THE CONSUMERS' WATERHEATER INCOME FUND

NOTICE OF ANNUAL AND SPECIAL MEETING

NOTICE IS HEREBY GIVEN that the Annual and Special Meeting ("Meeting") of holders of Trust Units ("Unitholders") of The Consumers' Waterheater Income Fund ("Fund") will be held on **Friday, April 30, 2010** at **Ivey - ING Leadership Centre, the Exchange Tower, 130 King Street West, Toronto, Ontario** at **10:00 a.m.** (EDT), for the following purposes:

1. to receive the consolidated financial statements of the Fund for the financial year ended December 31, 2009, together with the report of the auditors thereon;
2. to reappoint the auditors of the Fund for the ensuing year;
3. for Unitholders to elect nominees of the Fund standing for election as trustees of the Fund for the ensuing year;
4. for Unitholders to consider, and if thought advisable, pass a special resolution in the form set out in Schedule A to the management information circular (the "Circular") accompanying this notice of annual and special meeting, reconfirming the Fund's unitholder rights plan agreement dated March 16, 2007 between the Fund and Computershare Investor Services Inc., as rights agent, as amended; and
5. to transact such other business as may properly come before the Meeting or any adjournment thereof.

The Circular provides additional information relating to matters to be dealt with at the Meeting and forms part of this notice of annual and special meeting.

The trustees of the Fund have fixed March 29, 2010 as the record date for the Meeting (the "Record Date"). Only Unitholders of record at the close of business on the Record Date are entitled to vote at the Meeting or any adjournment thereof.

If you are a Unitholder and are unable to be present at the Meeting, please exercise your right to vote either by:

(a) completing and returning the enclosed form of proxy that is applicable to you to the Fund, c/o Computershare Investor Services Inc. by mail in an envelope addressed to Computershare Investor Services Inc., Proxy Department, 100 University Avenue, 9th Floor, Toronto, Ontario, M5J 2Y1 or by facsimile to 416.263.9524 (within the Toronto area) or 1.866.249.7775 (outside the Toronto area) so as to arrive not later than 10:00 a.m. (EDT) on April 29, 2010 or, if the Meeting is adjourned, 24 hours (excluding Saturdays, Sundays and holidays) before any reconvened meeting, or

(b) by completing the request for voting instructions in accordance with the directions provided.

Unitholders are invited to attend the Meeting. There will be an opportunity to ask questions and meet management, the board of trustees and their fellow Unitholders. After the Meeting, management will report on the Fund's 2009 business activities.

Dated at Richmond Hill, Ontario this 19th day of March, 2010.

The Consumers' Waterheater Income Fund

John Macdonald

John A. Macdonald
President and Chief Executive Officer

CONTENTS

SOLICITATION OF PROXIES AND VOTING INSTRUCTIONS 2
- Registered Owners 2
  - Appointment of Proxies 2
  - Revoking Your Proxy 2
  - Voting Your Proxy 3
- Non-registered Owners 3
  - Request for Voting Instructions 4
  - Form of Proxy 4
- Voting Units 4
- Principal holders of Voting Securities 5

BUSINESS OF THE MEETING 5
- Presentation of Financial Statements and Auditors' Report 5
- Appointment of Auditors 5
- Election of Trustees 5
- Reconfirmation of the Rights Plan 9

GOVERNANCE PRACTICES 12
- General 12
- Roles and Responsibilities of Trustees 13
  - Audit Committee 14
  - Investment Committee 14
  - Governance Committee 14
- Nomination of Trustees 15
- Orientation and Continuing Education 15
- Code of Business Conduct 16
- Meetings Held and Attendance of Trustees 16

TRUSTEE COMPENSATION 17
- Outstanding Unit-Based Awards 18
- Unit Ownership – Trustees and Executive Officers 18
- Directors' and Officers' Liability Insurance 19

INDEBTEDNESS OF OFFICERS AND TRUSTEES 19

COMPENSATION OF EXECUTIVE OFFICERS 19
- Compensation Discussion and Analysis 19
- 2009 Compensation table 24
- Incentive Plans 25
- Outstanding Unit-Based Awards 25
- Performance Unit Plan 25
- Termination and Change of Control Benefits 27

QUANTITATIVE ESTIMATES OF PAYMENTS AND BENEFITS UPON TERMINATION OR CHANGE OF CONTROL 29

PERFORMANCE GRAPH 30

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS 31

OTHER BUSINESS 31

ADDITIONAL INFORMATION 31

APPROVAL OF TRUSTEES 31

SCHEDULE A 33

SCHEDULE B - BOARD OF TRUSTEES MANDATE 34

MANAGEMENT INFORMATION CIRCULAR

DATED MARCH 19, 2010

SOLICITATION OF PROXIES AND VOTING INSTRUCTIONS

The information contained in this management information circular ("Circular") is furnished in connection with the solicitation of proxies from registered owners of Trust Units ("Units") of The Consumers' Waterheater Income Fund ("Fund") (and of voting instructions in the case of non-registered owners of Units) to be used at the Annual and Special Meeting ("Meeting") of holders of Units ("Unitholders") to be held Friday, April 30, 2010 at Ivey - ING Leadership Centre, the Exchange Tower, 130 King Street West, Toronto, Ontario at 10:00 a.m. (EDT), and at any adjournments of the Meeting, for the purposes set forth in the accompanying Notice of Annual and Special Meeting ("Notice of Meeting"). It is expected that the solicitation will be made primarily by mail. However, proxies and voting instructions may also be solicited by personal interview, telephone, Internet or by other means of communication on behalf of the trustees of the Fund ("Trustees" or "Board of Trustees"), by the Trustees or officers and employees of the Fund who will receive no compensation therefor in addition to their regular remuneration. The solicitation of proxies and voting instructions by this Circular is being made on behalf of the Trustees by management of the Fund and the total cost of the solicitation will be borne by the Fund and is expected to be nominal. The Fund may also reimburse brokers and other persons holding Units in their name or in the name of nominees for their costs incurred in sending proxy material to their principals in order to obtain their proxies. The information contained in this Circular is given as at March 19, 2010, except where otherwise noted.

For purposes of the Meeting and pursuant to the second amended and restated declaration of trust of the Fund dated May 1, 2008 (the "Declaration of Trust"), so long as Direct Energy Marketing Limited ("DE") is the Servicer (as defined in the Declaration of Trust), DE will not be entitled to vote any Units or Special Trust Units ("Special Trust Units") of the Fund it may own to elect Trustees nominated for election by the Fund. To the knowledge of management and the Trustees, DE owns no Units or Special Trust Units.

REGISTERED OWNERS

If you are a registered owner of Units, you may vote in person at the Meeting or you may appoint another person to represent you as proxyholder and vote your Units at the Meeting. If you wish to attend the Meeting, do not complete or return the enclosed form of proxy because you will vote in person at the Meeting. When you arrive at the Meeting, please register with the transfer agent, Computershare Investor Services Inc. ("Computershare").

Appointment of Proxies

If you do not wish to attend the Meeting, you should complete and return the enclosed form of proxy. The individuals named in the enclosed form of proxy are Trustees. A Unitholder who wishes to appoint some other person to represent such Unitholder at the Meeting may do so by inserting such person's name in the blank space provided in the form of proxy. The person you appoint to represent you at the Meeting need not be a Unitholder.

To be valid, proxies must be completed and delivered to the Fund c/o Computershare not later than 10:00 a.m. (EDT) on April 29, 2010 or, if the Meeting is adjourned, 24 hours (excluding Saturdays, Sundays and holidays) before any reconvened meeting. Proxies may be returned to Computershare by mail in an envelope addressed to Computershare Investor Services Inc., Proxy Department, 100 University Avenue, 9th Floor, Toronto, Ontario, M5J 2Y1 or by facsimile to 416.263.9524 (within the Toronto area) or 1.866.249.7775 (outside the Toronto area).

Revoking Your Proxy

If you have submitted a proxy and later wish to revoke it, you can do so by:

(a) completing and signing a form of proxy bearing a later date and depositing it with Computershare in the manner and within the deadline described above;
(b) depositing a document that is signed by you (or by someone you have properly authorized to act on your behalf) (i) at the office of Computershare in the manner and within the deadline described above, or (ii) with the Chair of the Meeting before the Meeting starts;
(c) electronically transmitting your revocation in a manner permitted by law, provided the revocation is received (i) at the office of Computershare in the manner and within the deadline described above, or (ii) by the Chair of the Meeting before the Meeting starts; or
(d) in any other manner permitted by law.

Voting Your Proxy

The persons designated in the accompanying form of proxy will vote "FOR" or withhold from voting the Units in respect of which they are appointed by proxy on any vote that may be called for in accordance with your instructions as indicated on the proxy and, if you specify a choice with respect to any matter to be acted upon, the Units will be voted accordingly.

In the absence of any direction, your Units will be voted:

FOR the reappointment of auditors named in this Circular;

FOR the special resolution in the form set out in Schedule A to this Circular, reconfirming the unitholder rights plan agreement dated March 16, 2007 between the Fund and Computershare, as rights agent, as amended (the "Rights Plan"); and

FOR the election of the Trustees named in this Circular.

The accompanying form of proxy confers discretionary authority upon the persons designated in the form of proxy with respect to voting on amendments to or variations of matters identified in the Notice of Meeting and with respect to other matters that may properly come before the Meeting. At the date of this Circular, the Trustees and management of the Fund do not know of any such amendments, variations or other matters.

NON-REGISTERED OWNERS

If your Units are registered in the name of a depository (such as CDS Clearing and Depository Services Inc.) ("CDS") or an intermediary (such as a bank, trust company, securities dealer or broker, or trustee or administrator of a self-administered RRSP, RRIF, RESP, TFSA or similar plan), you are a non-registered owner.

Only registered owners of Units, or the persons they appoint as their proxies, are permitted to attend and vote at the Meeting. If you are a non-registered owner, you are entitled to direct how the Units beneficially owned by you are to be voted or you may obtain a form of legal proxy that will entitle you to attend and vote at the Meeting.

In accordance with Canadian securities law, the Fund has distributed copies of the Notice of Meeting, this Circular and the 2009 Annual Report (collectively, the "meeting materials") to the intermediaries for onward distribution to non-registered owners who have not waived their right to receive them. Typically, intermediaries will use a service company (such as Broadbridge Financial Solutions Inc.) to forward the meeting materials to non-registered owners.

If you are a non-registered owner and have not waived your right to receive meeting materials, you will receive either a request for voting instructions or a form of proxy with your meeting materials. The purpose of these documents is to permit you to direct the voting of the Units you beneficially own. You should follow the procedures set out below, depending on which type of document you receive.

Request for Voting Instructions

If you do not wish to attend the Meeting (or have another person attend and vote on your behalf), you should complete, sign and return the enclosed request for voting instructions in accordance with the directions provided. You may revoke your voting instructions at any time by written notice to your intermediary, except that the intermediary is not required to honour the revocation unless it is received at least seven days before the Meeting.

If you wish to attend the Meeting and vote in person (or have another person attend and vote on your behalf), you must complete, sign and return the enclosed request for voting instructions in accordance with the directions provided and a form of proxy will be sent to you giving you (or your representative) the right to attend and vote at the Meeting. You (or your representative) must register with the transfer agent, Computershare, when you arrive at the Meeting.

or

Form of Proxy

The form of proxy has been signed by the intermediary (typically by a facsimile, stamped signature) and completed to indicate the number of Units beneficially owned by you. Otherwise, the form of proxy is uncompleted.

If you do not wish to attend the Meeting, you should complete the form of proxy in accordance with the instructions set out in the section titled "Registered Owners" above.

If you wish to attend the Meeting and vote in person, you must strike out the names of the persons named in the proxy and insert your name in the blank space provided. To be valid, proxies must be deposited with Computershare Investor Services Inc., Proxy Department, 100 University Avenue, 9th Floor, Toronto, Ontario, M5J 2Y1 or by facsimile to 416.263.9524 (within the Toronto area) or 1.866.249.7775 (outside the Toronto area) not later than 10:00 a.m. (EDT) on April 29, 2010 or, if the Meeting is adjourned, 24 hours, (excluding Saturdays, Sundays and holidays) before any reconvened Meeting. You must register with the transfer agent, Computershare, when you arrive at the Meeting.

You should follow the instructions on the document which you have received and contact your intermediary promptly if you need assistance.

VOTING UNITS

The Declaration of Trust provides for the issuance of an unlimited number of Units. All Units are of the same class with equal rights and privileges. Each Unit confers the right to one vote at any meeting of Unitholders.

The Declaration of Trust also provides for the issuance of an unlimited number of Special Trust Units that are used solely for providing voting rights to persons holding Class B Exchangeable Units (the "Class B Exchangeable Units") of Waterheater Holding Limited Partnership ("Holding LP"), a subsidiary of the Fund, or other securities that are, directly or indirectly, exchangeable for Units and that, by their terms, have voting rights of the Fund. Each Special Trust Unit entitles the holder thereof to a number of votes at any meeting of Unitholders equal to the number of Units which may be obtained upon the exchange of the Class B Exchangeable Units to which the Special Trust Units relate. The previously issued Special Trust Units were redeemed in 2006 and none have been subsequently issued.

As at March 19, 2010, the Fund had outstanding 49,524,092 Units and no Special Trust Units. Each Unitholder of record of Units at the close of business on March 29, 2010, the record date established for Notice of Meeting and for voting in respect of the Meeting, will be entitled to one vote for each Unit held by such holder on all matters proposed to come before the Meeting, except that pursuant to the Declaration of Trust, DE, so long as it is Servicer, is not entitled to vote any Units or Special Trust Units held by it in connection with the election of Trustees nominated by the Fund.

PRINCIPAL HOLDERS OF VOTING SECURITIES

To the knowledge of management and the Trustees, there are no persons or entities who beneficially own, or control or direct, directly or indirectly, Units on a fully diluted basis (which includes securities exchangeable into Units such as the Class B Exchangeable Units) carrying more than 10% of the voting rights attached to any class of outstanding units of the Fund entitled to vote in connection with any matters being proposed for consideration at the Meeting.

BUSINESS OF THE MEETING

PRESENTATION OF FINANCIAL STATEMENTS AND AUDITORS' REPORT

The consolidated financial statements of the Fund as at, and for the years ended December 31, 2009 and 2008, together with the report of the auditors thereon, are contained in the 2009 Annual Report of the Fund mailed to Unitholders together with this Circular.

APPOINTMENT OF AUDITORS

The persons designated in the enclosed form of proxy intend to vote FOR the reappointment of PricewaterhouseCoopers LLP ("PwC"), Chartered Accountants, Licensed Public Accountants, Toronto, as auditors of the Fund to hold office until the next annual meeting of Unitholders. PwC is independent with respect to the Fund and its subsidiaries within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario and have served as the Fund's auditors since the Fund's inception on October 28, 2002. The resolution to reappoint PwC as auditors of the Fund must be passed by a majority of the votes cast in person or by proxy at the Meeting.

ELECTION OF TRUSTEES

The Declaration of Trust provides that the Fund shall have a minimum of five Trustees and a maximum of seven Trustees.

The Board of Trustees of the Fund believes that each of its members should carry the confidence and support of the Unitholders. To this end, the Trustees have unanimously adopted a policy that requires that Unitholders be able to vote in favour of, or withhold from voting, separately for each nominee and that in an uncontested election of Trustees, any nominee for Trustee who receives a greater number of votes "withheld" from his/her election than votes "for" such election (a "Majority Withheld Vote") shall promptly offer his or her resignation to the Chair of the Board of Trustees following the meeting or to each member of the Governance Committee if the affected Trustee is such Chair. An "uncontested election" means an election where the number of nominees for Trustee is equal to the number of Trustees to be elected.

