are infrastructure assets, but only one meets MPT's criteria for infrastructure and is appropriate for inclusion in the Fund.

Our investment in the long-term care sector likewise benefits from a regulated environment. Leisureworld's revenue is at a minimum 60% backstopped by the government through a clearly defined funding formula. Additionally, the supply of long-term care beds is determined and controlled by the government according to where need is greatest, ensuring high occupancy.

Third, we look for assets that enjoy consistent, inelastic demand, which reduces volatility for investors. Cardinal benefits from rising demand for electricity as a result of rapid industrial and urban growth. Ontario's long-term care sector provides the government with a cost-effective alternative to hospitalization. Additionally, the decision to move to a long-term care home is usually driven by a need for care that does not fluctuate with economic cycles.

For Leisureworld, demographics provide for further growth within the portfolio. The 75-year-plus age group is the fastest growing segment of the Canadian population and is wealthier than ever before, which means that Leisureworld can look forward to a continuing stream of residents.

Importantly, we look for assets that are proven cash flow generators and where we can apply our management expertise to unlock additional growth potential. Cardinal and Leisureworld are at the bookends of our infrastructure focus, and you can expect future acquisitions to demonstrate a similar cash flow profile.

MPT's management approach is active, which enables us to add value for unitholders at both the Fund and asset levels throughout the life of the asset ownership. We work closely with Dennis, David and Martin and their teams to optimize the financial and operational performance of Cardinal and Leisureworld. The success of this team approach is apparent in the increasing distributions we have delivered to unitholders.

Indeed, MPT's performance since inception reflects the quality and growth of our assets. We have increased our distributions to unitholders twice, in January 2006 and more recently in August 2006, by 5% and 3% respectively. We currently pay 8.5 cents to unitholders on a monthly basis, or \$1.03 on an annualized basis.

Up until the end of October, the Fund was trading in a range of \$10.50 to \$11.50 and yielding approximately 8.92%, which was favourable relative to other power income and senior care trusts.

MPT ---- along with all other income trusts --- has been affected by the market's reaction to the government's tax policy announcement on October 31. On Tuesday, November 14,

trading closed at \$8.99 per unit, which represents a yield of 11.46%% at a 90% to 95% payout ratio. That compares with a yield of 9.91% for the power income trusts, and 7.08% for the senior care trusts.

We are confident that the Fund will continue to deliver value to unitholders in 2006 and beyond, for a number of reasons.

First, Cardinal's purchase and supply contracts allow for strong embedded growth in cash flow on an annual basis. Cardinal's long-term Purchase Power Agreement will not expire until 2014, and is well matched by a gas purchase contract that expires in 2015.

The monthly payments for electricity delivered to the Ontario Electricity Financial Corporation (OEFC) under the PPA are equal to the monthly electricity delivered during all hours, both on-peak hours and off-peak hours, multiplied by the energy rates, Energy "A" and Energy "B".

The Energy "A" rate is key, accounting for approximately 45% of total revenue. The Energy "A" rate increases at a minimum rate of 4% per year. The gas commodity charge under the gas purchase agreement increases at a minimum of 2% per year. If the gas commodity charge increases by an escalator greater than 4%, the Energy "A" rate is structured to match the same percentage increase. Furthermore, Energy "B" and capacity rates increase at the same rate as the escalator.

The end result is that there is always a natural spread between revenue and the cost of gas. This embedded growth component helps to set Cardinal's PPA apart from others in the industry.

Second, we expect Cardinal to experience a step-up in cash flows as a result of less scheduled down time following the major maintenance in 2006.

Additionally, all of Cardinal's future capital expenditure, are planned for, and fully funded by established reserve accounts. With the 2006 major maintenance behind us, Cardinal will start to rebuild its major maintenance reserve in anticipation of the 2012 program.

Cardinal's cash flow also benefits from three industry-related trends that should continue for the foreseeable future:

- Increasing electricity prices to industrial customers;
- Decreased gas transportation costs; and
- The NOx credits framework.

First, as many of you will be aware the Direct Customer Rate, or DCR, was created in 1989 for the purpose of non-utility generator contract administration. The DCR is calculated based on a three-year average of the total market cost of electricity to industrial customers, also known as the TMC.

In 2005, the TMC rate increased by 19%, which resulted in an increase in the 2005 DCR of nearly 6% and will have a continuing impact on the DCR through 2007. This DCR increase was the key driver behind the 4.8% increase in Cardinal's 2005 operating revenue and has been an important factor in offsetting the impact of Cardinal's major maintenance program in 2006.

Second, transportation... With the increase in demand for gas in Ontario by retail, industrial and power consumers, the rate charged by TransCanada pipelines to firm customers decreased in 2005 by approximately 16% to \$28.84/GJ/month. As of March 2006, the demand rate approved by the National Energy Board was \$26.47GJ per month, which represents a further 8% reduction from 2005. Cardinal, which transports its gas from Alberta, has benefited from this favourable regime. While we anticipate that transportation costs will increase in 2007, they will be increasing from a much lower base.

Finally, Cardinal has 3,724 tonnes of NOx credits. While there is limited trading of NOx credits in Ontario, they have historically been valued at \$600 - \$800 per tonne. In Q1 2006, we sold 700 tonnes of NOx credits for proceeds of \$140,000.

Cardinal has consistently outperformed its requirements under Regulation 397 for capped facility system average NOx emission intensity. The industry is currently working on possible amendments to Regulation 397 as a result of the government's off-coal program, and we are supportive of further consultation with industry stakeholders prior to any amendments to the program, including a new ceiling on emissions for the industry.

We are often asked what will happen with Cardinal post-PPA. We believe that Cardinal will continue to operate. The question is really how it will operate.

Over the past five years, Cardinal has averaged an availability of 98.1% and a capacity of 91.9%. The high quality of this plant ensures that it will remain competitive and have an ongoing economic life as part of the Ontario power market for at least 25 years, whether it's a base load, intermediate or peaking facility. That's why we have been active in addressing the issues that will affect the operating life and value of Cardinal post-PPA.

We support recent initiatives by the Ontario Power Authority to bring greater clarity to the future power market in Ontario. This includes the structuring of new supply contracts so

that dispatch rights can be assigned to third parties, which is an important step toward a competitive market.

In addition, earlier this year the OPA launched a pilot program with two strip auctions of power for base load supply. This auction marked the first time in Ontario that forward prices were established transparently through competitive bidding, and provided both buyers and sellers with stable, predictable pricing for periods ranging up to four years. A third auction is currently being planned.

Cardinal, along with other stakeholders, has also provided input into the integrated power system plan that is currently being completed by the OPA. Looking 20 years into the future, this plan identifies the conservation, generation and transmission investments that are needed in the next three to five years to ensure a reliable, sustainable power supply.

According to the OPA, the power system has less capacity now than it did 12 years ago, due to retirements and under-investment over the past decade. The OPA predicts that growth in demand and generation retirements will create a gap of roughly 24,000 MW by 2025, which is equivalent to about 80% of Ontario's current capacity.

NUGs such as Cardinal account for approximately 6% to 8% of the generating capacity available to meet Ontario's energy requirements. The OPA recognizes the important role played by non-utility generators and that existing facilities are a vital part of Ontario's long-term supply mix.

Another factor that will bear on the cost and flexibility of Ontario's future power generation is gas storage. On November 7, 2006, the Ontario energy Board ruled that natural gas storage in the province is competitive enough that there is no need to regulate prices for such services that Union Gas of Enbridge Gas Distribution offer customers outside their franchise areas. The gas and electricity markets are integrated, so we prefer a regulated gas storage market. Cardinal has been involved in this discussion along with other key stakeholders and associations, including the Association of Power Producers of Ontario.

Finally, a number of operational working groups are addressing rules or regulations that affect day-to-day operating activities. One example is the review by the North American Electricity Reliability Council, or NERC, and the development of reliability standards for North America's bulk power grid. These standards will affect operators in Ontario. Cardinal has made a submission to the Independent Electricity System Operator to present some of its concerns.

Through these and other initiatives we believe that Cardinal's post PPA cash flow potential is improving. Cardinal has a strong future in Ontario and we are working to maximize that future for the benefit of the Fund's unitholders.

Let's now examine the growth profile of our long-term care business.

I'll start by saying that Leisureworld has been an excellent and accretive fit for our portfolio. Like contracted generation assets, the long-term care sector is particularly attractive. It provides an essential service to the community. There are barriers due to the regulatory framework, and there is low demand variability, which has led to historically stable and high occupancy rates.

And as with Cardinal, the long-term care sector requires active participation with the government to optimize performance and growth potential. We have developed a real competency in government relations and are comfortable in building these important relationships.

Leisureworld has diversified the Fund's cash flows and extended the average life of our assets, enhancing the high quality of the Fund.

At its most fundamental level, the long-term care business model takes a largely regulated supply with government-supported revenues and matches it with predictable and growing demand, with limited exposure to operating costs.

At a minimum, 60% of Leisureworld's operational funding is derived from the provincial government. The remainder is comprised of payments from a stable and rising demographic of residents.

Martin will provide a more detailed overview of how the long-term care sector is funded later this morning. But briefly, funding is divided into three envelopes, of which two, for nursing and program services, are entirely funded by the Ministry of Health and Long-Term Care. The third, for accommodation, is a co-payment charged to residents for basic or standard accommodation. Historically, funding increases have tended to track increases in the Consumer Price Index.

What this means is that occupancy levels and accommodation mix are two important growth drivers for Leisureworld.

Homes that meet or exceed 97% occupancy receive funding from the government based on 100% occupancy. As of the third quarter, 17 of Leisureworld's 19 homes are mature and had achieved full occupancy with average occupancy of 98.3% compared with 92.3% in the

same period last year. New homes, including Orillia, typically achieve ramp-up within 12 to 18 months. Orillia is a Class A facility with 160 beds and replaces the Class D Spencer House. Again, growth in occupancy is not subject to economic demand, but is instead based on the need for care and demographic trends.

