

## Macquarie Power and Infrastructure Corporation

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## TSX/MEDIA RELEASE

### MACQUARIE POWER AND INFRASTRUCTURE CORPORATION ANNOUNCES INTERNALIZATION OF MANAGEMENT

*It is anticipated that the internalization will:*

- *Position MPIC for next phase of evolution and growth*
- *Enhance alignment between management and shareholders*
- *Ensure continuity of an experienced management team*
- *Deliver economic value for shareholders*
- *Maintain key benefits derived from the Macquarie Group relationship*



**TORONTO, ONTARIO (March 15, 2011)** – Macquarie Power and Infrastructure Corporation (TSX: MPT; MPT.DB.A – “MPIC” or the “Corporation”) today announced that its Board of Directors has reached an agreement with Macquarie Group Limited (together with its subsidiaries, “Macquarie Group”) to internalize all management and administrative functions currently performed by Macquarie Power Management Ltd., the Corporation’s manager (the “Manager”).

The internalization was negotiated by a special committee comprising the four independent members of MPIC’s Board of Directors (the “Special Committee”). The transaction is expected to be completed in April 2011. The Management Agreements were set to expire in 2024 and did not contain a mechanism for early termination.

#### **Internalization Highlights and Terms of the Agreement**

The terms of the internalization, which will terminate the management and administration agreements (the “Management Agreements”) with the Manager as well as other arrangements involving Macquarie Group, include:

- **Existing management will continue to serve MPIC in their current roles.** The senior management team (all of whom are currently Macquarie Group employees) has extensive experience in the infrastructure sector;
- **MPIC will benefit from a transitional service agreement.** Macquarie Group will provide transitional services to MPIC following the internalization until December 15, 2011 at no cost. These services will include the provision of premises, information technology support, tax and accounting services;
- **MPIC will pay Macquarie Group to terminate the existing management agreements.** The Corporation will pay \$14 million to Macquarie Group in consideration for terminating the Management Agreements. As well, MPIC will be responsible for \$2 million of additional expenses over and above its existing contractual obligations;
- **Macquarie Group will retain an economic interest in MPIC’s continuing success.** Upon completion of the internalization, Macquarie Group will, subject to customary listing approvals from the Toronto Stock Exchange, immediately use \$7 million of the \$14 million it receives in consideration for the termination of the Management Agreements to subscribe for MPIC common shares. Macquarie Group has committed to hold these shares for at least 12 months following completion of the internalization;
- **MPIC will have continued access to global growth opportunities.** MPIC will continue to have access to global growth opportunities available through the Macquarie Infrastructure and Real Assets (“MIRA”) division; and

Macquarie Power and Infrastructure Corporation is not an authorized deposit taking institution for the purposes of the Banking Act (Cth) 1959 and Macquarie Power and Infrastructure Corporation’s obligations do not represent deposits or other liabilities of Macquarie Bank Limited ABN 46 008 583 542 (MBL). MBL does not guarantee or otherwise provide assurance in respect of the obligations of Macquarie Power and Infrastructure Corporation.

- **Macquarie Group will continue to be represented on the Board of Directors.** Macquarie Group will provide a director to serve on MPIC's Board of Directors for a minimum period of 12 months following completion.

"MPIC is strongly positioned to realize its vision of becoming Canada's pre-eminent infrastructure company and this internalization represents an important step in that direction," said Derek Brown, Chairman of the Board of Directors. "The internalization represents a great opportunity for MPIC shareholders. MPIC has achieved critical mass and is retaining a highly experienced management team with a proven ability to execute on the Corporation's strategy. This is the right time to transition to a standalone infrastructure company as the portfolio continues to grow. We will also continue to benefit from a strong working relationship with the Macquarie Group on a global basis."

Mr. Brown added, "The independent Directors acknowledge Macquarie Group's significant contribution to MPIC since its listing in 2004, both as manager and adviser, and the cooperation that will be provided by Macquarie Group during the transfer of employees and services. We are pleased that our association with Macquarie Group will continue into the future."

Upon completion, MPIC will be a standalone infrastructure company with approximately 80 employees, including 20 employees transferring from Macquarie Group and 60 employees across the Corporation's power infrastructure businesses in Canada. MPIC will also adopt a new corporate name upon completion.