The Governance Committee shall, within 30 days of receipt of such Trustee's resignation, consider the offer of resignation and shall recommend to the Board of Trustees whether or not to accept it. The Governance Committee is expected to accept the resignation except in situations where extenuating circumstances would warrant the applicable Trustee to continue to serve on the Board of Trustees. In considering whether or not to accept the resignation, the Governance Committee will consider all factors deemed relevant by members of such Committee including, without limitation, any stated reasons why Unitholders "withheld" votes from the election of that nominee, the length of service and the qualifications of the Trustee whose resignation has been offered, such Trustee's contributions to the Board of Trustees and its committees, the Fund's governance policies, and the effect of such resignation on the Fund's compliance with any law, rule, regulation, stock exchange listing standards, or contractual obligations.

The Board of Trustees shall act on the Governance Committee's recommendation within 60 days following the Governance Committee's recommendation. If a resignation is accepted, the Board of Trustees may, in accordance with the provisions of the Declaration of Trust, appoint a new Trustee to fill any vacancy created by resignation, reduce the size of the Board of Trustees or call a meeting of holders of Units to appoint a replacement.

DE, as Servicer, is entitled to appoint one Trustee to the Board of Trustees. In addition to its rights as Servicer, (i) for so long as DE is the Servicer and holds, in the aggregate, 40% or more of the aggregate number of outstanding Units and Class B Exchangeable Units, DE is entitled to appoint two Trustees to the Board of Trustees, or (ii) for so long as DE is the Servicer and holds, in the aggregate, 10% or more (but less than 40%) of the aggregate number of outstanding Units and Class B Exchangeable Units, DE is entitled to appoint one Trustee to the Board of Trustees. DE, for so long as it is the Servicer, is not entitled to vote to elect any Trustees other than those to which it is entitled to appoint under the Declaration of Trust ("DE Appointees"). To the knowledge of management and the Trustees, DE has no ownership interest in the Fund.

Pursuant to the Declaration of Trust, units in The Consumers' Waterheater Operating Trust ("Operating Trust") held by the Fund will be voted by the Fund to cause the election of the same persons as constitute the Board of Trustees as trustees of the Operating Trust (with the exception of the President and Chief Executive Officer, who cannot be a trustee of the Operating Trust according to its declaration of trust) and directors of the Fund's corporate subsidiaries.

All the nominees are currently Trustees. Jim Pantelidis, Jerry Patava and Michael Rousseau have been Trustees since December 4, 2002; Roy J. Pearce has been a Trustee since June 4, 2004; Lisa de Wilde has been a Trustee since July 26, 2006 and John A. Macdonald has been a Trustee since April 26, 2007. It is not contemplated that any of the proposed nominees will be unable to serve as a Trustee but, if that should occur for any reason prior to the Meeting, the persons designated in the enclosed form of proxy reserve the right to vote for another nominee at their discretion. Each Trustee elected will hold office until the next annual meeting or until his successor is elected or appointed.

The following table sets forth the names of and certain additional information for the persons nominated for election as Trustees, with the exception of Mr. Clarke**,** who will be appointed to the Board of Trustees as the DE Appointee.

DE has informed the Fund that Mr. Clarke will be retiring as Chief Financial Officer of DE on May 1, 2010 and that he will be resigning as a Trustee on or about such date. DE has informed the Fund that it will appoint a replacement in due course.

The Fund has three standing committees - an Audit Committee, an Investment Committee and a Governance Committee. The members of these Committees are indicated below.

Name, Residence and Position with the Fund	Principal Occupation	Date of Initial Appointment	Other Public Directorships/Trusteeships	Units Owned, Controlled or Directed[6]
Jim Pantelidis[1][2][3][4] Toronto, Ontario Chair of the Board	Chair of the Board of Trustees and Chairman of the Board of Parkland Income Fund	December 4, 2002	Parkland Income Fund; Industrial Alliance Insurance Financial Services Inc., RONA inc. and Equinox Minerals Limited	50,400
David Clarke Toronto, Ontario Trustee	Chief Financial Officer, DE	July 1, 2009[7]	-	-
Lisa de Wilde[1][3][5] Toronto, Ontario Trustee	Chief Executive Officer, TVO	July 26, 2006	Noranda Income Fund	4,250
John A. Macdonald Aurora, Ontario Trustee, President and CEO	President and Chief Executive Officer of the Fund	April 26, 2007	-	24,525
Jerry Patava[1][3 Chair] Toronto, Ontario Trustee	Chief Executive Officer, Great Gulf Group of Companies	December 4, 2002	Trimac Income Fund	15,000
Roy J. Pearce[2 Chair][3] Stouffville, Ontario Trustee	Trustee, the Fund	June 4, 2004	-	20,000
Michael Rousseau[1 Chair][2] Oakville, Ontario Trustee	Executive Vice President & Chief Financial Officer, Air Canada	December 4, 2002	-	20,000

(1) Member of the Audit Committee.
(2) Member of the Investment Committee.
(3) Member of the Governance Committee.
(4) Mr. Pantelidis made a private equity investment in Tatoo Footware Inc. and joined the board of that company in 2003. In the 12-month period following the sale of his shares and departure from the board, the company went into receivership.
(5) Ms. de Wilde was a member of the board of directors of AT&T Canada Inc. in 2002 when the company filed for protection under the *Companies' Creditors Arrangement Act*.
(6) Does not include Phantom Units (see "Performance Unit Plan"). Based on the volume weighted average trading price on the TSX for the five (5) trading days immediately preceding March 19, 2010, the value of the Units owned, controlled or directed by the Trustees were as follows: Jim Pantelidis, $265,104; Lisa de Wilde, $22,355; David Clarke, Nil; John Macdonald, $129,002; Jerry Patava, $78,900; Roy Pearce, $105,200; and Michael Rousseau $105,200.
(7) Mr. Clarke previously served as a Trustee from May 2005 to June 2006.

Set out below is the biography for each of the persons nominated for election or being appointed to the Board of Trustees as a Trustee.

Jim Pantelidis, 64 Trustee and Chair of the Board. Mr. Pantelidis is Chairman of the board of Parkland Income Fund, and a member of the board of Industrial Alliance Insurance Financial Services Inc., RONA inc. and Equinox Minerals Limited. From 2004 to 2006 Mr. Pantelidis was Chairman & Chief Executive Officer of FisherCast Global Corporation, a manufacturer of molten metal injection technologies. From 2002 to 2003 Mr. Pantelidis was the President and Chief Executive Officer of JP & Associates, a strategic consulting company. From 1999 to 2001, Mr. Pantelidis was Chairman and Chief Executive Officer of Bata Limited, a leading, privately held, global footwear retailer and manufacturer. Prior to Bata, Mr. Pantelidis had a 30-year career in the petroleum industry and was at one time President of both the Resources Division and the Products Division of Petro-Canada. Mr. Pantelidis holds a Bachelor of Science degree and a Master of Business Administration degree, both from McGill University.

David Clarke, 56 Trustee**.** Mr. Clarke is the Chief Financial Officer of DE. Mr. Clarke has more than 30 years of experience with DE and its affiliates, which included serving on the board of Consumers Gas in the early 1990's. Mr. Clarke is a Fellow of the Chartered Association of Certified Accountants and holds a MA from Peterhouse, Cambridge University as well as a M.Sc. from Sussex University, both in the United Kingdom.

Lisa de Wilde, 53 Trustee. Ms. de Wilde has been Chief Executive Officer of The Ontario Educational Communications Authority (TVO) since 2005. Previously, Ms. de Wilde was the President and CEO of Astral Television Networks Inc. Her other board and advisory appointments include: Noranda Income Fund (Chair of the Board of Trustees); Toronto International Film Festival Group (Chair of the Finance Committee); Government of Ontario's Task Force on Competitiveness, Productivity and Economic Progress; McGill University Desautels Faculty of Management, International Advisory Board; ORANO (member of the Board of Directors); and Commonwealth Broadcasters Association (member of the Executive Committee). Ms. de Wilde graduated from McGill University with an Honours Bachelor of Arts and a LL.B degree.

John A. Macdonald, 53 Trustee. Mr. Macdonald is President and Chief Executive Officer of the Fund**.** From 2002 to 2006 Mr. Macdonald served as President and Chief Executive Officer of Hydro One Telecom Inc. Mr. Macdonald has previously held senior marketing positions at AT&T Canada Inc. and Nortel Networks Corporation and is a member of the board of advisors of Atria Networks LP. Mr. Macdonald is a registered professional engineer and holds a Bachelor of Applied Science in Electrical Engineering from the University of Toronto.

Jerry Patava, 56 Trustee and Chair of the Governance Committee. Mr. Patava is the Chief Executive Officer of the Great Gulf Group of Companies, a position he has held since July 2007. He is also a trustee of Trimac Income Fund and a member of the Governance and Compensation Committee, Lead Director of Trimac Transportation Services Inc. and the past Chair of Kids Help Phone. Mr. Patava served as a trustee of Osprey Media Income Fund from December 2004 until August 2007 and as a director of TransAlta Power, L.P. from May 2005 until December 2007. Mr. Patava was Executive Vice President and Chief Financial Officer of Fairmont Hotels & Resorts Inc., a position he held from January 1998 to January 2005. Previously, he was Vice President and Treasurer of Canadian Pacific Limited from 1990 to 1997 and served as Vice President and Director of RBC Dominion Securities Inc. from 1986 to 1990. Mr. Patava has a Bachelor of Arts degree from the University of Toronto and a Master of Business Administration from York University.

Roy J. Pearce, 67 Trustee and Chair of the Investment Committee. Mr. Pearce was the Chief Financial Officer of K2 Pure Solutions Canada Corporation from April 2007 until his retirement in November 2008. From 2002 to 2005, Mr. Pearce was the Chief Financial Officer of the KCP Income Fund and from 1996 until 2002 he was the Chief Financial Officer of the predecessor business KIK Corporation. From 2005 until 2006, Mr. Pearce was a trustee of the ACS Media Income Fund. Mr. Pearce held the position of Chief Financial Officer for the Plastics Division of Crown Cork and Seal Company, Inc. from 1994 to 1996, and was the Chief Financial Officer of Crown Cork and Seal Canada, Inc. from 1992 to 1994. Mr. Pearce has held senior finance positions with various companies including Gilbey Canada Inc., Lever Detergents Limited, Monarch Fine Foods Limited, John Labatt Ltd., and Lever Brothers Inc. Mr. Pearce is a Chartered Accountant.

Michael Rousseau, 52 Trustee and Chair of the Audit Committee. Mr. Rousseau is Executive Vice President and Chief Financial Officer of Air Canada, a position he has held since 2007. Mr. Rousseau was the President of the Hudson's Bay Company in 2006 and 2007, and from 2001 to 2006, was Executive Vice President & Chief Financial Officer of Hudson's Bay Company. Mr. Rousseau served as a trustee and Chair of the Audit Committee of Golf Town Income Fund from 2004 to 2007. From 1999 to 2001, he served as Senior Vice President & Chief Financial Officer of Moore Corporation and was also a member of Moore's pension committee. From 1993 to 1999 he was Vice President and Chief Financial Officer of Silcorp Limited. Mr. Rousseau holds a Bachelor of Business Administration from York University and is a Chartered Accountant.

RECONFIRMATION OF THE RIGHTS PLAN

At the Meeting, Unitholders will be asked to consider, and if thought advisable, pass the special resolution (the "Special Resolution") set out in Schedule A to this Circular reconfirming the Rights Plan. A copy of the Rights Plan will be available for review at the Meeting and is available through SEDAR at www.sedar.com. The Fund will also deliver a copy of the agreement giving effect to the Rights Plan (the "Rights Agreement") to any Unitholder who requests one at no charge to the Unitholder.

Reconfirmation by Unitholders

While the Rights Plan became effective upon the entering into of the Rights Agreement on March 16, 2007 (the "Effective Date") and was approved by Unitholders on April 26, 2007, by its terms, the Rights Plan and the Rights (as defined below) will terminate if the Rights Plan is not reconfirmed, with or without variation, by Unitholders as described in this Circular.

Objectives of the Rights Plan

The primary objectives of the Rights Plan are (i) to provide the Board of Trustees with additional time to explore and develop alternatives for maximizing Unitholders value if an unsolicited take-over bid is made for the Units, (ii) to provide every Unitholder with an equal opportunity to participate in such a bid, and (iii) to ensure, to the extent possible, that all Unitholders are treated fairly in connection with any take-over bid for Units.

The Rights Plan

The following is a summary description of the general operation of the Rights Plan. This summary is qualified in its entirety by reference to the text of the Rights Agreement. Capitalized terms not otherwise defined in this section shall have the same meaning ascribed to such terms in the Rights Agreement.

Term

The Rights Plan took effect on the Effective Date. If the Rights Agreement is not reconfirmed at this Meeting as described herein, or if reconfirmed, is not reconfirmed by Unitholders every three years at the annual meeting of Unitholders, the Rights Plan and all outstanding Rights will terminate on the applicable meeting date (the latest such meeting date to occur, the "Expiration Time").

Issue of Rights

Pursuant to the Rights Agreement, one right ("Right") has been issued in respect of each Unit outstanding as of the close of business on the Effective Date (the "Record Time"), and one Right will be issued for each additional Unit issued thereafter and prior to the earlier of the Separation Time (as defined below) and the Expiration Time. Each Right entitles the holder thereof to purchase from the Fund, on the occurrence of certain events, one Unit at a price of $50.00 (the "Exercise Price"), subject to adjustment as provided in the Rights Agreement. The Rights are not exercisable until the Separation Time.

Exercise of Rights

Until the Separation Time (or the earlier of the termination or expiration of the Rights), the Rights trade together with the Units and are evidenced by certificates for the associated Units. After the Separation Time, the Rights are exercisable and transferable separately from the Units. "Separation Time" means the earlier of: (1) the close of business on the tenth trading day after the earliest of (i) the first day of a public announcement by an Acquiring Person (as defined below) that an Acquiring Person has become such, (ii) the date of the commencement of or first public announcement of the intent of any person (other than the Fund or any subsidiary of the Fund) to commence a take-over bid (other than a Permitted Bid or Competing Permitted Bid (as defined below)), and (iii) the date on which a Permitted Bid or Competing Permitted Bid ceases to be such; and (2) such later date as may be determined in good faith by the Board of Trustees.