Demographics will also drive future growth through the release of new licences. Starting in 1998, the government released 20,000 long-term care beds over an eight-year period. The final large-scale tender for bed licences under this initiative was in 2001, with about 6,600 beds awarded. The government recently released new beds in a number of communities across Ontario, totalling approximately 1,700 new beds. An additional 660 beds are replacement beds. We believe that Leisureworld is well positioned to win new licences.

It is the accommodation envelope that drives the real return to equity holders such as MPT and to our investors.

Under the current regulations, a facility may designate up to 60% of its beds as preferred. Leisureworld offers preferred, both private and semi-private, as well as basic accommodation. Preferred accommodation provides Leisureworld with incremental revenue of approximately \$18 per resident per day for private, and an additional \$8 per day for semi-private accommodation. The lease-up of preferred accommodation tends to trail the ramp-up in occupancy.

The optimization of preferred accommodation is, and will remain, an important growth driver for the Leisureworld business. For the year to date ended September 30th, the preferred bed average total occupancy for mature homes was 82.7% compared with 77.8% in 2005.

In light of the government's proposed *Long-Term Care Homes Act*, I should note that we expect that Leisureworld's growth profile will remain essentially unchanged, even if this bill ultimately becomes law. This anticipated Act consolidates the three pieces of legislation that currently govern long-term care in Ontario. While there are many positive changes contained in this legislation, the Act has also proposed term limits to licences according to the structural classification of each facility, which particularly affects Class B and C homes.

In our view, this legislation fails to achieve a vision for current B and C residents, which number about 36,000. These residents are equally deserving of quality accommodation and care but without a capital program they may not receive the level of care afforded to residents of newer homes.

In the past, when the government believed that it was prudent to improve the quality of care for residents in Class D homes, they implemented a capital renewal program that included

a payment of \$10.35 per bed per day. This allowed for more common areas and semi-private wards as basic accommodation. Additionally, in the new tenders recently announced and in the former 20,000 bed program, new homes also qualified for this capital payment of \$10.35 per bed per day as an important aspect of the overall funding model.

This capital funding has led to significant improvements in the sector. The government must focus on doing what's right to ensure high standards for all Ontario long-term care residents. As such, we believe that term limits without the framework to improve the quality of care does not provide a sound framework for the industry. That's the vision that underpins the whole sector, and it's difficult to understand why the government has proposed legislation that fails to deliver on it.

David will provide you with more insight but one point that I do want to make is that this legislation, if it is passed in its current form, is expected to have a limited impact on Leisureworld due to the preponderance of new facilities in the portfolio. Additionally, Leisureworld's homes are well established in communities where there is a defined and growing demand for LTC beds.

I'd also like to make a few comments on the proposed change in tax policy announced on October 31 by the Minister of Finance. This policy would see income funds taxed in a similar, but not identical, manner as corporations. For existing funds such as MPT, this change would be effective in 2011. We are currently evaluating the potential impact on the Fund.

The proposed policy suggests that distributions that are characterized as return of capital will not be taxed. In 2004 and 2005, 100% of the Fund's distributions were return of capital. A high return of capital component is expected to mitigate the impact of the proposed tax policy on unitholders.

We had previously indicated that in excess of 75% of distributions for 2006 would reflect a return of capital, based on current operations and barring any significant unexpected external developments. In light of this proposed tax policy, we intend to review the Fund's tax position with a view to maximizing unitholder value.

In addition, the government has indicated that the new rules do not apply to REITs. To be a REIT for this purpose, a fund must:

- Hold no "non-portfolio" properties except real estate
- Derive at least 95% of its income from rents, mortgages or gains from real property, 75% of which must be in Canada; and

- Hold real property in Canada, cash and government debt that accounts for at least 75% of its equity value.

We are currently evaluating how this provision could apply to the Fund.

The Fund has delivered solid growth and value for unitholders since inception, which reflects the high quality and stability of our assets as well as the success of our operating strategies. The fundamentals of our business are strong and we remain confident in the Fund's long-term growth prospects, including growth through acquisitions.

[PAUSE]

With that, I will now turn it over to Harry to review the Fund's financial performance.
Harry.....

Harry Atterton, Chief Financial Officer, MPT

Thank you, Greg, and thank you all for coming...

My aim today is to demonstrate to you that MPT is well positioned to continue providing stable and predictable cash distributions. Both Cardinal and Leisureworld are high quality, sustainable long-term assets.

The Fund currently has two investments:

- Cardinal Power of Canada, which owns a cogeneration power plant in Cardinal, Ontario; and,
- A 45% investment in Leisureworld, a long-term care provider.

The Fund's IPO was completed in April 2004, raising approximately \$200 million and completing the acquisition of Cardinal.

In September 2006, MPT raised \$65 million in a subscription receipt offering to complete its investment in Leisureworld on October 18, 2006. As part of the transaction, the vendor took back 3.3 million Class B exchangeable units. The Fund was provided with this opportunity as a result of a binding agreement entered into by Macquarie Bank Limited in March of 2005. The benefit of the relationship to Macquarie Bank not only provided us the opportunity, but also allowed us to reduce our financial exposure as Leisureworld went through regulatory and ministry approvals. Today, the remaining 55% investment in Leisureworld is held by Macquarie International Infrastructure Fund, a public fund in Singapore.

Since inception, MPT has increased its distributions twice. In January 2006, MPT's Board of Trustees approved a 5 cent increase in the distribution rate \$1.00 per annum. In August 2006, distributions increased further to \$1.03 per annum, reflecting the successful completion of Cardinal's major maintenance and the strong performance of Leisureworld.

The Fund has a simple Fund on Trust structure, with management and administration services being supplied by the manager, Macquarie Power Management Ltd. All cost reimbursement, management and administration fees and incentive fees are managed through these management and administration agreements.

Since inception, both Cardinal and Leisureworld have demonstrated a positive revenue and EBITDA trend.

We can see that Cardinal --- as shown in the gold ---- has stable revenue that is seasonally impacted. Cardinal generates higher revenue in the winter as a result of higher demand higher electricity rates and improved plant efficiency, as the plant benefits from lower ambient temperatures in the winter months.

Cardinal receives periodic Direct Customer Rate (DCR) adjustments as electricity rates are adjusted to actual average costs of the 3 preceding years. Typically, these adjustments are received in the third quarter. However, the DCR adjustment for 2005 was received in Q1 2006. As everyone knows, in Q2 06 we completed our major maintenance which required a 22 day shut down. This reduction in revenue was offset somewhat as the Fund mitigated gas during this period. The major maintenance process was completed ahead of schedule and was in budget.

Revenue from Leisureworld is shown in the orange. Leisureworld has almost no operational variability and shows a steady growth trend. As you can see, Leisureworld significantly enhances MPT's revenue profile.

EBITDA mimics the revenue profile. You can see that in Q2 2006 --- the major maintenance month ---- Cardinal's EBITDA was down. Also in 2006, we began to accrue on a quarterly basis incentive fees and cost reimbursement to better reflect the economic realities of the operations. The effect has been to record these costs by period so Q4 results are more representative of period costs.

Leisureworld has also recorded steady growth in EBITDA, a trend that we expect will continue as Leisureworld moves toward targeted occupancy and optimization.

Currently, distributable cash is comprised of 100% of the distributable cash generated by

Cardinal and the distributions received by the Fund from Leisureworld. The distribution level for the Fund and Leisureworld is set by their boards of directors with the intention of providing a stable distribution levels. At this point in time, 70% of distributable cash is generated by Cardinal and 30% by Leisureworld.

The small amount shown below the graph represents the variance of Leisureworld in distributable cash generated versus distributions paid to the partners of MPT and MIIFL. As you can see, the variance is almost non-existent in Q3 06. This trend will continue such that in 2007 Leisureworld will generate distributable cash equal and exceeding distributions paid out. On a per unit basis, based on the units issued to make the acquisition, Leisureworld is paying the equivalent of a \$1.17 per annum.

We expect our distributable cash profile will continue to grow with the operations of both assets.

Let's now take a look at the income statement....

Even though we had our major maintenance in 2006, our revenue and operating costs were in line with 2005 for the 9 months ended September 30th. The reduction in revenue in 2006 is offset by higher DCR. Likewise, reduced gas costs are offset by higher maintenance costs in 2006.

Unrealised gains on our gas swaps continue to increase following the trend in the forward curve for gas. As you know, this is a non cash item and it will continue to fluctuate until the end of our last contract in 2008.

Interest expense represents the interest cost related to our \$35 million facility at Cardinal, with the reduction representing the favourable terms from the renegotiating of the debt facility. Martin will more fully discuss Leisureworld results, but as we equity account for the investment we pick up our share of accounting income or losses.

Cardinal has a very stable and efficient operation that has focused on producing power since we acquired it.

As you can see, the plant has always had excellent availability. In 2000, there was a major maintenance explaining the lower availability, capacity and power generation. In 2001, the previous owners reduced generation and capacity to sell gas into the market accounting for the reduced capacity and power generation. In 2003, there was a hot gas path maintenance performed and once again the owner sold gas into the market.

With respect to operating expenses, fuel is comprised of two components: gas and

transportation. Fuel accounts for 70% to 85% of operating costs depending on maintenance schedules. Gas is shown net of gas mitigation and gas swap impacts.

As you know, our gas contract has escalators that are tied to our PPA, which provides us with growing margins. We have benefited from lower transportation costs as a result of a drop in the regulated pipeline costs. The impact of the major maintenance expenses starting in Q3 2005 through to Q2 2006 can be seen in the red blocks.

In 2006, to better reflect the economic reality of cost reimbursement and incentives, we began to accrue these costs as incurred.

As you can see in Q4 05, the majority of accruals went through in the fourth quarter whereas in 2006 we have a more stable presentation. The amount below the line in Q2 and Q3 of 2006 represents incentive fee claim back; as incentive fee an annual determination during Q2 and Q3 the Fund on a period basis may not reach the threshold for incentive fees and therefore would be adjusted accordingly.