Michael Bernstein and Michael Smerdon will continue in their current roles as MPIC's President and Chief Executive Officer, and Executive Vice President and Chief Financial Officer, respectively. Employees of Macquarie Group who currently provide services to the Corporation have been extended offers to become employees of the Corporation. Stephen Mentzines, currently the Macquarie Group-appointed director on MPIC's Board of Directors, will be replaced by James Cowan, a Managing Director of MIRA in Canada. Since joining Macquarie in 2000, Mr. Cowan has advised clients and Macquarie Group-managed funds on a number of U.S., Canadian and U.K. transactions, including investments in the transportation, water and wastewater, and energy sectors, and has raised capital internationally for Macquarie Group-managed funds and co-investments.

"The Board would like to thank Mr. Mentzines for his significant contribution to the Corporation over the past three and a half years," said Mr. Brown. "He has been integral to the development and implementation of the Corporation's successful business strategy."

"This marks an exciting new phase in our company's evolution," said Michael Bernstein, President and Chief Executive Officer. "The senior team is looking forward to extending its track record and to continuing MPIC's growth strategy to build and diversify our portfolio across core infrastructure categories and geographies, including both operating and development-stage assets. MPIC will continue to enjoy the services of an exceptional management team that is delighted with its move to MPIC. We will benefit from that continuity, both at head office and across our businesses, to accomplish our mission of delivering an attractive total return to our shareholders through a combination of stable dividends and capital appreciation."

#### **Rationale for Internalization**

The Special Committee has determined that it is beneficial to MPIC and its shareholders to terminate the Management Agreements and internalize management of the Corporation. The Special Committee evaluated various options with respect to the relationship between MPIC and the Manager following the conversion of Macquarie Power & Infrastructure Income Fund to a dividend-paying corporation, including potential new administration and management arrangements for MPIC and certain of its subsidiaries. The Special Committee retained Fasken Martineau DuMoulin LLP to provide legal counsel and CIBC World Markets Inc. ("CIBC") to provide independent financial advice on various alternatives to the existing Management Agreements. CIBC has provided the Special Committee with an opinion that the

payment by MPIC to terminate the Management Agreements is fair from a financial point of view to the Corporation.

The objectives of the Special Committee in pursuing internalization included:

- **Securing the long-term relationship between current management and MPIC.** MPIC will retain a high quality leadership team with deep expertise and broad relationships in the infrastructure sector;
- **Improving the Corporation's structure.** The financial impact of the internalization is expected to result in lower costs to MPIC compared with the current management fee structure and to be accretive to shareholders, including after giving effect to the Macquarie Group share subscription described above;
- **Enhancing management alignment with shareholders.** Internalization will enhance the existing alignment of management with shareholders;
- **Broadening the investment appeal of the Corporation.** With a simplified structure, MPIC is better positioned to expand its investor base, thereby improving MPIC's comparability to peers along with its market valuation;
- **Enhancing MPIC's competitiveness.** The internalization will provide a new, simplified structure that is expected to improve MPIC's competitiveness and flexibility in pursuing acquisition opportunities; and
- **Maintaining a strong relationship with Macquarie Group as it pertains to growth opportunities.** MPIC will continue to have access to global growth opportunities that are sourced through MIRA while gaining new flexibility as a standalone entity to pursue additional opportunities across a spectrum of core infrastructure categories.

#### **Dividend Policy**

As a standalone entity, MPIC's dividend policy will continue to pay a dividend of \$0.055 per common share monthly, or \$0.66 per common share on an annualized basis. This dividend level is expected to be sustainable through 2014 based on the Corporation's existing portfolio and outlook and barring any significant unexpected events.

#### **Fiscal 2011 Guidance**

As disclosed on February 28, 2011 and subsequently on March 10, 2011, the Corporation expects fiscal 2011 earnings before interest, taxes, depreciation and amortization ("EBITDA") and funds from operations ("FFO") from its current portfolio of power infrastructure businesses to be lower than in 2010 due to significantly higher TransCanada Pipelines Limited interim gas transportation tolls. With the internalization of management and partial year EBITDA and FFO contributions from the Amherstburg Solar Park and the Swedish district heating business, management now expects EBITDA and FFO (excluding the impact of one-time costs related to the internalization) from the total portfolio to be higher than in fiscal 2010.