Flip-in Event

A Flip-in Event means a transaction or event pursuant to which a person (the "Acquiring Person") becomes the beneficial owner of 20% or more (or, in the case of the issuance of Units or convertible or exchangeable securities in consideration for an acquisition, 25% or more) of the outstanding Units. Excluded from the definition of Acquiring Person is (i) the Fund and its subsidiaries, (ii) any person who becomes the beneficial owner of 20% or more (or, in the case of the issuance of Units or convertible or exchangeable securities in consideration for an acquisition, 25% or more) of the Units as a result of one or more of any combination of certain enumerated transactions (including by way of a Permitted Bid) provided that if such person's beneficial ownership thereafter increases by more than 1% of the number of Units outstanding (other than pursuant to one or any combination of certain enumerated transactions), then, as of the date such person becomes the beneficial owner of such additional Units, such person shall become an "Acquiring Person", (iii) for a period of ten days after the Disqualification Date (as defined below), any person who becomes the beneficial owner of 20% or more of the outstanding Units as a result of such person becoming disqualified from relying on certain enumerated exclusions (for example, investment advisers and fund managers) to the definition of "Beneficial Owner" (as defined in the Rights Agreement) solely because such person or the beneficial owner of such Units is making or has announced an intention to make a take-over bid, either alone or by acting jointly or in concert with any other person, or (iv) an underwriter or member of a banking or selling group that becomes the beneficial owner of 20% or more of the Units in connection with a distribution of securities of the Fund. For the purposes of this section, "Disqualification Date" means the first date of public announcement that any person is making or has announced an intention to make a take-over bid. Any Rights beneficially owned by the Acquiring Person upon the occurrence of any Flip-in Event will be void, as will any Rights beneficially owned by the Acquiring Person's affiliates or associates (and any persons acting jointly or in concert with the Acquiring Person or such affiliates or associates), and transferees thereof. After the occurrence of a Flip-in Event, each Right (other than those that are void) will permit the holder to purchase Units with a total market value (generally the average daily closing price per Unit for the 20 consecutive trading days through and including the trading days immediately preceding the Flip-in Event) of $100.00 on payment of $50.00.

Beneficial Ownership

In general, a person is deemed to beneficially own Units actually held by others in circumstances where those holdings are or should be grouped for purposes of the Rights Plan. Included are holdings by the person's affiliates, associates and any other person with which the person is acting jointly or in concert. Also included are securities which the person or any of the person's affiliates or associates has the right to acquire within sixty (60) days.

The definition of "beneficial ownership" contains several exclusions whereby a person is not considered to "beneficially own" a security. There are exemptions from the deemed "beneficial ownership" provisions for certain Unitholders, including investment managers whose ordinary business includes managing funds for others, trust companies (acting in their capacities as trustees and administrators), statutory bodies whose business includes the management of funds (including for employee benefit plans, pension plans and certain insurance plans), administrators of registered pension funds or plans and a Crown agent or agency, provided that such Holder is not then making or has not then announced an intention to make a take-over bid alone or jointly or in concert with any other person, other than an Offer to Acquire (as defined in the Rights Plan) Units or other securities pursuant to a distribution by the Fund or by means of ordinary market transactions executed through the facilities of a stock exchange or organized over-the-counter market.

Lock-up Agreement

A bidder may enter into lock-up agreements with Unitholders ("Locked-up Persons") whereby such Unitholders agree to tender their Units to a take-over bid (the "Subject Bid") without a Flip-in Event (as referred to above) occurring. Any such agreement must contain a provision that either permits the Locked-up Person to withdraw the Units to tender to another take-over bid or to support another transaction that contains an offering price that provides greater value per Unit to the Holder than the Subject Bid or permits the Locked-up Person to withdraw the Units to tender to another take-over bid or to support another

transaction that contains an offering price that exceeds the offering price contained in the Subject Bid by a specified minimum amount not exceeding 7% of the offering price of the Subject Bid. A lock-up agreement may contain a right of first refusal or require a period of delay (or other similar limitation) to give a bidder an opportunity to match a higher price in another transaction as long as the Holder can accept another bid or tender to another transaction.

The Rights Plan requires that any lock-up agreement be made available to the Fund and the public and also provides that under a lock-up agreement no "break up" fees, "top up" fees, penalties, expenses or other amounts that exceed in the aggregate the greater of: (i) 2.5% of the price or value payable under the Subject Bid to a Locked-up Person; and (ii) 50% of the amount by which the price or value payable to a Locked-up Person under another take-over bid or transaction exceeds what such Locked-up Person would have received under the Subject Bid, can be payable by such Locked-up Person if the Locked-up Person fails to deposit or tender Units to the Subject Bid or withdraws Units previously tendered thereto in order to deposit such Units to another take-over bid or support another transaction.

Certificates and Transferability

Prior to the Separation Time, the Rights will be evidenced by a legend imprinted (or deemed to be imprinted) on certificates for Units issued from and after the Record Time and are not to be transferable separately from the Units. From and after the Separation Time and prior to the Expiration Time, the Rights will be evidenced by Rights certificates which will be transferable and traded separately from the Units.

Permitted Bid Requirements

The requirements for a Permitted Bid include the following:

(a) the take-over bid must be made by way of a take-over bid circular;
(b) the take-over bid must be made to all registered Unitholders;
(c) the take-over bid must be open for acceptance for a minimum period of 60 days and must contain a condition that the Units tendered pursuant to the take-over bid may not be taken up prior to the expiry of a 60 day period and only if at such time more than 50% of the Units held by Unitholders, other than the bidder, its affiliates, associates and persons acting jointly or in concert and certain other persons, (collectively, the "Independent Unitholders"), have been tendered to the take-over bid and not withdrawn; and
(d) if more than 50% of the Units held by Independent Unitholders are tendered to the take-over bid within the 60 day period, the bidder must make a public announcement of that fact and the take-over bid must remain open for deposits of Units for at least 10 business days from the date of such public announcement.

The Rights Plan allows for a competing Permitted Bid (a "Competing Permitted Bid") to be made while a Permitted Bid is in existence. A Competing Permitted Bid must satisfy all the requirements of a Permitted Bid except that it may expire on the same date as the Permitted Bid, subject to the requirement that it be outstanding for a minimum period of 35 days.

Waiver

The Board of Trustees, acting in good faith, may, prior to the occurrence of a Flip-in Event, waive the application of the Rights Plan to a particular Flip-in Event (an "Exempt Acquisition") where the take-over bid is made by a take-over bid circular to all holders of Units. Where the waiver power is exercised for one take-over bid, the waiver will also apply to any other take-over bid for the Units made by a take-over bid circular to all holders of Units prior to the expiry of any other bid for which the Rights Plan has been waived.

Redemption

The Board of Trustees, with the approval of a majority of the votes cast by Unitholders (or the holders of Rights if the Separation Time had occurred) voting in person and by proxy, at a meeting duly called for that purpose, may redeem the Rights at $0.000001 per Right. Rights shall also be redeemed by the Board of

Trustees without such approval following completion of a Permitted Bid, Competing Permitted Bid or Exempt Acquisition.

Amendments

The Board of Trustees may amend the Rights Plan with the approval of a majority of the votes cast by Unitholders (or the holders of Rights if the Separation Time has occurred) voting in person and by proxy at a meeting duly called for that purpose. The Board of Trustees without such approval may correct clerical or typographical errors and, subject to approval as noted above at the next meeting of the Unitholders (or holders of Rights, as the case may be), may make amendments to the Rights Plan to maintain its validity due to changes in applicable legislation.

Trustees

The Rights Plan will not detract from or lessen the duty of the Board of Trustees to act honestly and in good faith with a view to the best interests of the Unitholders. If a take-over bid, Permitted Bid or Competing Permitted Bid is made, the Trustees will continue to have the duty and power to take such actions and make such recommendations to Unitholders as are considered appropriate.

To have the Rights Plan remain in effect, the Special Resolution must be passed by the affirmative vote of more than 66 2/3% of the votes cast by Independent Unitholders (as defined in the Rights Plan) on a poll at a meeting of Unitholders at which two or more individuals are present in person either holding personally or representing as proxies not less in aggregate than 10% of the votes attached to the Units and Special Trust Units then outstanding. In effect, all Unitholders will be considered "Independent Unitholders" provided that they are not at the relevant time, making a take-over bid for Units of the Fund. **The Board of Trustees recommends that Unitholders vote FOR the Special Resolution.**

Unless directed otherwise, the persons specified in the enclosed form of proxy intend to vote **FOR** the Special Resolution.

GOVERNANCE PRACTICES

GENERAL

The following description of governance practices of the Fund is made with reference to National Instrument 58-101 - Disclosure of Corporate Governance Practices ("NI 58-101") and National Policy 58-201 - Corporate Governance Guidelines. Under NI 58-101, the Fund is required to disclose certain information relating to its governance practices. That information is set out below.

There are currently seven Trustees, five of whom are "independent" ("Independent Trustees") within the meaning of NI 58-101: Jim Pantelidis, Jerry Patava, Roy J. Pearce, Michael Rousseau and Lisa de Wilde. John A. Macdonald is the President and Chief Executive Officer of the Fund and David Clarke is a senior officer of DE, and an appointee of DE, so neither of them is considered independent within the meaning of NI 58-101.

Jim Pantelidis is the Chair of the Board of Trustees, and is an Independent Trustee. In his role as Chair, Mr. Pantelidis' responsibilities include ensuring that the Trustees' agenda at meetings will enable the Trustees to successfully discharge their responsibilities in respect of the Fund, managing the affairs of the Trustees, chairing meetings of the Board of Trustees and participation in each of the Board of Trustees' committees.

Jim Pantelidis, Jerry Patava, Roy J. Pearce and Lisa de Wilde served as the members of the Governance Committee, during the fiscal year ended December 31, 2009. Each is an Independent Trustee.

See "Business of the Meeting − Election of Trustees" for other reporting issuers in respect of which the Trustees are directors or trustees.

In-camera meetings of the Independent Trustees at which non-Independent Trustees and management are not present and in-camera meetings of Independent Trustees with management at which non-Independent Trustees are not present are held in conjunction with every regular meeting of the Board of Trustees. The Independent Trustees also hold in-camera meetings on an as-required basis.

The Board of Trustees has a policy requiring Trustees to offer their resignation on reaching the age of 70 and every year thereafter. The Board of Trustees may choose to accept or decline such offers of resignation.

ROLES AND RESPONSIBILITIES OF TRUSTEES

The Board of Trustees Mandate is attached as Schedule B to this Circular.

The Declaration of Trust delineates the roles and responsibilities of the Trustees. It provides that the Trustees will supervise the activities and manage the investments and affairs of the Fund and have exclusive control and authority over the assets and affairs of the Fund. The Declaration of Trust sets forth the specific powers and authorities of the Trustees, and which of such powers and authorities may be delegated to the Fund's management. The Declaration of Trust also delineates which of the Board of Trustee's powers and responsibilities may be delegated to committees and which matters require Independent Trustee approval.

In particular, each of the following matters must be approved by a majority of the Independent Trustees in order to become effective:

(a) any change to the terms and conditions of the origination agreement, dated December 17, 2002, as amended (the "Origination Agreement"), pursuant to which DE, among other things, offers to sell, on an exclusive basis, to the Fund (indirectly) all new water heaters that it originates in Ontario, including the amounts payable to DE thereunder;
(b) any change to the terms and conditions of the co-ownership agreement, dated December 17, 2002, as amended (the "Co-ownership Agreement"), which establishes the respective entitlements of the Fund (indirectly) and DE as co-owners of certain water heater related financial assets including approval of rental charges for water heaters where required pursuant to the Co-ownership Agreement and the amounts payable to DE, as co-owner, thereunder;
(c) any decision to purchase water heaters originated by DE which do not satisfy the Policies or Investment Guidelines (as defined in the Declaration of Trust);
(d) any changes in the compensation of the Trustees;
(e) the enforcement of or exercise of any discretion under any agreement entered into by the Fund or any of its subsidiaries with any one or more of (i) a non-Independent Trustee; (ii) DE; or (iii) any party which is non-arm's length with the Fund (or any subsidiary) or DE;
(f) the filling of a vacancy among the Independent Trustees;
(g) approving changes to the Investment Guidelines;
(h) the entering into of any arrangement in which DE, a non-Independent Trustee or a director or officer of DE has a material interest or with a party who is non-arm's length with any of the foregoing;
(i) any decision affecting the Fund or any of its subsidiaries that is related to any claim by or against DE, or the Fund or any affiliate or associate of DE, or the Fund;
(j) any decision to accept or reject an investment opportunity brought to the Fund or any of its subsidiaries by DE; and
(k) the appointment of the chief executive officer of the Fund (or a person acting in such capacity).

To facilitate the supervision and management of the Fund's operating entities; the Trustees are also the trustees or directors, as the case may be, of each of the Fund's subsidiaries, to the extent not precluded by a subsidiary's constating documents.

The Board of Trustees is assisted in certain areas by its three standing committees, the Audit Committee, the Investment Committee and the Governance Committee.

The Trustees, through the Governance Committee, have developed a written position description for the President and Chief Executive Officer of the Fund. The written mandates of the Audit Committee, the Investment Committee and the Governance Committee as well as the Declaration of Trust and Board of Trustees Mandate, which delineate the responsibilities of each Committee, guide each Committee's actions and those of the Chair of each Committee. The mandates of each of the Committees were reviewed and, in some cases, revised in 2009.

In addition to the Board of Trustees' Mandate attached hereto as Schedule B, the following mandates, policies and other documents are available on the Fund's website at www.cwif.ca.

Audit Committee Mandate
Investment Committee Mandate & Investment Guidelines
Governance Committee Mandate
Chief Executive Officer Mandate
Code of Business Conduct
Unitholder Rights Plan
Insider Trading Policy
Whistleblower Policy
Disclosure Policy
Privacy Policy
CWIF Permitted Investment Policy

STANDING COMMITTEES OF THE BOARD OF TRUSTEES

Audit Committee

Information regarding the Audit Committee can be found in the section entitled "Governance of the Fund - Committees of the Board of Trustees and Directors - Audit Committee" in the Fund's Annual Information Form ("AIF") for the year ended December 31, 2009. A copy of the AIF can be obtained on SEDAR at www.sedar.com, on the Fund's website at www.cwif.ca or, by contacting Steve Bower, CFO of the Fund at sbower@cwif.ca or by telephone at 905.695.7793.

In addition to the Audit Committee, the Board of Trustees has two other standing committees - an Investment Committee and a Governance Committee.

Investment Committee

The Investment Committee consists of three Trustees, all of whom are, and are required to be, Independent Trustees and a majority of whom are, and are required to be, residents of Canada. The Investment Committee is responsible for:

(a) reviewing all proposals regarding investments, dispositions and borrowings of the Fund and making recommendations in connection therewith to the Trustees;
(b) approving any material changes to the Fund's Investment Guidelines (as defined in the Declaration of Trust);
(c) reviewing reports pertaining to new water heaters to make recommendations in connection with the purchase thereof by the Fund and approval of rental charges to be charged in respect of water heaters by the Servicer;
(d) financing and interest rate hedging strategies; and
(e) target leverage ratios, target ratings on the Units (and Units of the Operating Trust), distributions and debt securities of the Fund and target Unit (and Units of the Operating Trust) distributions.

Governance Committee

The Governance Committee consists of four Trustees, all of whom are, and are required to be, Independent Trustees and a majority of whom are, and are required to be, residents of Canada. The Governance Committee is responsible for:

(a) considering, and providing a recommendation on, any conflict of interest involving the Servicer before such conflict of interest is approved by the Trustees;

(b) reviewing annually: (i) the operations of the Fund and its subsidiaries, including business plans and prospects for the ensuing year; (ii) the performance of the Servicer; and (iii) adjustments to be made pursuant to the Co-ownership Agreement;
(c) developing the Fund's approach to corporate governance;
(d) advising the Board of Trustees in filling Independent Trustee vacancies;
(e) periodically reviewing the compensation and effectiveness of the Board of Trustees and the contribution of individual Trustees;
(f) assisting in orientating and providing for continuing education for the Trustees;
(g) advising the Trustees in the selection and retention of senior management;
(h) periodically reviewing the compensation and performance of senior management;
(i) assisting in the professional development of senior management;
(j) assisting in developing and managing benefit plans for employees; and
(k) performing the additional duties set out in its mandate or otherwise delegated to the Governance Committee from time to time by the Trustees or otherwise required by law.