Other expenses include regulatory, corporate governance, Fund administration and acquisition activities.

Our payout ratio is 94% as we move into the 4th quarter. Our guidance for 2006 is that the payout ratio will be in the range of 90% to 95%.

Payout ratio has been impacted by 2 factors:

- Our accrual cost reimbursement and incentive; and
- The distribution increases, both of which would improve the payout ratio by 7% and 5%, respectively.

With respect to the balance sheet, I'm sure you are familiar with our balance sheet as a result of our equity accounting for Leisureworld. The balance sheet represents the Fund and Cardinal. Of most interest is our financial structure, which I'll briefly cover. Cardinal's working capital position is expected to remain strong due to Cardinal's excellent performance.

Leisureworld will normally operate at a negative working capital position, which is consistent with the nature of business. On acquisition, funding was made available to finance the transition and certain other anticipated activities such as Bill 198.

Significant cash was also available for the construction of Orillia, which is nearing completion.

Both assets are structured as standalone operations, so their financing facilities do not have any cross or parent company guarantees.

The \$35-million Cardinal facility matures in 2011. We have the flexibility of using a prime rate facility or Bankers Acceptances to manage interest rate fluctuation. We constantly monitor the market to ensure that our approach is consistent with market indicators.

Leisureworld's \$310-million facility (45% of \$140 million) is at a fixed rate of 4.8% and matures in 2015.

This gives Leisureworld a stabilized financing base for the long term.

This slide presents the impact of the government's proposed tax policy changes on MPT. I should note that the actual legislation has not yet been unveiled, and until that happens, it is difficult to predict exactly how MPT will be affected, or how we will ultimately respond to the new policy. As Greg has mentioned, we will be evaluating our structure with the goal of maximizing unitholder value.

As you can see here, the proposed policy will have the greatest impact on those investors that are currently non-taxable. Under the policy, taxable investors will see their distributions receive the same tax treatment as dividends, so there is no real impact to the net distributions amount.

Although MPT has been affected by the market's reaction to the policy --- as have all income trusts --- you can see today that the fundamentals of our business are strong.

Let's briefly look at challenges and our outlook....

Effective risk management is a cornerstone of our corporate governance approach. There are a number of areas that we monitor on a regular basis.

These include:

- Accounting pronouncements, such as the method of accounting for derivatives. This is strictly an accounting item that has no impact on cash.
- There have been many discussions involving regulators, the CICA and various industry groups on how distributable cash should be determined. The calculation of distributable cash may be required to show the impact of working capital changes, which is something the Fund does not currently do. Again, this is strictly an accounting item and does not impact cash.
- Ensuring adequate reserves for capex at Cardinal is important to the long-term health of the business. We have three reserves for capex at Cardinal, and now that

the major maintenance is complete, we are moving to re-fund them. Leisureworld's capex are funded through current operations.

- We currently have two gas swap contracts remaining, which end in 2008. We are currently considering the need for gas swaps beyond that point. Our current analysis suggests that additional gas swaps are not likely necessary given Cardinal's improved operating position and cash flow profile.
- Finally, we will continue to monitor interest rates curves to determine whether we have the most beneficial structure for both Leisureworld and Cardinal.

To summarize, there is really one message that I want you to take away from today's event: MPT is a stable cash flow generator. We own low-risk, long-life assets that have proven their ability to deliver strong performance. We believe that performance is sustainable, and we look forward to returning value to unitholders for many years to come.

Now I'd like to turn it over to Dennis Dmytrow, General Manager of Cardinal Power.

Dennis Dmytrow, General Manager, Cardinal Power

Good morning. I am Dennis Dmytrow.

I have been General Manager at Cardinal since 1999. I joined Cardinal in November 1993 during the construction of the Plant as the Operations Manager. My operators and I performed many of the functional tests during the commissioning period. We went commercial in November 1994 and took full responsibility of the plant from the contractor in January 1995.

Our Plant generates 156 nominal Mega Watts. It is a base load - combined cycle - cogeneration facility. The engine's fuel is natural gas. Cardinal is located along the St. Lawrence River between Brockville and Cornwall.

Let me clarify what 156 nominal MW means. It's the mean average generation of the Plant because its output depends on ambient temperature. During the coldest months January and February the generation can be as high as 170 MW per hour and in July and August the generation can be as low as 135 MW.

Let me start with a brief description of our plant:

We have a Siemens Westinghouse 501D5 gas combustion turbine engine that was built in Hamilton Ontario. This model of engine has been in service since the 1980's and is a robust and very reliable frame engine. It looks like big version of an airplane engine (aero derivative) but differs in that ours rotates only 3600 rpm and the steel is very thick. Many

aero derivatives are thin shelled and rotate at high speeds like 6,000 to 10,000 rpm. Our engine weighs over 150 tonnes.

The combustion of natural gas rotates the gas turbine rotor which is coupled to an electrical generator. The rotational energy is converted to an average of 110 MW. The hot exhaust from the engine is about 1000 °F and flows at 50,000 lbs / sec. The hot exhaust pass through the heat recovery steam generator (HRSG). The HRSG is a large boiler that has water filled tubes and two drums for steam collection. The exhaust heat from the engine boils the water and superheats the steam to very high temperatures.

The first steam drum continuously sends 350,000 lbs / hr of 1000 psi and 950 °F steam to the front part of the steam turbine. The second steam drum near the end of the HRSG sends about 100,000 pph of 80 psi and 450 °F steam near the end of the steam turbine. The steam turbine was made by Westinghouse also and it is a double injection and extraction type. The steam rotates the steam turbine rotor that is coupled to a generator and the rotational energy is converted to a maximum of 50 MW of electricity

A cogeneration plant is different then a combined cycle plant. A cogeneration plant also supplies thermal energy to a customer called a "host" while a combined cycle plant would only supply electricity to the grid.

We supply Casco, a corn processing facility located beside us, with steam and air. In addition to Casco, we supply --- for free --- all the heating needs of Benson Public School, for Grades one to eight, which is located behind us.

Casco requires an average of 80,000 pph of steam at only 150 psi and 250 °F. To maximize efficiency the Casco steam demand is extracted from the steam turbine.

The 350,000 pph of 1000 psi and 950 °F high pressure steam from the HRSG enters the front end of the steam turbine passes through stages of blades causing the turbine to rotate. After each stage the steam pressure and temperature drop working its way to about 0 pounds pressure at the end.

About three-quarters of the way down the steam turbine there are extraction pipes that divert the steam Casco requires at the lower pressure. In this way all the thermal energy is utilized to its maximum.

This September, Siemens recognized Cardinal as achieving a significant milestone by our gas turbine operating 100,000 hours. In itself, this an important achievement....but Mike Smith, Siemens manager, from head office in Orlando, also wanted to acknowledge that

the Cardinal plant has been the 501D5 world fleet leader in reliability and availability every year since we went commercial in 1994.

Our 12-year average is 99.8% reliable and 97.7% available. These are 1% higher in reliability and over 3% higher in availability than all other 501D5 engines operating. There are nearly 100 501D5 engines operating at this time.

Mike Smith went on to state that our performance levels place the Cardinal plant as one of the best in the world. We are very proud of our achievements and know it is a result of good people, strong OEM and contractor relationships and team work.

Cardinal achievements are aided by a stable and well qualified work force.

We have a total of 18 employees, four in management and 14 hourly. Ten of the employees are original and two prior to joining us worked as technicians for companies that we contracted with regularly. With the plant operating 24 hours by seven days a week, we are a lean machine.

We consider workplace health and safety and continual training an important priority for all our employees. We performed a major maintenance outage this past April and May that lasted 22 days. Work was done around the clock and there were 150 contractor tradespeople on site as well. There were no lost time accidents, including all the contractors.

We have had only six minor reported injuries in 12 years and one lost time accident that occurred in 1996 for a minor neck strain.

Cardinal employees, including management, averaged 114 hours of training in safety and technical in 2005. Often we include contractor tradespeople that work at our site in the training sessions. When First Aid and CPR training is scheduled we encourage and have employees family members join us as well.

Under OSHA and MOL Cardinal is not obligated to have a JSHC because our work force is less than 20 people. However, we chose to have one that consists of two managers and two employees that meet quarterly to discuss and act upon safety needs for the plant.

We believe that safety and training is a continuous process and by having a JSHC, investing in training and including family and contractor tradespeople we are sending the right message.

The results are obvious as we have an excellent record in safety and operations, and we know that contractors and OEM field engineers appreciate our attitude because they tell us they like coming here to work.

Our Maintenance schedule is based on the Siemens Westinghouse recommended repair program. The 501D5 engine has a six-year repair cycle.

The first two years are combustion inspections that require about a five-day outage, the third year a hot gas path that is more detailed requiring a 10-day outage. The HGP year is followed by two more years of combustion inspections in preparation for the sixth year major.

This past April – May, we successfully completed our second major in 22 days.

In addition, we schedule two small 24-hour outages during the year. An early November fall outage is important as we clean the engine and prepare the plant for the winter run because our next scheduled outage is not until April the next year.

We consider the maintenance program one of the keys to our success. Our goal is to make the plant equipment as good as --- if not better than --- the original. With this goal we can count on the plant running smoothly and maximizing revenue for the rest of the year.

In the past five years we have averaged 98.1% availability. That means we ran 8,584 hours every year. There are only 176 hours left and most of that is planned maintenance.

As Greg and Harry have discussed, another major strength of the business is the embedded growth it enjoys under two key agreements.

- Our long-term Power Purchase Agreement (PPA) on the revenue side
- And our Gas Purchase Agreement on the cost side

Post-PPA, we believe there are a number of opportunities for Cardinal such as base load, cycling or peaking. We believe that Cardinal is a strong asset that will have an ongoing economic life as part of the Ontario Power market for at least 25 more years.