#### **Conference Call and Webcast**

Management will hold a conference call (with accompanying slides) to discuss the internalization on March 15, 2011 at 10 a.m. ET. The event will be accessible via webcast through the Corporation's website with accompanying slides at [www.macquarie.com/mpic](http://www.macquarie.com/mpic) and by telephone at 416-695-6623 (Canada) or 1-800-355-4959 (North America). A replay of the call will be available until March 29, 2011 by dialling 905-694-9451 or 1-800-408-3053 and entering the passcode 5571117.

#### **About Macquarie Power and Infrastructure Corporation**

Macquarie Power and Infrastructure Corporation's mission is to build and responsibly manage a high quality portfolio of infrastructure businesses in Canada and internationally in order to deliver a superior total return to shareholders through a combination of stable dividends and capital appreciation. MPIC's portfolio currently includes investments in gas cogeneration, wind, hydro and biomass power generating facilities, representing approximately 350 MW of installed capacity. MPIC is also currently developing a 20 MW solar power facility in Ontario and has entered into an agreement to acquire a 33.3% interest in a district heating portfolio in

Sweden. MPIC is managed by an affiliate of Macquarie Group Limited. Please visit [www.macquarie.com/mpic](http://www.macquarie.com/mpic) for additional information.

#### Notice to Readers

This news release is not an offer or invitation for subscription or purchase of or a recommendation of securities. It does not take into account the investment objectives, financial situation and particular needs of the investor. Before making an investment in the Corporation, the investor or prospective investor should consider whether such an investment is appropriate to their particular investment needs, objectives and financial circumstances and consult our investment adviser if necessary.

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

Certain of the statements contained in this news release are forward-looking and reflect management's expectations regarding the Corporation's future growth, results of operations, performance and business based on information currently available to the Corporation. Forward-looking statements are provided for the purpose of presenting information about management's current expectations and plans relating to the future and readers are cautioned that such statements may not be appropriate for other purposes. These statements use forward-looking words, such as "anticipate", "continue", "could", "expect", "may", "will", "estimate", "believe" or other similar words.

The forward-looking statements in this news release are based on information currently available and what the Corporation currently believes are reasonable assumptions, including the material assumptions for each of the Corporation's assets set out in its fiscal 2010 Annual Report under the heading "Asset Performance" as updated in subsequently filed Quarterly Financial Reports of the Corporation (such documents are available on the Canadian Securities Administrators' System for Electronic Document Analysis and Retrieval ("SEDAR") at [www.sedar.com](http://www.sedar.com)). Other material factors or assumptions that were applied in formulating the forward-looking statements contained herein include the assumption that the business and economic conditions affecting the Corporation's operations will continue substantially in their current state, including, with respect to industry conditions, general levels of economic activity, regulations, weather, taxes and interest rates, that there will be no unplanned material changes to the Corporation's facilities, equipment or contractual arrangements, and that internalization will be completed in accordance with the terms of the agreement between Macquarie, MPIC and the other subsidiaries of MPIC managed by Macquarie Power Management Ltd. ("MPML" or the "Manager").

Although the Corporation believes that it has a reasonable basis for the expectations reflected in these forward-looking statements, actual results may differ from those suggested by the forward-looking statements for various reasons, including risks related to: power infrastructure (operational performance; power purchase agreements; fuel costs and supply; contract performance; development risk; technology risk; default under credit agreements; land tenure and related rights; regulatory regime and permits; environmental, health and safety; climate change and the environment; force majeure); and the Corporation (tax-related risks; variability and payment of dividends, which are not guaranteed; geographic concentration and non-diversification; dependence on the Manager and potential conflicts of interest; insurance; environmental, health and safety regime; availability of financing; shareholder dilution; and the unpredictability and volatility of the common share price of the Corporation). There are also a number of risks related to the Corporation's proposed investment in the DH Business, including: general business risks inherent in the district heating business; geographic concentration; minority interest; government regulation; termination of supply and customer contracts; possible failure to complete the acquisition; enforcement of indemnities against the vendors of the DH Business; environmental health and safety liabilities; liability and insurance; and reliance on key personnel. There is also a risk that the DH Business may not achieve expected results.

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

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