NOMINATION OF TRUSTEES

The Governance Committee, all of whose members are Independent Trustees, is responsible for advising the Board of Trustees in filling independent trustee vacancies. Under the Governance Committee Mandate, the Governance Committee must establish the qualification standards for Trustees, develop a list of candidates for membership of the Board of Trustees with a view to enhancing the independence and quality of nominees and determine if each potential candidate would be an independent Trustee. The Chair of the Governance Committee must, with the assistance of the Chair, approach potential candidates and ensure that interested candidates fully understand the role of a Trustee and the contribution they are expected to make, including the commitment of time and energy that the Fund expects of its trustees. The Board of Trustees determines Independent Trustee nominees, and the Unitholders elect Independent Trustees.

The Governance Committee can be assisted in its role of identifying prospective Independent Trustee candidates by external advisors, and has done so in the past.

ORIENTATION AND CONTINUING EDUCATION

The Governance Committee Mandate provides that the Governance Committee must ensure that new Trustees are given a proper orientation to both the Fund and their responsibilities and duties as Trustees. Working with management, the Governance Committee has developed an orientation program that includes a process for new Trustees which is designed to educate newly elected Trustees about the Fund and its business and the constating documents of the Fund and its subsidiaries, Fund policies and mandates, material contracts, continuous disclosure filings and other relevant legal and business information. New Trustees also receive orientation sessions with the Chair of the Governance Committee, management and the Fund's legal advisors. The Fund also encourages new Trustees to consult with the Fund's legal advisors on an on-going basis with respect to duties and responsibilities of Trustees.

The Governance Committee Mandate provides that the Governance Committee must ensure that the Fund provides the Trustees with an appropriate continuing education program. Over the course of the year, Trustees receive briefings from management on various aspects of the Fund's business and from their legal advisors in respect of relevant legal developments. Education opportunities such as seminars and courses designed at enabling individual Trustees to maintain or enhance their skills and abilities as trustees are available to and encouraged for all Trustees.

Additionally, certain of the Trustees serve on multiple boards, as trustees and/or directors, which facilitate external benchmarking of the Fund's Board of Trustees structure, process and performance.

ASSESSMENTS OF TRUSTEES

The Governance Committee is responsible for reviewing the effectiveness of the Trustees and evaluating the contribution of individual Trustees on an annual basis. The Audit Committee members conduct self-

assessments of the performance of the Committee in comparison to its responsibilities as outlined in its mandate and reports on the outcome of this assessment to the Board of Trustees.

The Fund has a formal process for assessment of Trustees and the members of the Investment Committee and the Governance Committee. As part of the assessment process, Trustees annually complete a confidential board assessment questionnaire. The Trustees also complete an annual peer review evaluation questionnaire. The results of the board assessment are summarized and reviewed by the Governance Committee. The Chair of the Governance Committee reports to the Board of Trustees at the second quarter's meeting, at which time the results of the board assessment are discussed. The results of the peer review assessment are summarized by the Chair of the Board of Trustees and reviewed by the Governance Committee. The Chair of the Board of Trustees reports to the Board of Trustees at the second quarter's meeting, at which time the Trustees engage in a full and comprehensive discussion of Board of Trustee effectiveness. The goal of the peer assessment is to provide candid feedback to individual Trustees and to stimulate insight and motivate developmental action and enable Trustees to enhance their individual contributions to Board of Trustee and committee work.

CODE OF BUSINESS CONDUCT

The Fund has adopted a written Code of Business Conduct ("Code") for its employees, officers and Trustees, which is reviewed annually. A copy of the Code can be obtained online by visiting SEDAR at www.sedar.com or, on the Fund's website at www.cwif.ca.

The Fund has a Whistleblower Policy in order to encourage the reporting of behaviour(s) that violate the Code and has set in place various avenues for such reporting, including the establishment of a Whistleblower Line. Procedures have been put in place to ensure all individuals subject to the Code are aware of, and have access to, the Whistleblower Line. Under the Governance Committee Mandate, the Governance Committee must approve any waivers of the Code that are sought by officers or Trustees. The Governance Committee also ensures that significant waivers of the Code are promptly disclosed to Unitholders, by informing a member of the Fund's Disclosure Committee. There were no complaints filed during 2009, or since the inception of the Whistleblower Policy.

Under the Declaration of Trust, each Trustee must disclose in writing all actual or potential conflicts of interest and refrain from voting on matters in which such Trustee has a conflict of interest.

MEETINGS HELD AND ATTENDANCE OF TRUSTEES

All Trustees are expected to attend board and committee meetings of which they are a member and annual and special meetings of Unitholders, except where the failure to attend is due to unavoidable circumstances.

In 2009, the number of Board of Trustees and standing Committee meetings held and Trustee attendance was as follows:

Name	Board of Trustees Meetings Attended	Audit Committee Meetings Attended	Investment Committee Meetings Attended	Governance Committee Meetings Attended	% of Meetings Attended
Jim Pantelidis	12 of 12	4 of 4	9 of 9	3 of 3	100%
David Clarke[1]	3 of 4	N/A	N/A	N/A	75%
Lisa de Wilde	12 of 12	4 of 4	N/A	3 of 3	100%
Deryk I. King[2]	3 of 5	N/A	N/A	N/A	60%
John A. Macdonald	12 of 12	N/A	N/A	N/A	100%
Jerry Patava	10 of 12	4 of 4	N/A	3 of 3	89%
Roy J. Pearce	12 of 12	N/A	9 of 9	3 of 3	100%
Michael Rousseau	12 of 12	4 of 4	9 of 9	N/A	100%
Total Meeting Attendance (%)	94%	100%	100%	100%	96%

(1) Mr. Clarke was appointed as a Trustee by DE effective July 1, 2009.
(2) Mr. King resigned as a Trustee effective June 30, 2009.

TRUSTEE COMPENSATION

The Declaration of Trust provides that the Governance Committee, which is composed entirely of Independent Trustees, shall review annually the compensation and effectiveness of the Trustees. Any change to the compensation of the Trustees must be approved by a majority of the Independent Trustees.

In determining Trustee compensation, the Governance Committee has regard to a number of factors, including Trustee effectiveness, time commitments and market rates for director and trustee compensation in comparative organizations. The Governance Committee annually benchmarks Trustees' compensation against compensation paid by Canadian public companies that are of comparable size to the Fund in terms of asset value.

Each member of the Board of Trustees received an annual retainer of $30,000 in respect of 2009. The Chairs of the Board of Trustees, Audit, Governance and Investment Committees received additional annual retainers of $75,000, $15,000, $8,000 and $8,000, respectively. In addition to the annual retainers, each Trustee received an annual member retainer for the Audit, Governance and Investment Committees of $5,000, $3,000 and $3,000, respectively, provided a Trustee is not a Chair of the applicable committee, and each Trustee received $1,500 for each board, committee, unitholder or strategy meeting attended. Where a board or committee meeting of the Fund is held together or consecutively with meetings of Trustees or directors, as the case may be, of subsidiary entities of the Fund, such meetings are counted as a single meeting for purposes of Trustee remuneration. All Trustees are entitled to reimbursement for out-of-pocket expenses incurred in acting as a Trustee.

On February 26, 2010, the Governance Committee reviewed the current compensation for the Trustees and determined that no changes were required.

The Fund does not have a pension plan or any other post-employment benefit program for Trustees.

The following table sets forth the compensation for 2009 earned by the Trustees, other than Named Executive Officers[(1)]:

Name	Fees Earned ($)	PUP Awards[(2)] ($)	Total ($)
Jim Pantelidis[(3)]	166,000	52,440	218,440
David Clarke[(4)]	23,500	Nil	23,500
Lisa de Wilde	74,500	21,850	96,350
Deryk I. King[(5)]	23,500	21,850	45,350
Jerry Patava[(6)]	75,000	26,220	101,220
Roy J. Pearce[(7)]	85,000	26,220	111,220
Michael Rousseau[(8)]	93,500	26,220	119,720

(1) Mr. Macdonald, as an employee of the Fund, receives no compensation for acting as a Trustee. For a discussion of his compensation, see "Compensation of Executive Officers".
(2) Based upon the following Phantom Units awarded in 2009; Jim Pantelidis 6,000 Units; Lisa de Wilde, 2,500 Units; Deryk King, 2,500 Units; Jerry Patava, 3,000 Units; Roy Pearce, 3,000 Units; and Michael Rousseau, 3,000 Units. The value of the Phantom Units is calculated on the basis of the Units' volume weighted average trading price on the TSX for the five (5) trading days immediately preceding December 31, 2008. In respect of 2010, the Trustees were awarded the following Phantom Units under the 2010 PUP, with the values thereof set out in parenthesis and calculated on the basis of the Units' volume weighted average trading price on the TSX for the five (5) days immediately preceding December 31, 2009; Jim Pantelidis 10,000 Units ($40,500); Lisa de Wilde 4,000 Units ($16,200); David Clarke Nil Units ($0); Jerry Patava 5,000 Units ($20,250); Roy Pearce 5,000 Units ($20,250); and Michael Rousseau 5,000 Units ($20,250).
(3) Chair of the Board.
(4) Mr. Clarke was appointed as a Trustee by DE effective July 1, 2009.
(5) Mr. King resigned as a Trustee effective June 30, 2009.
(6) Chair of the Governance Committee.
(7) Chair of the Investment Committee.
(8) Chair of the Audit Committee.

OUTSTANDING UNIT-BASED AWARDS

The following table sets forth the number of Phantom Units held by Trustees other than Named Executive Officers[1] as at December 31, 2009:

	PUP Awards	
Name	**Number of Phantom Units that have not vested[2] (#)**	**Market or Payout Value of PUP Awards that have not vested[3] ($)**
Jim Pantelidis	14,727	Nil
David Clarke	-	Nil
Lisa de Wilde	6,163	Nil
Deryk I. King	-	Nil
Jerry Patava	7,739	Nil
Roy J. Pearce	7,739	Nil
Michael Rousseau	7,887	Nil

(1) Mr. Macdonald, as an employee of the Fund, receives no compensation for acting as a Trustee. For a discussion of his compensation, see "Compensation of Executive Officers".
(2) The number of Phantom Units includes Phantom Units granted on an annual basis under the PUP in 2007 and 2008 and under the 2009 PUP in 2009 and Phantom Units credited reflecting distributions on the Units to December 31, 2009 (see "Performance Unit Plan").
(3) The value of the Phantom Units is calculated on the basis of the Unit's volume weighted average trading price on the TSX for the five (5) trading days immediately preceding December 31, 2009 and assumes all time vesting requirements are met and the minimum performance requirements are met. The performance requirements are very unlikely to be met for any of the outstanding Phantom Units.

UNIT OWNERSHIP – TRUSTEES AND EXECUTIVE OFFICERS

The Board of Trustees believes that Unit ownership by certain members of senior management and the Board of Trustees is a key element of strong corporate governance. The Board of Trustees also believes that long-term equity ownership further aligns the interest of Trustees and senior management with those of Unitholders and enables them to share in the long-term growth and success of the Fund. In March 2007, the Board of Trustees approved a policy requiring the Trustees and the President and Chief Executive Officer of the Fund to hold a number of Units based on approximately five times the annual retainer for Trustees and approximately three times the annual salary for the President and Chief Executive Officer at the time the policy was adopted, which represented 10,000 Units for each of the Trustees and 50,000 Units for the President and Chief Executive Officer. The policy also provides a target for the CFO based on approximately 1.5 times his initial base salary, which represented a target of 20,000 Units. There is a five-year time period, commencing the later of February 2007 or the election/appointment date, during which individuals may meet their Unit ownership targets. Units owned or controlled and Units accumulated under the PUP are included in the total number of Units in determining whether an individual has satisfied the target Unit ownership requirement. The Board of Trustees periodically reviews the ownership targets with a view to changes in compensation and Unit price. At March 19, 2010 the target number of Units and the actual Units held for Trustees and the applicable members of senior management were as follows:

Trustees and Executive Officers	Units Held[1] (#)	Target Units (#)	% of Target
Jim Pantelidis	72,400	10,000	724
Lisa de Wilde	13,307	10,000	133
Deryk I. King	-		-
David Clarke	-	10,000	-
John A. Macdonald	173,823	50,000	348
Jerry Patava	26,339	10,000	263
Roy J. Pearce	31,339	10,000	313
Michael Rousseau	31,339	10,000	313
R. Stephen Bower	58,762	20,000	294

(1) Includes Units owned or controlled, Phantom Units awarded under the PUP in 2008, the 2009 PUP and 2010 PUP and Phantom Units credited reflecting distributions on Units to March 19, 2010.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The Fund obtains Directors' and Officers' liability insurance to protect its Trustees and officers against liability incurred by them in those capacities. The current policy is in place through January 31, 2012, and provides coverage on losses to a maximum of $100 million (subject to a deductible of $100,000). The premium for 2010 is $434,000.

INDEBTEDNESS OF OFFICERS AND TRUSTEES

No Trustee or officer of the Fund, nominee Trustee or former Trustee or any of their associates is, or has at any time since the establishment of the Fund, been indebted to the Fund or its subsidiaries or had indebtedness the subject of a guarantee, support agreement, letter of credit or similar arrangement or understanding provided by the Fund or its subsidiaries.

COMPENSATION OF EXECUTIVE OFFICERS

COMPENSATION DISCUSSION AND ANALYSIS

This compensation discussion and analysis relates to the Fund's compensation program for senior management.

(a) Objective of the Fund's Compensation Program and Strategy

The objective of the Fund's compensation program and strategy is to attract, retain, and motivate talented executives and to create sustainable Unitholder value over the long term. To achieve this objective, executive compensation is designed based on the following principles:

- Align with the Fund's business strategy - link executive compensation with the achievement of specific strategic business objectives and the Fund's performance as a whole;
- Align to Unitholder interests - align the interests of executives with those of Unitholders through the use of performance unit-based awards which reward increases in Unitholder value, and decline in value when the Unit price falls, as well as maintain significant Unit ownership requirements;
- Corporate governance - strive to be a market leader on governance issues and continually review and, as appropriate for the Fund, adopt executive compensation practices that align to current best practices;
- Pay for performance - align with the Fund's desire to create a performance and development culture and create clear relationships between pay and performance;
- Pay competitively - set overall target compensation to ensure it remains competitive; and
- A simple direct program – provide a simple, direct program that is easy to understand and assess.

(b) What the Compensation Program is Designed to Reward

The Fund's compensation program is designed to reward increases in distributable cash, increases in Unit value, sustained cash distributions and growth of the Fund.

(c) Elements of Compensation Program with Rationale

The major elements of the Fund's compensation program are base salary, annual performance bonus, awards under the performance Unit plans and personal benefits. The Fund believes that a high proportion of senior management compensation should be at risk.

Base Salary

The purpose of base salary is to attract and retain the highest caliber senior management team. Salaries for senior management are set on the basis of the level of responsibility relative to other positions in the Fund and relative to salaries paid by other organizations.

Annual Performance Bonus

The annual performance bonus is designed to recognize both the contribution of management to corporate results and personal results. The purpose of the annual performance bonus is to pay for performance, to align with the Fund's strategy, and to provide motivation for superior corporate and personal results. The target annual performance bonus varies on the basis of the executive officer's position and is designed to reflect the degree of influence of the participant in the Fund's affairs.