We believe that the Ontario Power Authority (OPA) who determines the electrical generation supply mix has made a strong statement that cogeneration is an important part of the long-term future supply. Recently, the OPA amended the TransAlta Sarnia cogeneration plant agreement to make it profitable, and on October 16th announced the signing of contracts for seven new cogeneration facilities totaling 414 MW in Ontario.

In the new release, the OPA stated that, "Cogeneration is considered an efficient form of fossil fuel electricity generation – getting the most overall energy out of a fuel source."

Cardinal Power plays an active role in the energy business on three fronts.

At the plant level, we participate in task forces and workshops that are geared to amend market rules, NERC grid reliability rules and environmental regulatory changes that effect the day to day operations of the plant.

Cardinal utilizes the services of Robert Cary, one of the most respected consultants in the electrical market. Rob was instrumental in forming the original market rules and today represents Cardinal's interests when working with the IESO, OPA, OEB, Hydro One and OEFC to name a few of the key players. Rob sits on many of the committees and keeps Cardinal's interests in mind at all times.

The third front is Greg and Macquarie. Greg continually communicates with key people in the electrical sector. He is well aware of the market and communicates regularly with vital people who regulate every aspect of our business. Greg thoroughly understands Cardinal's needs today and after the PPA.

I feel very comfortable that the team approach we have will result in a strong future for Cardinal that will maximize the benefit for you, the investors, for a longtime to come. Thank you very much. Now I will turn it over to David to talk about Leisureworld.

David Cutler, Chief Executive Officer, Leisureworld

Thank you, Dennis. Good morning, everyone. It's a pleasure to be here this morning to speak to you about Leisureworld. We're extremely proud of our business and the quality of service it provides to residents. You'll have an opportunity this afternoon to see exactly why Leisureworld is a first-class long-term care provider.

My remarks today will focus on the competitive advantage enjoyed by Leisureworld and the regulatory environment in which we operate. I will also talk about the growth opportunities that we are poised to capitalize on. I'll then turn it over to Martin to review the government funding formula, the predictability of our cash flow and Leisureworld's year-to-date performance.

Let's start with a quick snapshot of the business.

Leisureworld has been in operation for 33 years and today is Ontario's third-largest provider of long-term care beds. The core element of our business, which represents about

96% of total revenues, are 19 long-term care homes, one retirement home and one independent living home. Collectively, these homes have 3,269 beds. Our homes are concentrated in the Greater Toronto Area.

Leisureworld, through our Preferred Health Care business, is also an accredited provider of professional nursing and personal support services for both community-based home care and long-term care homes. These services represent 3% of the total revenues for the business.

Finally, there are other related businesses that represent 1% of total revenues. They include Ontario Long-Term Care Providers, a provider of purchasing services, and Tealwood, a provider of laundry services.

Historically, Leisureworld has demonstrated a strong trend of both increasing capacity and occupancy, which drives growth in revenue and distributable cash.

Seventeen of the 19 Leisureworld homes are considered mature and have occupancy levels that meet or exceed the 97% level required to receive funding based on 100% occupancy from the Ontario Ministry of Health and Long-Term Care. As of September 30, our average occupancy was 98.3%, up from 92.3% last year. The Vaughan home reached the 97% threshold a couple of weeks ago.

New homes typically ramp up within 12 to 18 months. Our newest home, Orillia, is in a high-demand area and we have actively marketed it within the community, so we expect it to ramp up well within that timeframe. Historically, once Leisureworld's homes have reached 97% occupancy they have stayed at that level.

Our improved third quarter results reflect increased occupancy levels as well as our ability to convert ward-paying residents into private-paying residents, or preferred accommodation. Our preferred bed occupancy for the year to date ended September 30th was 82.7%, up from 77.8 % a year ago.

Over the past three decades, Leisureworld has earned a reputation as a trusted provider of care. With long-serving staff at all levels of the organization, we offer continuity of care and a cohesive team approach that ensures a high standard of service to each and every resident. We also work hard to meet the changing needs of our resident population, with the continual renewal of approaches and programs to enhance the quality of their Leisureworld experience.

To receive Ontario government funding, a long-term care home must be licenced. In deciding how to allocate licences, the Ministry considers a number of factors. This includes

licenced bed capacity in the area, health facilities in the area other than LTC homes providing nursing care, the number of applicants for nursing care and the available funds. In addition, LTC homes must be built to specified design criteria.

Leisureworld's portfolio focuses on Class "A" homes, which were built to exceed the design standards established by the Ministry in 1998. All of our Class "A" homes are new, having been constructed within the past six years. We also have one Class B home, which exceeds the design standards of 1972, and four Class C homes, which meet the 1972 standards. One of our homes is a mix of Class "A" and C beds. Overall, Class A beds represent about 70% of our portfolio --- that includes Orillia. Class B beds represent 4% and Class C, 19.7%.

We believe that Leisureworld's Class A homes offer the best long-term care accommodation in Ontario. Modern elements include dedicated chapel space, café areas that exceed the Ministry's communal space requirements, upgraded finishes on walls and floors, fireplaces, enclosed courtyards, high-tech hydrosonic tubs in each living unit...and the list goes on. In many cases, Leisureworld homes offer a specialization that others have not yet mastered.

Our B and C homes also distinguish themselves by offering specialized services. Leisureworld was a pioneer in providing advanced nursing programs --- including IV therapies, hypodermoclysis, tube feeds, restorative care, skin and wound care and palliative care --- at a time when most other long-term care providers did not. Leisureworld has established a reputation for innovative, complex nursing care, which makes our homes destinations of choice. Moreover, our B and C homes are attractive and upgraded as needed to remain appealing.

Location is clearly an important factor for a family when choosing a home. But there's much more to the decision than that. The amenities and dedicated physical spaces I just described significantly enhance Leisureworld's product offering and are an important competitive advantage.

Competitive advantage also depends on what people experience when they tour a Leisureworld home. Are the staff organized, friendly and professional? Do residents seem content and well cared for? Is the home clean and inviting? As you will see today, Leisureworld scores highly on each front.

Indeed, all of Leisureworld's long-term care homes are exceptionally well maintained and reflect their unique resident culture. Residents and their families are actively engaged in decisions ranging from the décor of ward floors and common spaces to what should be

served on the menu. Social and recreational activities further contribute to the strong sense of community you'll find at any Leisureworld home.

In addition, Leisureworld maintains strong, productive relationships with key stakeholders, including area hospitals, Community Care Access Centres, and other community organizations. These relationships ensure that those organizations charged with placement responsibilities are always informed on Leisureworld's capabilities and offerings.

Quality is the hallmark of the Leisureworld brand, and it's been recognized by the Canadian Council on Health Services Accreditation. That's a non-profit, non-government organization that assesses the performance of a health care home against a set of national standards. It is a voluntary, intensive three-year process that examines client care and the delivery of services, information management practices, human resources development and management, governance and management of the environment.

A home that is accredited stands as an example of excellence in all these areas. Eighteen of Leisureworld's homes have been through the process at either the corporate or individual home level. Three individual homes have already earned accreditation, and a final report on the other 15 homes is expected to be submitted in December. Accreditation is also important from a funding perspective, as it means an extra 33 cents per resident per day from the government.

A number of innovative corporate programs at Leisureworld further underpin our reputation as a high-quality industry leader.

In 2000, we invested in an Accountability Framework system that has since become the bedrock of our organization. This framework marries Leisureworld's mission and vision with our values and corporate objectives and identifies the key success factors for the organization. It's the benchmark against which employee and operational performance, new growth opportunities, programs and services are assessed.

This Framework formed the development of our Continuous Quality Improvement program. This is an electronic quality management system that allows us to measure both clinical and operational quality according to set indicators. Through the data we collect, we are able to discern trends, identify and correct shortcomings, mitigate risks and more effectively plan for future needs and services. The system allows for us to benchmark data from a given home against Leisureworld data and Ministry classification data.

Indeed, Leisureworld is a leader in its use of technology. Our employee intranet system, for example, has enhanced our information management capability. The intranet hosts all

of Leisureworld's policies and procedures, both clinical and corporate, ensuring immediate access and consistency across the organization.

Technology is a vital conduit to improving and individualizing resident care. Our MEDecare software enables seamless resident care planning and documentation as well as online educational tools, including video training and web conferencing. MEDecare is linked to our Continuous Quality Improvement program

In addition, eight Leisureworld homes are participating in the MDS Early Adopters Pilot Project organized by the Ministry. This tool gathers information on a resident's strengths and needs. MDS helps staff to evaluate goals, revise care plans and track changes in the resident's status. Because many different care providers --- from physicians to social workers to physical therapists --- input information into the system, resident care becomes more holistic.

Equally importantly, MDS will enable long-term care homes to move to a quarterly reporting system for funding purposes, instead of the annual system currently in place which sees several months of lag time between when information is reported and when funding is allocated. The government plans to roll MDS out across the sector, although it will likely be years in the making. But ultimately, MDS will change the funding process to better meet a home's current needs.

As the third-largest operator in Ontario, Leisureworld is a powerful voice within the industry and is committed to representing the interests of Leisureworld and the long-term care sector overall as Ontario's health care system evolves.

A significant shift in Ontario's health system is underway with the regionalization of healthcare planning, integration and funding. While the Ministry will retain responsibility for certain services or programs, others have been assigned to 14 Local Health Integration Networks around the province. LHINs will oversee public and private hospitals, Community Care Access Centres, community health centres and long-term care homes. LHINs were established earlier this year and are fast approaching their first deadline: to present an integrated health services plan for their region.

LHINs are intended to improve the way health services are planned and delivered at the local level so that patients get the services they need, when they need them. Leisureworld's homes fall under eight LHINs. In each of those jurisdictions, Leisureworld administrators and corporate staff have been working to support the LHIN's initiatives and to raise awareness of the role that Leisureworld homes play within the community.

At the same time, the Ontario Long-Term Care Association is participating in an Action Group advising on the design and implementation of LHINs.