Performance Unit Plan

The Fund believes that the grant of performance units as long-term incentives helps align management's interests with Unitholder interests, provides motivation and promotes retention of management for the long term. Grants of performance units have been granted on an annual basis to senior executives pursuant to the Fund's performance unit plans (see "Performance Unit Plan").

Benefits and Executive Perquisites

The Fund offers to all its employees various benefit programs, such as medical, dental, life, and short and long-term disability insurance coverage and a group registered retirement savings plan.

The Fund does not have a pension plan or any other post-employment benefit program for employees.

The Fund currently provides to its executive officers a limited number of perquisites, including car allowance.

Personal benefits provided to senior management reflect competitive practices.

(d) Determination of Executive Compensation Amounts

The compensation policies and guidelines for the CFO, Senior Vice President, General Counsel and Corporate Secretary and Chief Operating Officer of Stratacon are recommended by the President and Chief Executive Officer to the Governance Committee, and in turn recommended by the Governance Committee to the Board for approval. The compensation policies and guidelines for the President and Chief Executive Officer are determined by the Governance Committee and those for the Co-founder and Managing Director of Stratacon are determined by the President and Chief Executive Officer, with reference to the Governance Committee's determinations for the other executive officers as constrained by the terms of Mr. Mills' employment arrangements.

In determining the level of compensation for Messrs. Macdonald, Bower and Toffoletto in 2009, the Governance Committee undertook the following: (i) considered general compensation surveys to compare the Fund's compensation policies with general market practice, (ii) considered a compilation of remuneration practices and remuneration levels as reported in 2008 management information circulars for publicly traded Canadian entities that are of comparable size to the Fund in

terms of asset value as reported in 2008 financial statements, (iii) reviewed the Fund's compensation practices in prior periods, and (iv) held discussions with the President and Chief Executive Officer regarding his recommended levels of compensation, and thereafter met in camera to review and assess the information provided relative to the Fund's and senior management's performance for the relevant period. Further discussions were then held with the full board of Trustees. Pursuant to the terms of his contract, Mr. McCandless' annual incentive is applicable to his first year of employment (i.e., April 2009 to April 2010) and Mr. McCandless is not entitled to receive long-term incentives. As of the date of this Circular, annual incentive compensation in respect of Mr. McCandless had not been determined.

As noted above, the compensation of Mr. Mills was determined by the President and Chief Executive Officer having regard to the determinations of the Governance Committee in respect of the other executive officers, as constrained by the terms of his employment arrangements. The Governance Committee and Board determined that such approach to Mr. Mills' compensation setting is appropriate given that Mr. Mills, pursuant to his employment arrangement with Stratacon, is not entitled to receive either annual performance bonuses or long-term incentives in 2009 primarily because, as a shareholder of Stratacon at the time it was acquired by the Fund, he participates in any earn-out payments made on an annual basis until and including 2011, pursuant to the purchase and sale agreement.

The above-referenced compensation surveys and comparator group were used by the Governance Committee to assess the Fund's compensation philosophy generally, and not used to determine levels of compensation. The comparator group included the following public companies: Advantage Energy Income Fund and Baytext Energy Trust**.** However, the Governance Committee gave less weight to this element of its analysis than to the other elements as the comparator group was not directly comparable to the Fund in that a significant component of the Fund's business is operated by a third party service provider and management's oversight is constrained to some degree by the terms of the agreements governing the provision of those services. As a result, the comparator group information was utilized by the Governance Committee for purposes of ensuring that the Fund's compensation was not significantly out of line with other entitles with similar asset values, as opposed to using the data for direct comparison or benchmarking purposes.

President and Chief Executive Officer

Base Salary

The President and Chief Executive Officer's base salary for 2009 was $350,000. In the Governance Committee's view, the amount is reasonable taking into consideration the above-referenced surveys and comparator group and the Fund's and Mr. Macdonald's past performance.

Annual Performance Bonus

The target annual performance bonus for 2009 was set at 60% of the base salary. In the Governance Committee's view, this is reasonable taking into consideration the above-referenced surveys and comparator group and the Fund's and Mr. Macdonald's past performance, as well as the targets set in connection with such bonus.

The annual performance bonus was weighted 50% for the achievement of financial performance targets of the Fund and 50% for the achievement of strategic objectives. The portion of the incentive payment dependent upon the achievement of financial performance targets could only be paid if at least 75% of the target was achieved. The financial performance target was based on the Fund's EBITDA (net earnings plus income taxes, interest expenses and amortization, less interest income as reported in the Fund's financial statements) for 2009. If the financial results achieved exceeded the target by 120% or more, the maximum incentive payment that could be paid was 180% of the financial target incentive payment. The strategic objectives included developing and implementing the Fund's growth strategy and strengthening the management team and operational systems and processes.

The Governance Committee approved the EBITDA target at the beginning of 2009 through the Fund's annual budget and business plan process. The EBITDA target is intended to be challenging. The Fund does not disclose the EBITDA target on the basis that it is competitively sensitive and its disclosure would seriously prejudice the Fund's interests.

In respect of 2009, although the financial performance target was in part met and certain of the strategic objectives were also met, the President and Chief Executive Officer was not awarded an annual performance bonus in view of the financial performance of the Fund in 2009, including, in particular, the reduction in distributions in September 2009.

Long-term Incentives

The President and Chief Executive Officer was granted 44,000 Phantom Units for 2009 pursuant to the PUP. The grant was made on the same basis and pursuant to the same terms as those of Messrs. Bower and Toffoletto. The number of Phantom Units granted was determined with reference to the above-referenced surveys and comparator group, his ability to influence the performance of the Fund and the targets set for vesting. It was determined that in 2009 Mr. Macdonald be granted Phantom Units equal in value, based upon the Unit's weighted average trading price on the TSX for the five (5) trading days immediately preceding December 31, 2008, to approximately 100% of his base salary. The Phantom Units awarded in 2009 will likely not vest as the target requirements are very unlikely to be met as a result of the reduction in distributions in September 2009.

Chief Financial Officer

Base Salary

The base salary for the CFO was $240,000 based on his employment agreement at hire in December 2007 and a subsequent $15,000 increase approved by the Governance Committee in 2009 to reflect market based compensation levels.

Annual Performance Bonus

The target annual performance bonus for 2009 for the CFO was, pursuant to his employment agreement, 35% of his base salary.

In respect of 2009, the CFO was not awarded an annual performance bonus in view of the financial performance of the Fund in 2009, including, in particular, the reduction in distributions in September 2009.

Long-term Incentives

The CFO was granted 20,500 Phantom Units for 2009 pursuant to the PUP. The grant was made on the same basis and pursuant to the same terms as those of Messrs. Macdonald and Toffoletto. The number of Phantom Units granted was determined with reference to the above-referenced surveys and comparator group, his ability to influence the performance of the Fund and the targets set for vesting. It was determined that in 2009 Mr. Bower be granted Phantom Units equal in value, based upon the Unit's weighted average trading price on the TSX for the five (5) trading days immediately preceding December 31, 2008, to approximately 70% of his base salary. The Phantom Units awarded in 2009 will likely not vest as the target requirements are very unlikely to be met as a result of the reduction in distributions in September 2009.

Senior Vice President, General Counsel and Corporate Secretary

The base salary for the Senior Vice President, General Counsel and Corporate Secretary was $225,000 based his employment agreement at hire in January 2009.

Annual Performance Bonus

The target annual performance bonus for 2009 for the Senior Vice President, General Counsel and Corporate Secretary was, pursuant to his employment agreement, 35% of his base salary to a maximum of 110%.

In 2009, the Senior Vice President, General Counsel and Corporate Secretary was awarded a target bonus based on objective and subjective measures associated with his performance objectives, including a substantial reduction in legal expenses incurred by the Fund by in 2009. Although the performance of the Senior Vice President, General Counsel and Corporate Secretary exceeded targets and merited the 35% target, the award was reduced to reflect the financial performance of the Fund in 2009.

In respect of 2009, the Senior Vice President, General Counsel and Corporate Secretary received a bonus of $75,000, representing 33% of his base salary.

Long-term Incentives

The Senior Vice President, General Counsel and Corporate Secretary was granted 9,000 Phantom Units for 2009 pursuant to the PUP. The grant was made on the same basis and pursuant to the same terms as those of Messrs. Macdonald and Bower. The number of Phantom Units granted was determined with reference to the above-referenced surveys and comparator group, his ability to influence the performance of the Fund and the targets set for vesting. It was determined that in 2009 Mr. Toffoletto be granted Phantom Units equal in value, based upon the Unit's weighted average trading price on the TSX for the five (5) trading days immediately preceding December 31, 2008, to approximately 35% of his base salary. The Phantom Units awarded in 2009 will likely not vest as the target requirements are very unlikely to be met as a result of the reduction in distributions in September 2009.

Chief Operating Officer, Stratacon

The base salary for the Chief Operating Officer of Stratacon was $200,000 based on his employment agreement at hire in March 2009.

Annual Performance Bonus

The target annual performance bonus for his first year of employment (i.e., April 2009 to April 2010) for the Chief Operating Officer of Stratacon was, pursuant to his employment agreement, 35% of his base salary.

As of the date of this Circular, the annual performance bonus for the Chief Operating Officer of Stratacon had not been determined. The Chief Operating Officer was entitled to receive a non-discretionary annual progress bonus of $50,000 in respect of his first year of employment pursuant to his employment agreement.

Co-Founder and Managing Director, Stratacon

The base salary for the Co-Founder and Managing Director of Stratacon was $250,000 based on his employment agreement at hire in August 2008.

2009 COMPENSATION TABLE

The following table sets forth the annual compensation for 2008 and 2009 earned to the Fund's "Named Executive Officers" under applicable securities laws.

Name and Principal Position	Year	Salary ($)	PUP Awards[1] ($)	Non-Equity Incentive Compensation: Annual Incentive Plan ($)	All Other Comp.[2] ($)	Total Comp. ($)
John A. Macdonald, President and CEO, Fund	2009	350,000	384,560	NIL	39,000	773,560
	2008	300,000	288,800	144,000	35,500	768,300
R. Stephen Bower, CFO, Fund	2009	240,000	179,170	NIL	23,400	442,570
	2008	225,000	101,080	63,000	22,575	411,655
John Toffoletto, Senior Vice President, General Counsel and Corporate Secretary, Fund	2009	225,000	78,660	75,000	26,375	405,035
	2008	-	-	-	-	-
Craig McCandless[3], Chief Operating Officer, Stratacon	2009	142,444	-	-	100,227	242,671
	2008	-	-	-	-	-
Peter Mills[4], Co-Founder and Managing Director, Stratacon	2009	250,000	-	-	18,000	268,000
	2008	93,750	-	-	6,750	100,500

(1) In respect of 2009, based upon 44,000, 20,500 and 9,000, Phantom Units awarded in 2009 to Messrs. Macdonald, Bower and Toffoletto, respectively (see "Performance Unit Plan"), the value of which is calculated on the basis of the Unit's volume weighted average trading price on the TSX for the five (5) trading days immediately preceding December 31, 2008. The Phantom Units awarded in 2009 will likely not vest as the target requirements are very unlikely to be met. In respect of 2008, based upon 20,000 and 7,000 Phantom Units awarded in 2008 to Mr. Macdonald and Mr. Bower, respectively (see "Performance Unit Plan"), the value of which is calculated on the basis of the Unit's' volume weighted average trading price on the TSX for the five (5) trading days immediately preceding December 31, 2007.

(2) For 2009: the $39,000 in respect of Mr. Macdonald consists of the following: $12,000 car allowance, $24,500 registered retirement plan contributions and $2,500 club membership dues. The $23,400 in respect of Mr. Bower consists of a $10,200 car allowance and $13,200 registered retirement contributions. The $26,375 in respect of Mr. Toffoletto consists of a $14,400 car allowance and $12,375 registered retirement plan contributions. The $100,227 in respect of Mr. McCandless consists of the following: $34,722 non-discretionary annual progress bonus, $29,500 signing bonus, $15,000 moving allowance, $13,000 housing allowance and $8,005 registered plan contributions. The $18,000 in respect of Mr. Mills consists of a car allowance. For 2008: the $35,500 in respect of Mr. Macdonald consists of the following: $12,000 car allowance, $21,000 registered retirement plan contributions and $2,500 club membership dues. The $22,575 in respect of Mr. Bower consists of a $10,200 car allowance and $12,375 registered retirement contributions. The $6,750 in respect of Mr. Mills' consists of a car allowance.

(3) Mr. McCandless' employment with the Fund commenced on April 20, 2009 and the figures reported above represent the pro-ration of his annual compensation, except that Mr. McCandless' non-equity incentive compensation has not been determined as at the date of this Circular.

(4) Mr. Mills' employment with the Fund commenced on August 15, 2008 upon the acquisition of Stratacon by the Fund, and the figures reported above in respect of 2008 represent the pro-ration of his annual compensation.

INCENTIVE PLANS

OUTSTANDING UNIT-BASED AWARDS

The following table sets forth the number of Phantom Units held by the Named Executive Officers as at December 31, 2009.

	PUP Awards	
Name	**Number of Phantom Units that have not Vested[1] (#)**	**Market or Payout Value of PUP Awards that have not vested[2] ($)**
John A. Macdonald	102,263	149,241
R. Stephen Bower	34,262	28,884
John Toffoletto	10,867	Nil
Craig McCandless	-	-
Peter Mills	-	-

(1) Phantom Units granted on an annual basis under the PUP in 2007 and 2008 and the 2009 PUP and Phantom Units credited reflecting distributions on the Units to December 31, 2009 (see "Performance Unit Plan"). The figures include the PUP awards granted in respect of 2007, including those granted to Mr. Macdonald which vested on December 31, 2009 and are included in the table "Incentive Plan Awards – Value Vested or Earned During 2009".

(2) The value of the Phantom Units is calculated on the basis of the Unit's weighted average trading price on the TSX for the five (5) trading days immediately preceding December 31, 2009 and assumes all time vesting requirements are met and the minimum performance requirements are met.

INCENTIVE PLAN AWARDS – VALUE VESTED OR EARNED DURING 2009

The following table sets forth the incentive plan awards vested or earned in 2009.

Name	**PUP Awards – Value Vested During the Year[1] ($)**	**Non-equity Incentive Plan Compensation – Value Earned During the Year ($)[2]**
John A. Macdonald	66,718	Nil
R. Stephen Bower	Nil	Nil
John Toffoletto	Nil	75,000
Craig McCandless	-	-
Peter Mills	-	-

(1) Based on fair market value (in accordance with the PUP), on December 31, 2009 of the Phantom Units granted for 2007 that vested on December 31, 2009.

(2) Mr. McCandless' annual incentive had not been determined as of the date of this Circular.

PERFORMANCE UNIT PLAN

Effective January 1, 2007, the Fund adopted a Performance Unit Plan ("PUP") for its Trustees, officers and senior management. The purpose of the Plan is to (i) support the achievement of the Fund's performance objectives; (ii) ensure that interests of key persons are aligned with the success of the Fund; and (iii) provide compensation opportunities to attract, retain and motivate senior management and Trustees critical to the long-term success of the Fund and its subsidiaries.