Overall, the OLTCFA fulfils an important advocacy role in representing the long-term care sector's concerns and priorities to the government. It also supports operators with tools and resources to ensure leading-edge long-term care services. I have personally been involved with the OLTCFA for 13 years in various capacities, and several of our corporate employees sit on a variety of the association's committees.

Obviously, the primary issue on the OLTCFA's agenda today is the government's proposed Long-Term Care Act. I'd like to spend a few minutes talking about the legislation, what it could mean for the future of the sector and how Leisureworld is positioned.

Bill 140 combines the three pieces of legislation that currently govern long-term care in Ontario: The Nursing Homes Act; The Charitable Institutions Act; and the Homes for the Aged and Rest Homes Act.

Bill 140 consolidates these Acts as well as other regulatory requirements and extensive policies, procedures and standards. As such, much of Bill 140's content represents long-established practice.

In fact, many of the proposed additions to the existing laws are already standard practices at Leisureworld homes, including:

- A zero tolerance approach to abuse;
- Criminal reference checks on new staff and volunteers;
- The establishment of Residents' Councils;
- Integrated plans of care for each resident;
- A fundamental belief in the duty to promote and safeguard resident dignity, security, safety and comfort; and
- Annual satisfaction surveys.

From Leisureworld's vantage point, there is nothing "new" about any of these provisions --- they're simply good practice. What concerns us about the proposed legislation is the missed opportunity to address the capital renewal needs of the sector.

The Act proposes to limit the term of long-term care home licences according to the structural classification of a home, ranging from 10 years for a Class C home; 12 years for a Class B home and 15 years for a Class A home from the date the legislation is enacted. New homes --- those that have been built since 1999 --- would receive a term of 25 years

starting from the date that the first resident was admitted to the home. All of Leisureworld's Class A homes fall into the "new" category.

As you know, licences are currently automatically renewed every year, unless a home fails to comply with Ministry regulations or in instances where resident safety is at risk.

Our concern is that the government has not committed to a capital funding or renewal program, which is needed if Class B and C homes are to have the financial means to improve the quality of accommodation available to residents. Without a capital funding program, we believe that this proposed licensing scheme has the potential to create uncertainty in the sector for residents and their families, operators and other stakeholders.

The legislation is not yet law, and we are hopeful that the government will conduct a vigorous public consultation process. In the meantime, the OLTCA is working alongside other industry associations to convince the government and the public that certain amendments are required if the Act is to achieve its aim of improving quality of care for all residents in all homes. Leisureworld is an active participant in this process.

As Greg mentioned, we expect that Leisureworld' growth profile will remain unchanged, even if Bill 140 as it currently stands ultimately becomes law. Given the concentration of new homes in our portfolio, we would expect the legislation to have a limited impact.

Leisureworld's growth profile is one of predictable, growing revenue, and we expect that to continue into 2007.

First, over the past 10 years the government funding of LTC homes has increased in excess of the consumer price index, which has resulted in corresponding revenue increases for operators. In 2006, the Ministry increased funding across all three envelopes, which had a positive impact on Leisureworld's revenue. We expect further funding increases in 2007.

Through the OLTCA, Leisureworld will continue to be an active participant in lobbying for increased funding. This spring, the OLTCA's pre-budget campaign urged the government to provide an additional 20 minutes of care for each resident over the next two fiscal years, which is up from the 2.5 hours that is currently provided. For the sector overall this would translate into an additional \$306.6 million to finance the hiring of 2,300 new staff in homes across Ontario.

Second, we will continue to build and sustain occupancy at Orillia and our other long-term care homes. Overall, high occupancy levels are driven by Ontario government limitations

on the supply and distribution of home licences across the province and growing demand for LTC beds. Leisureworld's homes are located in high-demand areas.

Third, we will work to optimize the preferred accommodation mix across newer homes. The additional revenue from preferred accommodation provides incremental margin and strengthens our cash flow profile. In addition, we have identified opportunities for expanding some of the optional services we make available to residents.

Finally, we intend to pursue new licences as they are released by the government. Most recently, the government announced new licences for Kingston, Belleville, Windsor, London, Guelph, Ottawa and South Simcoe. We will evaluate and pursue any opportunity that makes sense for Leisureworld and that will contribute to positive cash flow.

At a macro level, long-term care homes have a sustainable competitive advantage over other sectors in the Ontario senior housing industry. LTC homes generally provide a lower cost alternative for residents who require care services --- compared with retirement homes and chronic care hospitals, for example ---due to the higher level of government funding to the sector.

In addition, long-term care homes are a cost-effective solution for the government to meet an essential need. The lowest per day cost to the Ministry for a chronic care bed in a public hospital is \$400. That compares with a cost of approximately \$128 per day in a LTC home.

Finally, Leisureworld will continue to benefit from favourable demographics. As Greg mentioned, the 75-plus age group is among the fastest growing segments of the population over the next 20 years, expected to increase from 6% of the population in 2005 to 10% of the population in 2031. At the same time, the life expectancy of Canadians is increasing and seniors are appreciably more affluent than they were 20 years ago.

The successful operation of a long-term care home demands a broad range of expertise in:

- Health care operations;
- Facility management and maintenance;
- Marketing and managing community relationships;
- Labour relationships; and
- Liaising with the government.

I am extremely proud of the accomplishments of the Leisureworld team in all of these areas, and together, we look forward to delivering predictable growth to the unitholders of the Fund for many years to come. I would now like to turn it over to Martin Liddell. Martin?

Martin Liddell, Chief Financial Officer, Leisureworld

Thank you, David, and good morning, everyone. It's a pleasure to be here with you all this morning.

As Greg and David have touched on, Leisureworld is a stable cash flow generator that has demonstrated improving performance in 2006 in line with our expectations. I'll start with an overview of the Government funding framework and then discuss the key drivers of cash flow predictability and growth at Leisureworld. Finally, we'll take a look at our year-to-date performance.

At least 60% of revenue from Leisureworld's LTC homes is funded by the Ontario Ministry of Health and Long Term Care. Further, residents of LTC homes are directly charged only for accommodation costs, and, in the event that the resident is unable to afford this amount, government subsidies for an amount up to and including the full basic accommodation cost are available.

Operational funding of LTC homes is paid monthly and is divided into three envelopes:

- The nursing and personal care envelope is funded by the Ministry and covers the costs of nursing and personal care staffing as well as medical and nursing supplies;
- The program and support services envelope is also funded by the Ministry for therapeutic services, pastoral care, recreation, staff training, volunteer coordination, and other services; and
- The Accommodation envelope is a co-payment charged to residents to cover funding for room-and-board expenses, such as food, housekeeping, dietary services, laundry and linen, administration, and building operations and maintenance. This envelope consists of a food-only component and other accommodation component.

Historically, funding increases across these envelopes have tended to track increases in the Consumer Price Index.

Leisureworld has limited exposure to operating costs, because much of the revenue derived from the Ministry is applied directly to specific nursing and program costs. Operating profit is driven by high and stable occupancy, optimization of the mix of Preferred Accommodation and basic accommodation, and cost management.

Each envelope is structured as a fixed amount per resident, per day. The funding provided through the nursing, programs and raw food component of the accommodation envelopes

is flow-through and must only be applied to expenses categorized for each envelope. This funding cannot be transferred to any other envelope. Any funding received from the nursing, programs and raw food envelopes in excess of the amounts spent during the year must be reimbursed to the Ministry during an annual reconciliation process.

Funding provided to the other accommodation component of the accommodation envelope may be used for expenses related to any envelope, or retained for profit. Homes are expected to meet all Ministry standards in the provision of care and services. Should costs be incurred in excess of the amount allocated for an envelope, then that expenditure must be paid from the other accommodation component. This is known as over spending, and it can cause some natural fluctuations in quarterly results due to the timing of certain funded expenditures across the homes.

Leisureworld enjoys economies of scale in areas such as hiring, purchasing and administration for the homes, which reduces the likelihood of over spending.

Above and beyond this monthly funding, Leisureworld receives additional government funding. This includes accreditation funding for LTC homes that meet prescribed standards and have been accredited by the Canadian Council on Health Services Accreditation, an 85% reimbursement of LTC homes' municipal property tax obligations, and pay equalization funding.

Leisureworld also receives provincial capital cost funding for all Class A homes constructed since April 1, 1998. The capital cost funding is a 20-year commitment from the Ministry to pay \$10.35 per bed, per day. This means that Leisureworld will receive gross funding of approximately \$124.7 million over the next 19 years. This amount excludes the construction funding related to the construction of the Orillia home. The Ministry will begin to provide capital cost funding for Orillia once the home has opened later this month.

If a LTC home provides accommodation at basic accommodation rates for at least 40% of residents, the remaining residents may be offered preferred accommodation which attracts a regulated premium of \$18 per day for private rooms.

Leisureworld's predictable cash flow is also supported by increases in the level of government funding. The compound annual funding growth rate across all the envelopes in the past ten years has surpassed the compound annual CPI of 2.1% during the same period.

The increases above CPI reflect improvements in the quality of service being provided in LTC homes, not just the impact of cost escalation.

As David mentioned, Leisureworld, through the OLTCA, continues to be an active participant in lobbying for increased funding. The OLTCA regularly liaises with the provincial government on the need for additional funding to cover both cost escalation issues and new initiatives in resident care. The OLTCA has successfully obtained increases in funding for pay equity and collective bargaining adjustments, reimbursement of municipal property taxes and occupancy-based funding for B, C and D homes, providing those homes with an additional 3% funding over their entitlement based on actual occupancy.

Increases in the nursing and programs envelope per diems are generally made on April 1 each year. Increases in the accommodation envelope typically occur annually on July 1.

The occupancy rate is a key driver for Leisureworld. Our average total occupancy increased steadily through 2005, a trend that has continued into 2006. During the third quarter of 2006, 18 LTC homes, including Vaughan, reached an average of 98%. Historically, when Leisureworld homes reach the 97% total occupancy level, they stay at that level. It is important to note that homes can be below 97% occupancy on a monthly or quarterly basis but still achieve 97% for the year and qualify for 100% funding.