The PUP is administered by the Governance Committee of the Board of Trustees. Subject to a requirement to report all matters to the Board of Trustees and a requirement to obtain approval from the Board of Trustees on certain matters, the Governance Committee has discretion to (a) establish, amend and rescind rules and regulations relating to the PUP; (b) determine which employees of the Fund and its subsidiaries may participate in the PUP; (c) set, waive or amend performance vesting targets; (d) correct any defect or supply any omission or reconcile any inconsistency; (e) make adjustments deemed necessary on the occurrence of a capital adjustment such as a Unit split, merger, consolidation or spin-off; and (f) make any determinations that the Governance Committee deems necessary or desirable for the administration of the

PUP. The Governance Committee also has the authority to amend, suspend or terminate the PUP, subject to obtaining any required consent or approval from PUP participants or regulatory authorities.

Pursuant to the PUP, units ("Phantom Units") that are subject to time and performance vesting requirements are granted to eligible participants ("Phantom Unitholders"). Grants of Phantom Units are credited to a notional account for each Phantom Unitholder. If distributions on Units are announced during the vesting period of Phantom Units, additional Phantom Units are credited to the Phantom Unitholder's account, with the number of additional Phantom Units determined by dividing the value of the distribution by the then fair market value of Units, which the PUP defines as the weighted average trading price of the Units on the principal Canadian stock exchange on which the Units are traded for the five (5) days immediately preceding the applicable day. The time vesting requirements provide that Phantom Units vest on the earlier of: (a) December 31 of the third year following the date of the Phantom Unit grant; (b) a change of control, as defined in the PUP; and (c) such earlier date determined by the Governance Committee. In addition to time vesting requirements, Phantom Units granted to senior employees and officers are subject to performance vesting requirements being met for a specified performance period. For Mr. Macdonald and Mr. Bower, the number of Phantom Units that vest at the end of the performance period (being a three year period commencing on January 1 of the year of grant) are equal to the number of units multiplied by the performance target percentage. The performance period for the Phantom Units granted for 2007, commenced January 1, 2007 and for the Phantom Units granted for 2008, commenced January 1, 2008. The performance target percentage is determined according to the following proportions and performance criteria: (25%) (applicable total Unitholder return multiplier) plus (75%) (applicable distributable cash multiplier). The applicable total Unitholder return and distributable cash multipliers are variable percentages based on performance during the performance period and are determined as set out below (the below targets are in effect for Phantom Units granted in 2007 and 2008):

Distributable Cash:

Excess Distributable Cash	Percentage	Target
Below threshold	75%	Compounded 2% per year of EDA
At target	100%	Compounded 3% per year of EDA
At or above maximum	125%	Compounded 4% per year of EDA

Unitholder Return:

Total Unitholder Return	Percentage	Target
Below threshold	75%	22.5% TUR
At target	100%	30% TUR
At or above maximum	125%	37.5% TUR

For purposes of the PUP, "EDA" means the percentage by which the Distributable Amount exceeds Target Distributable Cash for a performance period. Target Distributable Cash is set in the PUP at $1.41 per Unit in respect of grants made with a performance period commencing January 1, 2007 and $1.25 in respect of grants made with a performance period commencing January 1, 2008, in each case, for each year in the performance period, and Distributable Amount is defined in the PUP as cash provided by operating activities as reported in the Fund's consolidated statement of cash flow, adjusted for, among other things, the following items as reported in such statement: net changes in non-cash working capital, investments in maintenance capital expenditures, the amount of distributions to Unitholders, the net increase in the amount of debt financing related to growth capital expenditures, and any net reduction in the amount of debt financing.

In 2009, $66,718 was paid to Mr. Macdonald in respect of Phantom Units granted for 2007.

For purposes of the PUP, "TUR" means the fair market value of a Unit on the last day of the performance period, plus the total distributions on a Unit during that period, minus the fair market value of a Unit on the first day of a performance period, expressed as a percentage. In each case, "fair market value" is determined as the volume weighted average trading price of the Units on the TSX for the 5 days immediately preceding the applicable day.

Phantom Units granted to non-employee Trustees are subject to the performance requirement that the Distributable Amount exceeds the Target Distributable Cash, in the aggregate, for a specified performance period, otherwise Phantom Units do not vest.

Each vested Phantom Unit is redeemed by the Fund and a cash payment, subject to applicable withholdings and deductions, is made to the Phantom Unitholder. The cash payment is equal to the fair market value of a Unit on the date of redemption.

On termination of employment of a Phantom Unitholder for reasons other than cause or resignation, the Phantom Unitholder will be entitled to a cash payment on redemption of the Phantom Units by the Fund based on an estimate by the Governance Committee of the performance expected to be achieved for the relevant performance period and pro rated for the period of the Phantom Unitholder's active employment or service. On termination of employment of a Phantom Unitholder for cause or on the Phantom Unitholder's resignation, all unvested Phantom Units shall be forfeited. On the occurrence of a change of control, as defined in the PUP, Phantom Units shall vest immediately with payment based on the estimate by the Governance Committee of the performance expected to be achieved for the relevant performance period, or if such reasonable estimate is not possible, the Phantom Units shall vest as if target performance was met during the relevant performance period.

Effective January 1, 2009 and January 1, 2010, the Fund adopted the 2009 Performance Unit Plan (the "2009 PUP") and the 2010 Performance Unit Plan (the "2010 PUP"), respectively, for its Trustees, officers and senior management. Phantom Unit awards in respect of 2009 and 2010 were made under the 2009 PUP and 2010 PUP, respectively. The only significant differences between the PUP and the 2009 PUP and 2010 PUP are as follows. In respect of the performance vesting requirements, the performance target (i) for the 2009 PUP is to maintain a distribution level of $0.1075 per Unit per month to Unitholders over the first two years of a performance period for grants made in respect of a performance period commencing January 1, 2009, (ii) for the 2010 PUP is to maintain a distribution level of $0.054 per Unit per month to Unitholders over the first year of a performance period for grants made in respect of a performance period commencing January 1, 2010, and as the Governance Committee may determine at the time of the grant in respect of a performance period commencing after January 1, 2010. Also, the 2009 PUP and 2010 PUP each excludes from the change of control provisions a change of control of the Fund effected for the purpose of addressing the changes to the taxation of certain trusts and partnerships under the Income Tax Act (Canada) originally announced on October 31, 2006, as supplemented and amended.

TERMINATION AND CHANGE OF CONTROL BENEFITS

The respective employment contracts for each of the Named Executive Officers require the Fund to make certain payments and/or provide certain benefits to each upon their being terminated by the Fund without cause. We believe these payments and benefits are comparable to those of our principal competitors and that their provision is in the best interest of the Fund as it encourages focus on the operation of the Fund. Differences in amounts are generally driven by the position held by the officer.

In addition, the PUP provides that on termination of employment of a Phantom Unitholder for reasons other than cause or resignation, the Phantom Unitholder will be entitled to a cash payment on redemption of the Phantom Units by the Fund based on an estimate by the Governance Committee of the performance expected to be achieved for the relevant performance period and pro rated for the period of the Phantom Unitholder's active employment or service. On termination of employment of a Phantom Unitholder for cause or on the Phantom Unitholder's resignation, all unvested Phantom Units shall be forfeited. On the occurrence of a change of control, as defined in the PUP, Phantom Units shall vest immediately with payment based on the estimate by the Governance Committee of the performance expected to be achieved for the relevant performance period, or if such reasonable estimate is not possible, the Phantom Units shall vest as if target performance was met during the relevant performance period.

John A. Macdonald

Under the Fund's employment agreement with Mr. Macdonald, in the event the Fund terminates Mr.

Macdonald's employment without cause, the Trust will pay a salary continuance equivalent to twenty-four months of base salary and Mr. Macdonald will receive, to the extent permitted by the relevant plan or program, a continuation of all benefits and perquisites available prior to termination for a period of twenty-four months, provided that if a plan or program does not permit the continuance of some or all of such benefits or perquisites for some or all of such period, the Fund shall pay the cost otherwise payable by the Fund for such benefits.

The agreement provides for, among other things, confidentiality and non-disclosure covenants in favour of the Fund and its affiliates during the term of Mr. Macdonald's employment agreement with the Fund and such covenants survive the termination or expiration of the agreement. The agreement further provides that Mr. Macdonald will not compete with a business from which the Fund derives its income whether carried on by the Fund or any of its affiliates or a third party for a period of twenty-four months following termination or expiration of the agreement.

R. Stephen Bower

Under the Fund's employment agreement with Mr. Bower, in the event the Fund terminates Mr. Bower's employment without cause, the Fund will pay a salary continuance equivalent to twelve months of base salary and an annual incentive equal to 35% of Mr. Bower's salary.

The agreement provides for, among other things, confidentiality and non-disclosure covenants in favour of the Fund and its affiliates during the term of Mr. Bower's employment agreement with the Fund and such covenants survive the termination or expiration of the agreement. The agreement further provides that Mr. Bower will not compete with a business from which the Fund derives its income whether carried on by the Fund or any of its affiliates or a third party for a period of twelve months following termination or expiration of the agreement.

John Toffoletto

Under the Fund's employment agreement with Mr. Toffoletto, in the event the Fund terminates Mr. Toffoletto's employment without cause, the Fund will pay a salary continuance equivalent to twelve months of base salary and an annual incentive equal to 35% of Mr. Toffoletto's salary and Mr. Toffoletto will receive, to the extent permitted by the relevant plan or program, a continuation of all benefits and perquisites available prior to termination for a period of twelve months, provided that if a plan or program does not permit the continuance of some or all of such benefits or perquisites for some or all of such period, the Fund shall pay the cost otherwise payable by the Fund for such benefits.

The agreement provides for, among other things, confidentiality and non-disclosure covenants in favour of the Fund and its affiliates during the term of Mr. Toffoletto's employment agreement with the Fund and such covenants survive the termination or expiration of the agreement. The agreement further provides that Mr. Toffoletto will not compete with a business that competes with or is substantially similar to the business of the Fund within Ontario for a period of twelve months following termination or expiration of the agreement.

Craig McCandless

Under Stratacon's employment agreement with Mr. McCandless, in the event that Stratacon terminates Mr. McCandless' employment without cause, Stratacon will pay a sum equal to twelve months of base salary, an annual progress bonus of $50,000 and an annual incentive equal to up to 35% of Mr. McCandless' salary that would otherwise have been payable in respect of the year in which the termination occurs pro-rated to the date of termination.

The agreement provides for, among other things, confidentiality and non-disclosure covenants in favour of Stratacon and its affiliates during the term of Mr. McCandless employment agreement with Stratacon and such covenants survive the termination or expiration of the agreement. The agreement further provides that Mr. McCandless will not compete with a business carried on by Stratacon or its affiliates in Ontario or a period of two years after his employment.

Peter Mills

Under Stratacon's employment agreement with Mr. Mills, in the event that Stratacon terminates Mr. Mills' employment without cause, Stratacon will pay an amount equal to two times his annual base salary.

The agreement provides for, among other things, confidentiality and non-disclosure covenants in favour of Stratacon and its affiliates during the term of Mr. Mills' employment agreement with Stratacon and such covenants survive the termination or expiration of the agreement. The agreement further provides that Mr. Mills will not compete with a business carried on by Stratacon or its affiliates in Canada or a period of two years after his employment.

QUANTITATIVE ESTIMATES OF PAYMENTS AND BENEFITS UPON TERMINATION OR CHANGE OF CONTROL

The following table sets forth the estimate amount of payments and other benefits each Named Executive Officer would be entitled to receive upon their being terminated without cause or upon a change of control, assuming the event occurred on December 31, 2009.

The material assumptions made with respect to the figures set forth below are as follows:

- the salary and incentive payments are calculated on the amounts of salary and incentive payments which were payable as of December 31, 2009;
- payment under the PUP is calculated as though the minimum performance targets were met;
- the values of the vesting Phantom Units are based upon the closing market price of the Units on December 31, 2009, being $4.19 per Unit; and
- the values of the continuation of benefits are based upon the current cost to the Fund for providing to Messrs. Macdonald and Toffoletto the Fund's employees benefits programs for medical, dental, life, and short and long-term disability insurance.

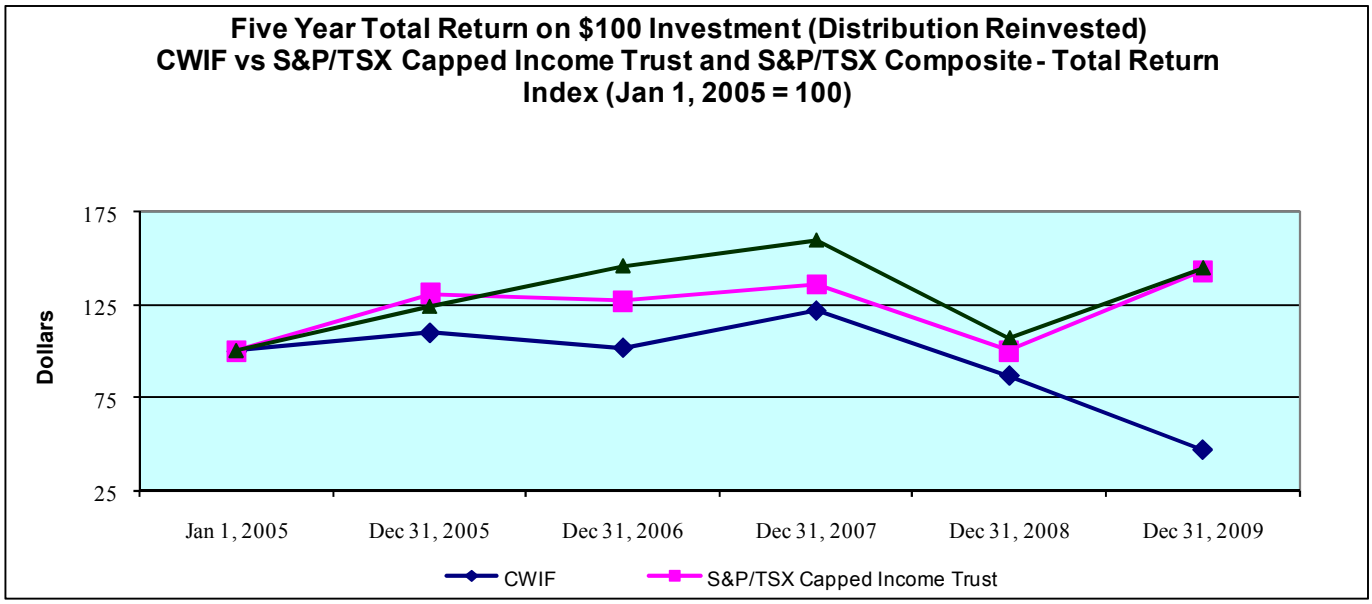
	Salary ($)	Incentive Payment ($)	Vesting of Phantom Units.[1] ($)	Benefits ($)	Other Comp.[2] ($)	Total ($)
John A. Macdonald						
Termination without Cause	700,000	-	154,400	18,414	78,000	950,814
Change in Control	-	-	154,400	-	-	-
R. Stephen Bower						
Termination without Cause	240,000	84,000	29,882	-	-	353,882
Change in Control	-	-	29,882	-	-	-
John Toffoletto						
Termination without Cause	225,000	78,770	Nil	9,044	26,375	339,189
Change in Control	-	-	-	-	-	-
Craig McCandless						
Termination without Cause	200,000	-	-	-	50,000	250,000
Change in Control	-	-	-	-	-	-
Peter Mills						
Termination without Cause	500,000	-	-	-	-	500,000
Change in Control	-	-	-	-	-	-

(1) The figures include the PUP awards granted in respect of 2007, including those granted to Mr. Macdonald which vested on December 31, 2009.

(2) The $78,000 in respect of Mr. Macdonald consists of the following on a per annum basis: $12,000 car allowance, $24,500 registered retirement plan contributions and $2,500 club membership dues. The $26,375 in respect of Mr. Toffoletto consists of $14,400 car allowance and $12,375 registered retirement plan contributions. The $50,000 in respect of Mr. McCandless consists of a non-discretionary annual progress bonus.

PERFORMANCE GRAPH

The following graph compares the percentage change in the cumulative Unitholder return for $100 invested in Units with the total cumulative return of the S&P/TSX Composite Index and S&P/TSX Capped Income Trust Index for the five year period from January 1, 2005 to December 31, 2009, assuming reinvestment of distributions.



Impact of 2005 to 2009 Financial Performance of the Fund on Senior Management Compensation

For the period prior to November 2006, the Fund's compensation obligations were limited to the payment of an administration fee to the Fund's external administrative agent in an approximate amount of $1,000,000 per annum. Effective January 1, 2005, the Fund also paid to certain members of the Fund's administrative agent compensation in the form of long-term incentive awards. The value of those awards payable to those members was approximately $300,000 in 2006 and $125,000 in 2007. As a result, the compensation of the administrative agent and these officers paid by the Fund did not increase to the same degree as the increase in unitholder return in the same period.

The Fund hired its own chief executive officer in November 2006 and hired its own CFO in December 2007, but the Fund's administrative agent continued to act in such capacity until December 2007 (and was paid the pro rata portion of the $1,000,000 fee accordingly). As a result, for 2007, the Fund's compensation obligation increased at a rate in excess of the rate of increase in the unitholder return on a year-over-year basis. Although the Fund's compensation to Named Executive Officers generally trended in line with the Fund's financial performance, year over year, from 2007 to 2008, and the Fund's overall compensation philosophy remained in-line with prior periods, the decline in the unitholder return in 2008 was, in the Fund's view, predominantly as a result of external factors over which the Fund had no control and does not reflect the Fund's performance. As a result, the compensation obligation did not decrease at the same rate as the rate of decrease in the unitholder return in 2008. However, the portion of the Named Executive Officers' compensation that is in the form of Phantom Units have a value that is directly tied to the Unit price. Consequently, that portion of the compensation of the Named Executive Officers is directly linked to the unitholder return.

Although the Fund's overall compensation levels in 2009 increased from 2008, this was as a result of the addition of three members of senior management as a result of the Fund's expanding operations, principally as a result of the Fund's acquisition of Stratacon in August 2008.

Impact of 2009 Financial Performance of the Fund on Senior Management Compensation
In order to reflect the decline in Unitholder return in 2009, the compensation philosophy of the Governance Committee and the Board in respect of Messrs. Macdonald and Bower was to award no annual incentive bonus in respect of 2009 and for all PUP participants to lower the Phantom Units awarded in respect of 2010 to below the level granted in respect of 2009 (of note, in respect of 2010, Mr. Macdonald received 69,000 Phantom Units, Mr. Bower received 11,000 Phantom Units and Mr. Toffoletto received 15,000 Phantom Units, with values of $279,450, $44,550 and $60,750, respectively, based on the Units' volume weighted average trading price on the TSX for the five (5) trading days immediately preceding December 31, 2009). Mr. Toffoletto's annual incentive bonus was also reduced to below target levels to reflect the decline in Unitholder return in 2009, notwithstanding that he exceeded each of his performance targets in 2009. Furthermore, as a result of the reductions in distributions in 2009, the Phantom Units granted in respect of 2009 likely will not vest, which further aligns senior management compensation with Unitholder returns. Those Phantom Units outstanding from 2007 which vested in 2009 had a value that also reflected the lower Unit price.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

The Trustees are not aware of any material interest of any Trustee or any holder who beneficially owns more than 10% of the Units or Special Trust Units, or any known associate or affiliate of these persons, in any transaction since January 1, 2009 or in any proposed transaction that has materially affected or would materially affect the Fund.

OTHER BUSINESS

The Trustees and management are not aware of any matter intended to come before the Meeting other than those items of business set forth in the Notice of Meeting. If any other matters properly come before the Meeting, it is the intention of the persons appointed under the accompanying form of proxy to vote in respect of those matters in accordance with their judgment.

ADDITIONAL INFORMATION

The Fund's Units are listed on the Toronto Stock Exchange under the trading symbol **CWI.UN.**

Financial information for the financial years ended December 31, 2009 and December 31, 2008 is provided in the Fund's consolidated financial statements and management's discussion and analysis ("MD&A"), which are included in the Annual Report. Copies of the Fund's current Annual Information Form ("AIF"), together with one copy of any document, or the pertinent pages of any document, incorporated by reference in the current AIF; the Fund's most recently filed consolidated financial statements, together with the accompanying report of the auditor, and any interim financial statements of the Fund that have been filed for any period after the end of the Fund's most recently completed financial year. A copy of this Circular is available online on SEDAR at www.sedar.com or, on the Fund's website at www.cwif.ca.

These documents can also be obtained upon request by contacting Steve Bower, CFO of the Fund by telephone at 905.695.7793 or, at sbower@cwif.ca with no charge to Unitholders.

Unitholders who wish to be added to the Fund's mailing list for the annual and/or interim financial statements and MD&A should contact Steve Bower, as outlined in the previous paragraph or their financial intermediaries if their Units are held for them by their brokers or banks.

APPROVAL OF TRUSTEES

The undersigned hereby certifies that the Trustees of the Fund have approved the contents and the sending of this Circular.

By Order of
THE CONSUMERS' WATERHEATER INCOME FUND

John Macdonald

Richmond Hill, Ontario
March 19, 2010

John Macdonald
President and Chief Executive Officer

SCHEDULE A

BE IT RESOLVED THAT:

1. The unitholder rights plan agreement dated March 16, 2007 between The Consumers' Waterheater Income Fund (the "Fund") and Computershare Investor Services Inc., as rights agent, as amended and as may be further amended pursuant to its terms, be and the same is hereby reconfirmed; and

2. Any one trustee or officer of the Fund, be and is hereby authorized to execute and deliver all such deeds, documents and other instruments and to do and perform all such other acts and things as such trustee or officer may determine to be necessary or advisable to implement this resolution and the matters authorized hereby, such determination to be conclusively evidenced by the execution and delivery of any such deeds, documents or other instruments and the taking of any such actions.

SCHEDULE B - BOARD OF TRUSTEES MANDATE

Mandates for the Board of Trustees and the three standing Committees of the Board – Audit Committee, Governance Committee and Investment Committee - were reviewed, and some cases amended on October 28, 2009, and are available on the Fund's website at www.cwif.ca. The Board of Trustees Mandate follows.

BOARD OF TRUSTEES MANDATE

1. GENERAL

The Board of Trustees (the "Board") believes that sound corporate governance practices are essential to the well-being of the Fund and the promotion and protection of its Unitholders' interests. The Board oversees the functioning of the Fund's governance system, in part through the work of the Governance Committee.

The Board has adopted this Mandate, which reflects the Fund's commitment to high standards of corporate governance, to assist the Board in supervising the management of the business and affairs of the Fund as required under the Fund's Declaration of Trust (the "Declaration of Trust"), applicable law and stock exchange rules and requirements. All capitalized terms used but not defined herein have the meaning ascribed to them in the Declaration of Trust.

The fundamental responsibility of the Board is to supervise the activities and manage the investments and affairs of the Fund. Our primary commitment is to (i) maintain strong underlying business fundamentals; (ii) generating stable and growing distributable cash (iii) external growth with a proven growth strategy through acquisitions; (iv) organic growth by focusing on growing installed residential and commercial customer asset base; and (v) quality service by executing a predictable and reliable customer-service model.

The Board promotes fair reporting, including financial reporting, to Unitholders of the Fund and other interested persons as well as ethical and legal corporate conduct through an appropriate system of corporate governance, internal controls and disclosure controls.

The Board believes that the Fund is best served by a board of trustees that functions independently of management and is informed and engaged.

The Governance Committee will review this Mandate annually, or more often if warranted, and recommend to the Board such changes as it deems necessary and appropriate in light of the Fund's needs and legal and regulatory developments.

2. BOARD COMPOSITION

(a) Board Membership Criteria

Subject to the express provisions of the Declaration of Trust relating to the qualification and appointment of Trustees, the Governance Committee is responsible for establishing the competencies, skills and personal qualities that the Board considers to be necessary for the Board, as a whole, to possess; the competencies, skills and personal qualities that the Board considers each existing Trustee to possess; and the competencies, skills and personal qualities each new candidate to be elected or appointed by Unitholders will bring to the Board.

With the exception of those Trustees who may be appointed or removed in the sole discretion of Direct Energy Marketing Limited ("Direct Energy") under the Declaration of Trust, the Governance Committee recommends candidates for initial Board membership and Board members for nomination. In making its recommendations, the Governance Committee focuses on the competencies, skills, and personal qualities of the candidates as well as the other business experience that the candidates possess to enhance the Board's decision-making process and overall management of the business and affairs of the Fund.

Trustees must have sufficient time to carry out their duties and not assume responsibilities which would materially interfere with or be incompatible with Board membership. Trustees

who change their principal occupation are expected to advise the Governance Committee and, if determined appropriate by the Governance Committee, resign from the Board.

(b) Trustee Independence

The Board's composition and procedures are designed to permit it to function independently from management and to promote and protect the interests of all Unitholders. The Declaration of Trust contains explicit provisions with respect to the ability of Direct Energy to appoint Trustees and requires, among other things, that a majority of Trustees holding office at any time must be (i) residents of Canada within the meaning of the *Income Tax Act (Canada)* (the "Tax Act"), and (ii) Independent Trustees (as therein defined).

The Board will determine whether a Trustee is an Independent Trustee, within the meaning of the Declaration of Trust.

The Board will review the independence of all Trustees on an annual basis and will publish its determinations in the management information circular relating to the Fund's annual meeting. To facilitate this review, Trustees will be asked to provide the Board with full information regarding their business and other relationships with the Fund and its affiliates, with senior management and their affiliates and with Direct Energy. Trustees have an on-going obligation to inform the Board of any material changes in their circumstances or relationships which may affect the Board's determination as to their independence.

(c) Board Size

The Declaration of Trust provides that the Board shall consist of a minimum of 5 and a maximum of 7 Trustees. The current Board is comprised of 7 Trustees and the Board considers this to be an appropriate size for effective decision-making and committee work given the nature of the operations of the Fund and its current ownership.

(d) Quorum

The Declaration of Trust provides that a quorum shall consist of: (i) a majority of Trustees then holding office; and (ii) two Independent Trustees and, notwithstanding any vacancy among the number of Trustees, a quorum may exercise all of the powers of the Trustees, provided that a majority of Trustees constituting the quorum shall be residents of Canada within the meaning of the *Tax Act*.

(e) Term

As provided in the Declaration of Trust, Trustees are generally elected at the annual meeting of Unitholders of the Fund for a term expiring at the close of the next annual meeting of Unitholders. The Board does not believe it should establish term limits for its members as such limits may deprive the Fund and its Unitholders of the contributions of members who have been able to develop, over time, valuable insights into the Fund, its strategy and business operations.

(f) Board Succession

The Governance Committee is responsible for Board succession planning so that it can be responsive to the Fund's needs and the interests of its Unitholders.

(g) Service on Other Boards and Audit Committees

The Board does not believe that its members should be prohibited from serving as a trustee, director or in a similar position for a government agency or an outside entity, so long as these commitments do not create a conflict of interest or interfere with their ability to fulfill their duties as a member of the Board. Trustees must be mindful of the number of other public company boards and committees of those boards on which they serve, taking into account potential board and committee attendance, participation and effectiveness on those boards and committees.

On or before accepting an appointment to the board or a committee of any entity, a Trustee should advise the Chair of the Board.

3. TRUSTEES' RESPONSIBILITIES

The Declaration of Trust provides that the Trustees must act honestly and in good faith with a view to the best interests of the Fund and the Fund Unitholders and in connection therewith shall exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. In order to fulfill this responsibility, each Trustee is expected to:

(i) participate, with management, in developing a multi-year strategic plan and annual business plans and approve such plans;
(ii) develop and maintain a thorough understanding of the Fund's operational and financial objectives, financial position and performance and the performance of the Fund relative to its principal competitors;
(iii) ensure that the Fund's activities are at all times conducted in accordance with the purpose of the Fund, its strategic plan, investment guidelines and operating policies, and all other requirements set out in its Declaration of Trust;
(iv) diligently prepare for each meeting, including reviewing all meeting materials distributed in advance;
(v) actively and constructively participate in each meeting, including seeking clarification from management and outside advisors where necessary to fully understand the issues under consideration;
(vi) engage in continuing education programs for Trustees, as appropriate; and
(vii) diligently attend meetings of the Board and any committee of which he or she is a member.

4. BOARD DUTIES AND RESPONSIBILITIES

In fulfilling its responsibilities, the Board is, among other matters, responsible for the following matters.

(a) Appointment and Supervision of Chief Executive Officer and Senior Management

The Board appoints and supervises the Chief Executive Officer (the "CEO") and other members of senior management, approves their compensation and, as permitted by applicable law and the Declaration of Trust, delegates to senior management responsibility for the day-to-day operations of the Fund.

The Board will, to the extent feasible, satisfy itself as to the integrity of the CEO and the other members of senior management and that the CEO and the other members of senior management create a culture of integrity throughout the Fund.

The Board will establish and maintain a position description for the CEO.

(b) Strategic Planning and Risk Management

The Board will develop with management an annual investment plan and annual budget with measurable performance indicators and will approve such plans. In this regard, the Board will:

(i) participate in strategic planning by reviewing, questioning and ultimately approving the investment plans proposed and developed by senior management including, on an annual basis a budget that includes rigorous but realistic goals within which management will operate in relation to capital expenditures, acquisitions and dispositions, finance and investment, risk management, internal controls over financial reporting, disclosure controls and management information systems and, where appropriate, make recommendations with respect to those operational matters specified by the Declaration of Trust to be determined in the Trustees' discretion;
(ii) approve key success indicators and monitor on a quarterly basis performance of Direct Energy, as servicer, in relation thereto;

(iii) through the Governance Committee, approve annual corporate and management performance targets consistent with the Fund's strategic plan;
(iv) confirm that a system is in place to identify the principal risks facing the Fund and its subsidiaries and their businesses and that appropriate procedures are in place to monitor and mitigate such risks; and
(v) confirm that processes are in place to address and comply with applicable legal, regulatory, corporate, securities and other compliance matters.

(c) Financial Reporting and Management

The Board will:

(i) approve the Fund's annual and interim financial statements and related management's discussion and analysis and review and oversee the integrity of the Fund with respect to its compliance with applicable audit, accounting and financial reporting requirements;
(ii) approve annual operating and capital budgets;
(iii) confirm the integrity of the Fund's internal controls over financial reporting and management information systems; and
(iv) review operating and financial performance results relative to established strategies, plans, budgets and objectives.