Average preferred occupancy has also shown an increasing trend. Optimization of preferred accommodation tends to lag increases in total occupancy as the first focus is on reaching the 97% total occupancy threshold. Once that is achieved, the focus shifts to up selling ward paying residents to private accommodation and moving out of accommodation residents to ward accommodation.

During the nine months ended September 30, 2006, Leisureworld demonstrated strong performance in line with our expectations. We increased revenue by 9.6% and EBITDA by 17.5% over the equivalent period in 2005.

This achievement was primarily due to increased occupancy at the LTC homes that were opened during 2003 and 2004, Brampton Meadows, Brampton Woods, Norfinch and Vaughan. Average total occupancy in the 17 mature homes increased to 98.3% from 92.3% in 2005. Average total occupancy in the Vaughan home increased from 34.5% to 72.6%. Average preferred occupancy in our mature homes increased from 77.8% to 82.7% and average preferred occupancy at Vaughan moved up from 9.4% to 37.4%.

At the same time, government funding rates increased by an average of 3.1% over the equivalent period in 2005.

Cash flow from operations, excluding changes in working capital, was \$10.7 million. That's after adjusting the year-to-date net loss for non-cash items, primarily amortization, the main

component of which relates to the resident relationships intangible asset. Construction funding received that did not impact the income statement was \$2.8 million.

Additionally, Leisureworld receives cash payments from an annuity of \$503,000 every 6 months, which is shown on an accrual basis to net against the bond interest charge in the net loss for the YTD period. Maintenance capital expenditures were \$203,000 during the nine months ended September 30, 2006.

Distributable cash of \$14.1 million was generated in 2006 YTD, which represents a variance of \$3.1 million on cash distributions actually paid to the partners.

This gap between cash available for distribution and cash distributions was expected and planned for, given that a number of the homes were still in ramp up in the first year following the acquisition.

In each quarter of 2006, Leisureworld has improved its operating and financial performance. The revenue and EBITDA increases reflect the strong gains in average total occupancy, average preferred occupancy and increased government funding rates at the beginning of Q2 and Q3.

Collectively, these factors are driving a narrowing of the gap between cash available for distribution and distributions paid.

Leisureworld's revenue and EBITDA has improved over the last 7 quarters, which reflects the factors I just mentioned. Natural monthly and quarterly fluctuations in EBITDA can be caused by the timing of individual homes achieving 97% occupancy on an average annual basis and also the timing of flow-through expenditures.

Leisureworld has approximately 60% leverage, with all debt issued at the LSCLP level. The LSCLP debt is \$310 million of 4.814% Series A Senior Secured Debentures due November 24, 2015. The notes were rated A- by Standard and Poor's and A(high) by Dominion Bond Rating Service. Prior to the private placement, Leisureworld entered into hedging arrangements for the full amount of the Notes. On the date of the debt issuance, Leisureworld settled its interest rate hedge and realized a settlement gain of \$4.5 million due to an increase in interest rates. The settlement gain was used to enter a five-year cash annuity with a Canadian chartered bank that, as I mentioned a few minutes ago, pays \$503,000 every six months for five years.

The DSCR for the period from the time of acquisition to September 30, 2006 was 2.28. Pursuant to the Master Trust Indenture, additional indebtedness is permitted provided the DSCR is at least 1.6 and subject to a ratings confirmation.

The Leisureworld debt is supported by stable and guaranteed cash flows from government funding of the LTC business in Ontario.

In summary, we are very pleased with Leisureworld's improving profitability and cash flow. For a number of reasons, we are confident that Leisureworld's distributable cash will continue to increase:

- Our mature homes have reached 97% occupancy and we expect to open Orillia later this month;
- We are continuing to increase the preferred accommodation mix;
- We have a disciplined approach to cost management; and
- We will continue to benefit from increases in government funding.

Thank you very much. I will now turn it back over to Greg for closing remarks.

Gregory Smith, Chief Executive Officer, MPT

Thanks, Martin, David, Dennis and Harry for your comments this morning.

I talked earlier this morning about the growth drivers for Cardinal and Leisureworld. As we look forward, I must say that I am disappointed for both for our investors and myself personally about the large drop in value that occurred as a result of the tax policy announcement by the Minister of Finance. "Disappointment" is perhaps not the right word.

So what is the Fund going to do looking forward? The Fund is going to continue to pursue growth through acquisitions, whether it is investing in new infrastructure assets or investing in our existing businesses. In fact, I actually believe that the new tax regime might actually create a new and better opportunity for the Fund looking forward from this point. While our field of vision of acquisition is North America, we are particularly focused on the Canadian landscape. Any acquisition must:

- Enhance the diversity and average asset life of the Fund's portfolio.
- It must also increase the Fund's size and liquidity for the benefit of investors.
- Above all, any acquisition must be accretive to unitholders and result in a sustainable increase in distributable cash, as you have seen with the Leisureworld acquisition.

While power remains an important emphasis in our portfolio, the investment landscape for power generation in North America has become very competitive, with the supply of capital chasing deals exceeding facilities available for sale.

There has been a dramatic shift in return expectations, especially for existing facilities with strong offtake PPAs. We have seen Canadian transactions occurring at price points that imply a 7% - 8% internal rate of return on equity. Return expectations in the U.S. appear to have fallen even further. So we must look for selective opportunities to invest in existing power facilities.

In light of the new dynamics created by the proposed tax legislation, we expect to see the market put more emphasis on total return versus yield. I believe this strengthens MPT's competitiveness in pursuing acquisitions.

Recent acquisition activity in the power space has largely been focused on greenfield generation opportunities arising out of recent or upcoming RFPs, many of which are renewable energy or wind-related projects. The long construction stage of most greenfield projects typically excludes them from the Fund due to the absence of cash flow. But the shorter development time for a wind facility --- about 18 months --- and increasingly attractive rate of return on these types of projects makes them a possible fit for the portfolio.

Globally, Macquarie has significant expertise in the wind development sector. Here in Canada, we have closely watched some of the early investors in this space make mistakes, whether in hedging, or estimating wind capacity. Now that the first couple of phases are behind us, we are starting to see more realistic expectations in the wind arena.

We also see favourable economics in regulated electricity transmission and local distribution. Both Canada and the United States are looking at significant new electricity supply and replacement of existing supply in the next 10 to 20 years, and new transmission investments are even more urgently required.

In Ontario, approximately 90 local distribution companies, or LDCs, carry out the distribution of electricity to homes and business over low-voltage wires. Many LDCs are struggling to operate efficiently or lack sufficient growth in their customer bases to offset inflationary cost pressures. The regulatory burden is also substantial for many of these small operators. This fragmented Ontario market is regulated by the Ontario Energy Board, which we believe would welcome consolidation.

As I have said in the past, we also see possible consolidation opportunities in the Canadian power income trust sector as the level of M&A activity in North America continues to

accelerate. We will pursue these opportunities where there is clear value for investors, not simply to get larger.

Beyond the power universe, we continue to evaluate tack-on acquisition opportunities in the long-term care sector. The demand for additional long-term care facilities in Ontario is increasing with demographic trends. As I mentioned earlier, new licences were recently released in Ontario, and we expect to see additional licences released in 2007 and 2008.

We are also actively exploring potential investments outside of the power and long-term care sectors, including through public-private partnerships.

Much of Canada's existing infrastructure is aging. The amount of spending on maintenance as well as new infrastructure has not increased sufficiently to offset wear and tear as well as economic and demographic growth. Providing and maintaining all the physical infrastructure that a modern society needs is a significant cost burden that governments can no longer carry alone under the status quo.

Take water and wastewater infrastructure, for example. Sewage and water distribution systems and water supply installations are among the oldest infrastructure facilities in Canada. Water infrastructure faces many challenges, including scarcity of funding and the deterioration of old infrastructure. In most cases, existing government funds are used to address urgent needs, rather than to build for the future. The capital needed to maintain infrastructure and services, and to add new capacity, ranges into the billions of dollars. Public-private partnerships are an effective means through which to rebuild this critical infrastructure.

In all of these cases, the government does not surrender ownership of the asset but gives a concession to the investor to provide the essential service.

While we understand public concerns about P3s, the sheer magnitude of the need --- and the cost of meeting it ---- makes it inevitable that P3s will emerge to serve the public good. P3s can play a positive and vital role in assisting governments to advance public policies without compromising service delivery. At the same time, P3s can free up tax revenues for other social service priorities. For investors, there are potentially attractive investment opportunities in water, roads, schools and hospitals.

As we seek to grow the Fund, MPT's relationship with the Macquarie group is an important advantage. We have access to in-depth expertise to ensure we understand all financial, operational and technical issues relating to the potential acquisition or development of infrastructure assets in any sector.

Although we have evaluated many opportunities in the past two years --- and bid on some of them --- we have strict criteria for total return on investment, not just yield. I believe this prudent approach will deliver the greatest rewards.

Prudent risk management is a cornerstone of our corporate governance framework, which is designed to safeguard our unitholders' interests and improve the performance of their investments. Every measure has been taken to ensure that the decisions we make are aligned with the best interests of our unitholders. Notably, our board is composed of a majority of independent directors and has considerable bench strength in corporate finance and management.

We continuously aim to strengthen our corporate governance policies and practices. We are currently working to assess and improve disclosure controls and procedures, and internal controls over financial reporting as part of the Bill 198 preparedness. This exhaustive process will ensure that MPT is managing risk as effectively as possible and is compliant with all new regulatory requirements under the legislation. I am pleased to tell you that the Fund will be Bill 198-compliant for 2007.

To summarize, we are confident that the Fund has a compelling cash flow profile and is strongly positioned to deliver increasing value to unitholders over the long term with the potential for capital growth.