(d) Disclosure

The Board will satisfy itself that appropriate policies and procedures are in place regarding public disclosure, communications and restricted trading by insiders. In this regard, the Board will maintain a written Disclosure Policy and Insider Trading Policy in order to:

(i) disclose all material information in compliance with the Fund's timely disclosure obligations and to prevent selective disclosure of material information to analysts, institutional investors, market professionals and others;
(ii) verify that news releases and corporate documents issued by the Fund and public oral statements made by or on behalf of the Fund are accurate and do not contain a misrepresentation;
(iii) inform all Trustees, officers and other applicable employees of the Fund and Direct Energy and any other applicable service providers about their obligation to preserve the confidentiality of undisclosed material information about the Fund; and
(iv) inform all Trustees, officers and other applicable respective employees of the Fund and Direct Energy and any other applicable service providers about prohibitions on illegal insider trading and tipping under applicable law and the stock exchange rules.

(e) Corporate Governance

The Board will:

(i) establish an appropriate system of corporate governance including practices to facilitate the Board's independence;
(ii) in accordance with the Declaration of Trust, establish committees and approve their respective mandates and the limits of authority delegated to each committee;
(iii) establish appropriate processes for the regular evaluation of the effectiveness of the Board and its committees and the contributions of individual Trustees;
(iv) approve the nomination of Trustees (other than appointees of Direct Energy); and
(v) review the adequacy and form of Trustees' compensation to confirm that it realistically reflects the responsibilities and risks involved in being a Trustee.

(f) Approval of Certain Other Matters

Notwithstanding the delegation to management of the authority to manage the business of the Fund, (i) the Board must approve the following:

(i) those matters which, by the terms of the Declaration of Trust, must be approved or otherwise determined by the Board;

(ii) those matters which may not be delegated by the Board by law or under the Declaration of Trust; and

(iii) such other matters as the Board may, from time to time, determine require its approval;

and (ii) a majority of the Independent Trustees must approve those matters which, by the terms of the Declaration of Trust, must be approved by a majority of the Independent Trustees.

5. CHAIR

(a) Appointment

The Trustees will appoint one Independent Trustee to be Chair of the Board of Trustees in accordance with Section 7.10 of the Declaration of Trust.

(b) General

The Chair of the Board is responsible for the management, development and effective performance of the Trustees, and for providing leadership to the Trustees in carrying out their collective responsibility for supervising the management of the business and affairs of the Fund.

(c) Specific Role and Responsibilities

The Chair will:

(i) ensure that appropriate procedures are in place to allow the Board to work effectively and efficiently and to function independently of management;

(ii) ensure that the responsibilities of the Board are understood by both the Trustees and management and that the boundaries between the Board's and management's responsibilities are understood and respected;

(iii) ensure the responsibilities of the Trustees are effectively carried out in compliance with this mandate and the Declaration of Trust and that the functions of the Board delegated to committees are carried out by the committees and reported to the Board;

(iv) maintain an effective relationship between the Board and management;

(v) provide direction and advice to senior management, including defining major issues, maintaining accountability to stakeholders and building relationships;

(vi) ensure that the Board and the committees have the necessary resources to support their work (in particular, timely and relevant information);

(vii) ensure compliance with the Fund's governance policies, including those regarding regularity and conduct of Board meetings, managing and reporting information and other policies relating to the Board's business;

(viii) provide leadership to ensure that the Board works as a cohesive team;

(ix) require the Board to meet as many times as necessary for the Trustees to carry out their duties and responsibilities effectively;

(x) on an on-going basis, work with the CEO to develop schedules of meetings of the Board and committees and, in consultation with other Trustees and senior management, establish the agenda of the Board;

(xi) chair meetings of the Board, including requiring appropriate briefing materials to be delivered in a timely fashion, stimulating debate, providing adequate time for discussion of issues, facilitating consensus, encouraging full participation and discussion by individual Trustees and ensuring that clarity regarding decisions is reached and duly recorded;

(xii) chair meetings of the Unitholders of the Fund;

(xiii) work closely with senior management to ensure that the Fund is building a healthy corporate governance culture;

(xiv) work closely with the Governance Committee to develop strategic criteria for recruitment of Trustees and succession planning;

(xv) work closely with senior management to ensure effective relations with the Board and external stakeholders, such as Unitholders, the investment community, the media, governments and the public generally;
(xvi) ensure that functions are delegated to appropriate committees and that the functions are carried out and the results reported to the Board;
(xvii) actively participate in and oversee the administration of an annual evaluation of the performance and effectiveness of the Board, committees, and all individual Trustees and committee chairs; and
(xviii) carry out other duties as requested by the Trustees, as needs and circumstances arise.

6. SECRETARY

(a) Appointment

The Board will have a Secretary who is not the CEO.

(b) General

The Secretary will be responsible for assisting the Chair in managing the operations and affairs of the Board and for performing additional duties requested by the Chair or the Board or any of its committees.

(c) Specific Role and Responsibilities

The Secretary will:

(i) confirm that all notices and materials are delivered to Unitholders and Trustees in a timely manner;
(ii) confirm that all minutes of meetings of Unitholders, the Board and committees are accurately recorded;
(iii) confirm that copies of the minutes are circulated to each Board or committee member, as the case may be, on a timely basis (with Trustees receiving minutes of all committee meetings once approved by the applicable committee);
(iv) facilitate communication among the Trustees and among the Board, its committees and management;
(v) administer the operations of the Board and its committees; and
(vi) perform additional duties requested by the Chair or the Board or any of its committees.

7. BOARD COMMITTEES

(a) General

The Board carries out its responsibilities directly and through the Audit Committee, the Governance Committee and the Investment Committee, the composition of which is prescribed by the Declaration of Trust, and such other committees as it may establish from time to time.

(b) Committee Chairs

Each committee shall appoint one member to be its Chair. If in any year a Committee does not appoint its Chair, the incumbent Chair will continue in office until a successor is appointed.

The Chair will:

(i) in consultation with the Chair of the Board, senior management and the committee members, as appropriate, determine the time and location of meetings of the committee;
(ii) ensure the committee's activities are consistent with, and fulfill, the committee's Mandate;

(iii) take all reasonable steps to ensure that the responsibilities and duties of the committee, as outlined in its Mandate, are well understood by the committee members and executed as effectively as possible;

(iv) require the committee to meet as many times as necessary to carry out its responsibilities effectively;

(v) in consultation with the Chair of the Board, committee members and senior management, as appropriate, review the meeting agendas to ensure all required business is brought before the committee to enable the committee to carry out its responsibilities;

(vi) with the assistance of the CEO, senior management or other management, as required, ensure that agenda items for all committee meetings are ready for presentation and that adequate information is distributed to committee members in advance of such meetings in order that committee members may properly inform themselves on matters to be acted upon;

(vii) ensure that minutes are kept of all meetings and sign minutes approved by the committee;

(viii) report to the Board at its next meeting following any decision or recommendation arising from any meeting of the committee or the signing of a written resolution evidencing a decision or recommendation of the committee, including reporting on the considerations that led to such decision or recommendation;

(ix) provide leadership to enable the committee to act as an effective team in carrying out its responsibilities; and

(x) act as liaison between the Board and the committee and between management and the committee and also act as liaison with outside advisors to the committee.

(c) Mandates

Each committee is created under the Declaration of Trust and may adopt a mandate which sets out its responsibilities and duties, qualifications for membership (beyond those stipulated for that purpose in the Declaration of Trust), procedures for committee member appointment and removal and reporting to the Board. On an annual basis, each committee's Mandate is reviewed by both the committee itself and the Governance Committee and is also reviewed and approved by the Board. Copies of each Mandate of the Fund are posted on the Fund's website. Below is a brief description of the responsibilities of each Committee:

(i) Audit Committee

The role of the Audit Committee, subject to the determination of the Board is to review: (i) the engagement of auditors; (ii) the financial policies and procedures of the Fund; (iii) the financial statements of the Fund; (iv) budgets; and (v) payments to Direct Energy pursuant to the Origination Agreement.

(ii) Governance Committee

The Governance Committee is responsible, subject to the determination of the Board from time to time, for (i) considering, and providing a recommendation on, any conflict of interest involving the Servicer before such conflict of interest is approved by the Trustees; (ii) annually reviewing: (a) the compliance by the WH Entities of their respective undertakings in respect of the Fund's continuous disclosure obligations; (b) the performance of the Servicer; and (c) adjustments to be made pursuant to the Co-ownership Agreement; (iii) developing the Fund's approach to corporate governance; (iv) advising the Trustees in filling Independent Trustee vacancies; (v) periodically reviewing the compensation and effectiveness of the Trustees and the contribution of individual Trustees; (vi) assisting in orientating and providing for continuing education for the Trustees; (vii) advising the Trustees in the selection and retention of senior management; (viii) periodically reviewing the compensation and performance of senior management; (ix) assisting in the professional development of

senior management; and (x) assisting in developing and managing benefit plans for employees.

(iii) Investment Committee

The Investment Committee is responsible, subject to the determination of the Board from time to time, for (i) reviewing all proposals regarding investments, dispositions and borrowings of the Fund and making recommendations in connection therewith to the Trustees; (ii) approving any material changes to the Investment Guidelines of the Fund; (iii) reviewing reports pertaining to new water heaters to make recommendations in connection with the purchase thereof by the Fund and approval of rental charges to be charged in respect of water heaters by the Servicer; (iv) financing and interest rate hedging strategies; and (v) target leverage ratios, target ratings on the Fund units, distributions and debt securities of the Fund and target Fund unit distributions.

8. BOARD AND COMMITTEE MEETINGS

(a) Scheduling

Board meetings are scheduled in advance at appropriate intervals throughout the year, which will be not less than quarterly. In addition to regularly scheduled Board meetings, additional Board meetings may be called upon proper notice at any time to address specific needs of the Fund.

Each committee shall meet as often as it determines is necessary to fulfill its responsibilities, which will be not less than quarterly.

(b) Agenda

The Chair establishes the agenda for each Board meeting in consultation with the other Trustees and senior management. Any Trustee may propose the inclusion of items on the agenda, request the presence of or a report by any member of senior management, or at any Board meeting raise subjects that are not on the agenda for that meeting.

Committee chairs establish the agenda for each committee meeting. Any committee member may propose the inclusion of items on the agenda, request the presence of or a report by any member of management, or at any committee meeting raise subjects that are not on the agenda for the meeting.

An officer of the Fund will distribute agenda and meeting materials in advance of each Board or committee meeting to allow Board or committee members, as the case may be, sufficient time to review and consider the matters to be discussed.

(c) Meetings of Independent Trustees

To promote open discussion among the Independent Trustees, those Trustees will meet separately at every regularly scheduled Board meetings without management present and will meet at such other time as any Independent Trustee may request. These meetings are chaired by the Chair, who informs management of the substance of these meetings to the extent that action is required by them.

(d) Distribution of Information

Information that is important to the Board's understanding of the business and its agenda is distributed to Trustees sufficiently in advance of Board meetings to permit the Trustees adequate time to consider the material and ask questions of management as appropriate. Sensitive subject matters may be discussed at a meeting without written materials being distributed in advance or at the meeting.

(e) Preparation, Attendance and Participation

Each Trustee is expected to be diligent in attending meetings of the Board and any committee of which he or she is a member. In addition, each Trustee is expected to attend each annual meeting of Unitholders. A Trustee who is unable to attend a Board or committee meeting in person may participate by telephone or teleconference.

(f) Attendance of Non-Trustees at Board Meetings

The Chief Financial Officer and the Secretary are expected to attend Board meetings. The CEO, at his or her discretion, may invite other employees, advisors or consultants to attend the Board meetings for the purpose of making presentations or otherwise providing advice to the Board. The Chair, at his or her discretion, will also invite employees of the Fund, consultants, advisors or others, as appropriate, to attend Board meetings.

(g) Procedures

As set forth in the Declaration of Trust, unless otherwise determined by the Trustees, the rules for calling, holding, conducting and adjourning committee meetings shall be the same as those governing the Board.

9. COMPENSATION OF TRUSTEES

The Governance Committee has the responsibility for recommending to the Board compensation and benefits for service on the Board and on Board committees by Trustees. In discharging this duty, the Governance Committee will be guided by three goals: compensation should fairly pay Trustees for work required in an issuer of the Fund's size and scope; it should not exceed what is customary given the size and scope of the Fund's business and operations; compensation should align Trustees' interests with the long-term interests of Unitholders, and the structure of the compensation should be simple, transparent and easy for Unitholders to understand. Not less often than annually, the Governance Committee shall review Trustee compensation and benefits and recommend any changes to the Board.

10. TRUSTEE ORIENTATION AND CONTINUING EDUCATION

The Board, either directly or through the Governance Committee, will ensure procedures are in place and resources are made available to provide new Trustees with a proper orientation to both the Fund and their responsibilities and duties as Trustees and to provide other Trustees with appropriate continuing education opportunities.

11. TRUSTEE EQUITY OWNERSHIP

The Board believes that Trustees should hold meaningful equity ownership positions in the Fund.

12. BOARD ACCESS TO MANAGEMENT, OUTSIDE COUNSEL AND ADVISORS

The Board has complete access to members of management and the Fund's outside counsel and auditors. It is the obligation of each Trustee to use judgment to ensure that such contact is not distracting to the business operations of the Fund. The Board and its committees may invite any member of management, employee of the Fund or the Servicer under the Co-ownership Agreement, outside advisor or other person to attend any of their meetings.

The Board and any of its committees may retain an outside advisor at the expense of the Fund at any time and have the authority to determine the advisor's fees and other retention terms. Individual Trustees may retain an outside advisor at the expense of the Fund with the approval of the Governance Committee.

13. PERFORMANCE ASSESSMENT OF THE BOARD AND ITS COMMITTEES

The Governance Committee annually reviews the effectiveness of the Board and its committees, in fulfilling their responsibilities and duties.

In addition, the Governance Committee evaluates individual Trustees (other than Trustees appointed by Direct Energy) to assess their suitability for nomination for re-election or re-appointment.

14. CODE OF BUSINESS CONDUCT AND WHISTLEBLOWER POLICY

The Fund has established and will maintain a written Code of Business Conduct (the "Code)" for its Trustees, officers, suppliers and employees. The Fund has also established and will maintain a Whistleblower Policy in order to encourage the reporting of behaviour(s) that violate the Code. The purpose is to ensure that the Fund maintains a high level of trust and integrity in accordance with the highest ethical standards.

15. ROLE OF MANAGEMENT

Management is responsible, on a shared basis with the Board, for developing strategy, and directly responsible for implementing strategy. Management is also responsible for safeguarding the Fund's assets and for creating wealth for Unitholders. When management performance is inadequate, the Board has the responsibility to bring about appropriate change, and when management performance is effective, the Board will reward management accordingly.

The Fund's governance guidelines are designed to create autonomy and effective decision-making of management and to ensure appropriate oversight by the Board and the Board's committees. Management of the Fund is under the direction and control of the CEO. Senior management, through the CEO, reports to and is accountable to the Board.

Management is responsible for developing an annual investment plan and annual budget, which includes an annual operating and capital budget for review and approval of the Board. The Board's approval of the investment plan and budget provides a mandate for management to conduct the affairs of the Fund. Material deviations from the investment plan and budget are reported to and considered by the Board.

16. FEEDBACK

The Board welcomes input and comments from Unitholders of the Fund. You may contact one or more members of the Board or its committees, by writing to the Chair of the Governance Committee at:

Chair of the Governance Committee
The Consumers' Waterheater Income Fund
2 East Beaver Creek, Building 2
Richmond Hill, Ontario, L4B 2N3