Moreover, we have the expertise to capitalize on infrastructure investment opportunities that will extend the life of our assets and further enhance the Fund's stability. The Fund's access to the Macquarie deal flow, industry knowledge and financing expertise is a distinct competitive advantage in this pursuit.

As the Fund grows, our policy will be to maintain a payout ratio of 90% to 95%. While there is no set policy from the Board in terms of distribution increases, the Board does monitor our cash flow and reviews the Fund's policy at least on a quarterly basis. As in the past, any decision to increase distributions will reflect the performance of our underlying businesses.

We had previously indicated that in excess of 75% of distributions for 2006 would reflect a return of capital, based on current operations and barring any significant unexpected external developments. In light of the federal government's proposed tax policy, we intend to review the Fund's tax position with a view to maximizing unitholder value.

As a final comment on the tax policy, let me state that we have four years to plan for the proposed changes --- which is a long time. We are actively working through the analysis and also have the ability to draw upon the global expertise offered by the Macquarie group

to ensure the optimal capital structure for maximum unitholder value. In the interim, unitholders will continue to receive stable cash distributions and benefit from the Fund's continuing growth.

That concludes the presentation portion of the event and we'd now be pleased to take your questions. I'll moderate the Q&A and direct the questions to our presenters as appropriate.

For the benefit of our webcast audience and our transcribers, when you are ready to ask a question, please raise your hand and we will bring a microphone over to you. I should note that a transcript of the event will be available on our website.

At 12:30 p.m., we will be serving a buffet luncheon. If you have any questions that weren't addressed during the session, I encourage you to approach any of our presenters. I also want to remind you that in the event binder there is feedback form. We would welcome your feedback on today's event and any ideas or content that you believe can be incorporated in the future to maximize the benefit and usefulness to you. I encourage you to complete the form and give it Sarah, Harry, or I today or in the days ahead. The event binder also contains the S&P report from November 1st, as well as our Investor Pack and Model, which we released on November 8th. I believe it's actually a first in Canada, the presentation of financial information in this type of format, and we hope you find it useful. With that, I will be pleased to take the first question.

QUESTION AND ANSWER SESSION

Question: Hi, Greg. I guess you focused on a number of growth opportunities and given the expected capital cost and some of those....I know it is the very early days and nothing is set in stone, but with a potential restriction on unit issuance, is there some other structure that we should be thinking about with respect to you're the Fund's ability to grow?

Answer: Gregory Smith, Chief Executive Officer, MPT

Obviously, nobody has the details on the proposed tax legislation, including ourselves, in terms of what the exact scope and the rules will be on a go-forward basis.

As we take a look at the landscape and look at the marketplace, the benefits of investing in infrastructure and the growing demand for infrastructure investment is very large. As part of the Macquarie Group, we have invested in infrastructure globally and have been privy to a number of different structures in Australia, and a number of our publicly-traded vehicles have used the stapled structure. Macquarie also manages a publicly traded infrastructure

company on the New York Stock Exchange, which obviously isn't subject to the benefit of previous income tax rules.

What attracts us to infrastructure is the stability of the cash flow profile that it provides to investors. It really has to be a long-term focus. What infrastructure assets are doing is providing a yield-based return that really is a spread over a Government of Canada bond. I sort of take that framework and say that there is demand for this kind of investment. When we became the manager, and through the IPO of Macquarie Power and Infrastructure Income Fund in April 2004, we thought the income trust vehicle provided an excellent way to return capital to investors in the form of yield. For infrastructure, once you pass the development of the construction phase, you typically see a very high yield component to the investment. That investment trait will not change going forward. When we take a look at the marketplace and how we are going to approach it, we will be looking at those key, fundamental characteristics.

I think that our current landscape and items we have previously kept under control will have to be reevaluated, but we have a number of tools at our disposal. I think we have kept a very low leverage rate compared with the stability in cash flow profile of our assets and that will need to be reviewed. As indicated, we will review the tax shields that are available through our assets to ensure that we utilize them in a process that maximizes value. We will look at both in the short term and long term how we can utilize new equity issuances to complete acquisitions. We will look at alternative capital forms to ensure that we have the right vehicle for the benefit of our investors as well.

Question: Regarding your tax deferral, I think you said, if nothing much changes, it looks like it might be 75% this year. When you look at some of these tax deferral options you have in order to maximize unitholder value, would that be with a view to increasing that tax deferral or lowering it, or what are your thoughts for going forward?

Answer: Gregory Smith, Chief Executive Officer, MPT

Let me go back. I think that the biggest comment that we can make is that we're reviewing what our position and our policy should be. So I think one of the benefits, again, of MPT is the degree of transparency that we try to provide our investor base and analysts that are trying to review and understand our business model.

So if I had to read our predictability, we are very comfortable with making the announcement that in excess of 75% of our distributions would be a return on capital. That was based on utilizing all of the tax deferrals that would have been available in the current year. I'm not sure if we are going to change that policy going forward, but I think it is prudent to ensure that our focus is really ensuring that the value to investors is maximized. We will look at the nature of our investor base as well as the utilization of the tax shield to

ensure that we use it prudently for the benefit of investors and their overall return.

One of the things that's surprising to me, when I sort of take a look at what's happened in the market over the past couple of weeks, is that MPT had one of the lowest payout ratios in the industry. MPT also had one of the greatest tax shields available in the industry in the data that I have seen available. Yet, our stock price has actually performed or has been hit harder than some of the other funds since October 31 when the federal government made the announcement. So I'm not sure what's causing that sort of reaction, if it's just the nature of our investor base or just uncertainty with respect to how all the rules or potential new rules will impact cash flow of our Fund going forward. So we'll continue to review.

Harry provided an interesting schedule that looked at the current year cash flow base and the obligation of the tax shield and looked at the tax impact on what would happen if 25% of our capital was taxable, and I think on his slide it was an \$0.08 impact. Again, \$0.08 falls well within sort of a 90%-100% tax shield. I find that yield has always been just one element of return, although it has been a key element that investors have looked at. When we look at investments, we have always looked at total return, internal rate of return, total return including growth plus current yield. That's what has really driven our highly disciplined approach. As we look at everything, including the tax shield, we'll take a look at the total return to investors as well as the current yield and we'll try and maximize both for them.

Question: Just so I understand, let's say nothing much changed. Would the tax deferral be more or less in the same ballpark for '07 as '06? Is that a fair assessment?

Answer: Gregory Smith, Chief Executive Officer, MPT

We actually haven't provided guidance for '07 or '08. As you would appreciate, once you utilize the tax shield it is on a declining balance basis, so we haven't provided any guidance beyond the '06 year. As we receive more information on the new proposed tax policy and legislation, we'll attempt to provide additional guidance to investors as it becomes prudent. What we'll try and do --- in addition to giving the information ---- is to actually give the guidance on what we think our policy will be in terms of utilization of tax shield and positioning as we go forward. I think the message is developing and evolving --- call it on a daily, weekly, monthly basis --- although we are all waiting in anticipation to see what the new legislation looks like so that we can formalize our policies and approach to the marketplace on a whole bunch of issues, including the tax shield.

Question: One of the things I was reading about in the *Long-Term Care Homes Act* was a requirement for increased nursing. You had mentioned, David, that you were already doing certain of the things that were suggested to be part of the Long-Term Care Homes Act, that you had already implemented them in the homes. I'm curious if what I read was correct,

that there would be some increased nursing requirements, if that was the type of thing that you were talking about, or, if not, if that would be funded through an increased envelope allotment or how that would kind of proceed?

Answer: David Cutler, Chief Executive Officer, Leisureworld

It may be because there are still regulations to come from the government, and we don't know what they are, that they have left it open in the Act that they may require increased nursing in certain areas. However, I would point out to you that nursing is one of those envelopes that is slow to spend the money; there is no profit in nursing. You spend the money or you give it back to the government. So it will be funded by the government and won't affect profitability at all.

Question: Okay, thanks. One more question, actually, on your turbine at Cardinal. You talk about using it as a peaking facility and I'm curious to know how simplistic it is to turn on and off that type of turbine system particularly.

Answer: Dennis Dmytrow, General Manager, Cardinal

That particular system is used in other parts of the world, especially Calpine in Texas, and in Korea. The engine itself is suitable for both peaking and for base load operations. The only modifications we've looked at is our HRSG and drums, and that kind of thing for it. But as for both turbines, actually gas turbines engines are robust in design for both.

Answer Continued: Gregory Smith, Chief Executive Officer, MPT

Earlier I made a comment that I'll just reframe slightly. It is interesting when we take a look at the new initiatives by the OPA and some the contracts that they are signing and some of those whole new arrangements that they are currently entering into.

Every year we seem to get more and more clarity in terms of what the economic value of Cardinal is and it what its growth could be in the Ontario power supply mix as we move forward, and it's reasonable to see the value continues to show an increasing trend. What we know on the revenue side, the way the DCR contract works and with the power purchase agreement, is that the price we're actually receiving is near sort of a market rate, so it's not that the revenue that Cardinal is generating is somehow above market, it's really that we have an additional benefit of the Cardinal plant of a very cost-efficient gas supply agreement.

So it's not the revenue side that tends to worry us, and as Dennis sort of outlined, it's a very strong, capable operating plant. The question becomes how we match the gas/supply arrangement in the marketplace that currently exists in Canada and Ontario with the plant to ensure that it has a vital role in the Ontario supply mix. So it's pleasing to see the direction in the supply mix that says co-generation and gas-fired generation is really an

important part of the supply mix. Things like renewable and wind that don't have the same capacity but they do represent other important attributes to the power supply. Gas is a vital part of it --- it's about 6-8% currently and it will continue to have an important role as we move forward. It's really trying to figure out that gas component that we're keenly focused on, which is why we are spending time on things like gas storage and other avenues to ensure that we have an efficient and effective way of looking at our cash flow profile going forward.

Question: Hello... Does the government's announcement change the nature of the acquisitions you are planning? Would you tend to make more real-estate type acquisitions in long-term healthcare as opposed to power generation and transmission?

Answer: Gregory Smith, Chief Executive Officer, MPT

First of all, in keeping with the definition of infrastructure as we looked at it, we are very pleased with the long-term care investment. Leisureworld has validated our investment thesis and met all of our expectations, so we're very pleased with how Leisureworld is performing. We have seen new licence tenders probably a year ahead of what we expected and talked about a couple of conference calls ago on our first quarter results when we said we could see new tenders in 2007.

The new tax policy rules that have come out, the way that most people are reading the very brief detailed description that's there is that long-term care does not meet the definition of real estate for a REIT, so it's sort of a non-qualifying business. There may be opportunities and avenues to structure the business, to separate rental income from service income, etc., and we'll take a look at all those types of possibilities and options as we go through it. That's where you get into the avenue of what I'll term as tax planning versus tax avoiding, but you do it regardless of whether the income trust structure exists or not. So we'll look at all the proper planning with respect to how we look at the long-term care sector to ensure that we are as competitive as all of the other players in the marketplace.

Let me also point out that I made the comparison in the presentation that there is a difference between a contracted power plant and merchant power plant in terms of the cash flow profile and how we look at it. Long-term care, because of the regulated framework that exists, is different to us than a retirement home. In the way we look at it, a retirement home would be like a merchant plant and the long-term care would be like a contracted plant, so it's the predictability of the cash flow profile that we'll look at. So in what was a long way to answer some of the questions --- we will continue to look at the long-term care sector and a broad range of the infrastructure sector marketplace as it happens.

An investment in an infrastructure business is a long process, which is why it's beneficial to

be part of the Macquarie Group. A lot of transactions are two, three or four years in the making, especially on the greenfield development side. You need to look at how you partner with development equity, in order to ensure that you have access to the yielding investments as they become available --- the mature, stable, cash flow generating assets that we like and that provide that real return in the spread over a government bond.

So when I look at the marketplace, I can't control the timing of what sector comes to fruition sooner or later. The individual government's policies in Ontario, and British Columbia and how they approach private/public partnerships will dramatically affect the flow of investment opportunities in those sectors. Partnerships BC has been a leader in developing public/private partnerships, and in fact we and a lot of the other partnerships look at them as a bit of a role model and try to adapt best practices.

When I explain the LDC market; I think it is a very attractive market. I think everybody agrees that it should be consolidated. You would then deal with a bit of a political element, where there is sort of transfer tax that applies to LDCs. So the government's policy of when they want to open up that opportunity for consolidation to see the benefits for the actual users, with respect to actually lower rates. You know when you consolidate and use the cost savings to flow through to the actual user.

So there is a benefit for the end customer for consolidation in a lot of these opportunities. The reasons P3s have come to fruition is that they represent a more cost-effective alternative to governments doing it themselves. From an investment standpoint, I can't control or fully evaluate when some of these opportunities will come to fruition. What I know is that we'll continue to pursue the broad spectrum of power, long-term care, water and waste water, private/public partnerships, etc., as we look at the marketplace and be in position to act very quickly when the opportunities become available.

Question: Did you look at Extendicare's Canadian assets?

Answer: Gregory Smith, Chief Executive Officer, MPT

Typically, our normal response is that we don't comment on which acquisitions we have or have not looked at.

I think I provided a lot of clarity a few conference calls ago, when there was a lot of discussion between Extendicare and RRR, which were the two big ones that were in the press a lot then. A sort of general answer would be that we look at a lot of things. What's attractive about Leisureworld is the long-term care piece of it. The Ontario funding model is the other critical piece. So the quality, new homes, the Ontario funding model and the stability of the cash flow profile. When you start to go broader into the senior care, you end up with retirement homes, which are subject to economic fluctuations and demand.

Different jurisdictions, the U.S. in particular, have completely different funding models than we do in Ontario --- very different in structure and funding. So when we keep coming back to infrastructure, it not only has to meet all of the definitions of infrastructure, but the cash flow profile has to match. That's where we like to apply our expertise in order to extract that specific value. So we do, we look at a whole bunch of opportunities, and we're looking at opportunities right now in the long-term care sector that that would match the quality of homes that Leisureworld has in its portfolio.

Question: What would be the new-build cost for long-term care like that on a per bed basis, and what's the associated CCRA on that?

Answer: Gregory Smith, Chief Executive Officer, MPT

As low as \$125 per bed is about the general cost. It depends on land prices and where you're located and all those kinds of things, but generally based on the design standards that the government has for the new facilities it's about \$125 per bed.

Question: Can you write that off?

Answer: Gregory Smith, Chief Executive Officer, MPT

You're asking an accounting question, it's allocation between land and buildings, so, yeah, it would be treated like a normal investment in furniture fixtures and building.

Question: With regard to the Leisureworld, given the implementation of the LHINs, is it safe to say the funding would still be provided by the Ministry of Health and the LHINs would have no impact in determining the amount that's allocated to each LTC facility unlike the other provinces where... For example, British Columbia, they have different Regional Health Authorities, and the Ministry of Health would provide "x" dollar amount but each Regional Health Authority would then determine how much each facility would receive in terms of funding depending on the type of care required. Would that implementation of LHINs impact how the Ontario homes would be funded or would it still be completely controlled by the Ministry of Health?

Answer: David Cutler, Chief Executive Officer, Leisureworld

From our understanding in working with the government, the Ministry of Health will still retain essential control of the funding for long-term care homes, so the basic funding model that you've seen and as we've demonstrated in the slides today will remain exactly the same. What the LHINs will be allowed to do, is where you do provide enhanced services, for example, tube feeding or hypodermoclysis or programs such as that, where they need that in a specific community, they may put that out to tender and award that as an add-on, but they won't be able to cut or reduce your everyday funding, based on your level of care across the province.

Question: Just two questions related to Cardinal. Greg, you spoke a bit about some of the new contracts that are being handed out and then you referenced the OPA auctions that we've seen, and I think Dennis mentioned the new Sarnia contract. Can you give some color as to what you think about the pricing levels of where those two came out with respect to Cardinal?

Gregory Smith, Chief Executive Officer, MPT

As you are aware, there is a high degree of confidentiality around some of the agreements, so I haven't actually been privy to the contracts. So we're dealing with general industry information. When we take a look at the tolling agreements overall, there are two parts to your question, so when we look at the competitive overlay in the ability to assign to a third party, I think it's great for developing a competitive market when you get more transparency and predictability in pricing on power supply and the ability to enter into bilateral agreements with other parties other than just the government.

The structure that they are currently using allows that flexibility, but yet retaining the underlying support from the Province of Ontario. So you are not taking a risk that the market will actually develop in the future, but it will allow the ability, and you retain the flexibility, to almost like option into it, should it develop in the characteristics that will enhance the value of your investment or your ability. So I look at it almost like an option agreement, so we have the high credit quality in the current regulated market that we operate in, with the flexibility of being able to participate in the third-party marketplace should it develop.

I know that even at the APPRo conference, and when I was talking with Dennis earlier, that there is still a lot of debate on what the hybrid market may or may not look like going forward. There are probably more uncertainties there than what exists around the federal government's tax policy. You know, it's an evolving marketplace, which you have to keep in touch with on a regular basis. We keep the dialogue open, and it is a pleasure for me to work with Rob Carey and Dennis on a number of those types of elements.

On the tolling agreement, I think the marketplace, historically, and we were caught in this too, is that we're on sort of a \$15 dollar spark spread. Rules of thumb are great, but it is also nice to have actual data points in terms of how would you actually operate. So when we look at the value of Cardinal post-PPA, I think the way these tolling agreements are being structured are beneficial, because then I don't have to worry about the gas supply component. We'll continue to evaluate the tolling arrangement philosophy, but we'll also evaluate what's happening in the gas storage marketplace to see if we want to adopt an alternative strategy. So again, at this stage we've got a number of years to work on it, and I

think the point that I will leave you with is we are actively working on a number of those strategies at this point in time, so we can actually achieve clarity and transparency for our investors well ahead of 2014.

Question: My second question relates to the gas swap remaining for '07-'08. Is there any update or any thoughts going forward with respect to removing the two-way basis risk with respect to the swap?

Answer: Gregory Smith, Chief Executive Officer, MPT

What he is referring to is for the first three years of 2004, 2005 and the year we just completed with the gas swap, 2006, we used Dawn as the swap point for the gas swap arrangement, where we entered into a fixed price arrangement. For the last two years, 2007 and 2008, we are actually using Henry Hub. The reason for using Henry Hub is, as I think some of you will know, is that there just isn't the depth in trading at Dawn --- in fact there is very little depth in year one, two and three, but there is even less liquidity in the financial instruments at years four and five when we originally entered into the swap.

The Dawn market is still predominantly a physical settlement market and not a financial settlement market, so that is a restrictive piece. The spread in cost that you see when you quote out of Dawn can be quite varied depending on the point in time. That being said, we're rapidly exploring moving the hedge from Henry to Dawn and we may look at doing that if it's cost advantageous. The actual difference, for the benefit of others in the room that aren't following the swap markets and Dawn and Henry, is that there is usually very little difference between the two hub points and the volatility doesn't materialize except in rare circumstances such as some of the weather-related incidents that have happened in the U.S. over the past couple of years. So, typically, there is very good linkage between Dawn and Henry. So we are exploring it, sorry for the long answer, but it was a precise question. So we are looking at it, and we are exploring it actively. We need to balance the cost with what the actual risk is.

Question: Is it just a ballpark as to what the cost might be at this time?

Answer: Gregory Smith, Chief Executive Officer, MPT

Believe it or not, I would say no that there isn't one available, but it will be a very small cost if we end up doing it.

Are there any other questions at this point? Well, at this time I would like to thank you all for joining us this morning. I hope you've come away with a better understanding of Macquarie Power and Infrastructure Income Fund as well as our underlying assets, Cardinal and Leisureworld. Thank you again for joining us, and we look forward to the discussion over lunch.