

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This short form prospectus constitutes an offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. **These securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the “U.S. Securities Act”), or any state securities laws. Accordingly, these securities may not be offered or sold or delivered within the United States of America except in transactions exempt from registration under the U.S. Securities Act and applicable state securities laws. This short form prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of these securities within the United States of America. See “Plan of Distribution”.**

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

SHORT FORM PROSPECTUS

New Issue

September 7, 2010



\$85,000,000

3,400,000 Cumulative Rate Reset Preferred Shares, Series A

This short form prospectus qualifies the distribution (the “**Offering**”) of 3,400,000 Cumulative Rate Reset Preferred Shares, Series A (the “**Series A Shares**”) of Innergex Renewable Energy Inc. (the “**Corporation**”) at a price of \$25.00 per Series A Share (the “**Offering Price**”). For the initial five year period from and including the Closing Date (as defined herein) to, but excluding January 15, 2016 (the “**Initial Fixed Rate Period**”), the holders of Series A Shares will be entitled to receive fixed cumulative preferential cash dividends, as and when declared by the board of directors (the “**Board of Directors**”) of the Corporation, payable quarterly on the 15th day (or, if such day is not a Business Day, the immediately following Business Day) of January, April, July and October in each year at an annual rate equal to \$1.25 per share. The initial dividend will be payable January 17, 2011 and will be \$0.42123 per share, based on the anticipated closing date of September 14, 2010 (the “**Closing Date**”). See “Details of the Offering”.

For each five-year period after the Initial Fixed Rate Period (each a “**Subsequent Fixed Rate Period**”), the holders of the Series A Shares will be entitled to receive fixed cumulative preferential cash dividends, as and when declared by the Board of Directors, payable quarterly on the 15th day (or, if such day is not a Business Day, the immediately following Business Day) of January, April, July and October in each year during the Subsequent Fixed Rate Period, in an annual amount per share determined by multiplying the Annual Fixed Dividend Rate (as defined herein) applicable to such Subsequent Fixed Rate Period by \$25.00. The Annual Fixed Dividend Rate for each Subsequent Fixed Rate Period will be equal to the sum of the Government of Canada Yield (as defined herein) on the 30th day prior to the first day of such Subsequent Fixed Rate Period plus 2.79%. See “Details of the Offering”.

Option to Convert Into Series B Shares

Each holder of Series A Shares will have the right, at its option, to convert all or any of its Series A Shares into Cumulative Floating Rate Preferred Shares, Series B (the “**Series B Shares**”) of the Corporation on the basis of one Series B Share for each Series A Share converted, subject to certain conditions, on January 15, 2016 and on January 15 every five years thereafter. The holders of Series B Shares will be entitled to receive floating rate cumulative preferential cash dividends, as and when declared by the Board of Directors, payable quarterly on the 15th day (or, if such day is not a Business Day, the immediately following Business Day) of January, April, July and October in each year, in the annual amount per Series B Share determined by multiplying the applicable Floating Quarterly Dividend Rate (as defined herein) by \$25.00. The Floating Quarterly Dividend Rate for a Quarterly Floating Rate Period (as defined herein) will be equal to the sum of the T-Bill Rate (as defined herein) plus 2.79% per annum (calculated on the basis of the actual number of days in the applicable Quarterly Floating Rate Period divided by 365) determined on the 30th day prior to the first day of the applicable Quarterly Floating Rate Period. See “Details of the Offering”.

The Series A Shares will not be redeemable by the Corporation prior to January 15, 2016. On January 15, 2016 and on January 15 every five years thereafter, subject to certain other restrictions set out in “Details of the Offering – Description of the Series A Shares – Restrictions on Dividends and Retirement and Issue of Shares”, the Corporation may, at its option, on at least 30 days and not more than 60 days prior written notice, redeem for cash all or any number of the outstanding Series A Shares for \$25.00 per Series A Share, in each case together with all accrued and unpaid dividends thereon up to, but excluding, the date fixed for redemption (less any tax required to be deducted or withheld by the Corporation). See “Details of the Offering – Description of the Series A Shares – Redemption”.

The Series B Shares will not be redeemable by the Corporation on or prior to January 15, 2016. Subject to certain other restrictions set out in “Details of the Offering – Description of the Series B Shares – Restrictions on Dividends and Retirement and Issue of Shares”, the Corporation may, at its option, on at least 30 days and not more than 60 days prior written notice, redeem all or any number of the outstanding Series B Shares by payment in cash of a per share sum equal to (i) \$25.00 in the case of redemptions on January 15, 2021 and on January 15 every five years thereafter (each a “**Series B Conversion Date**”), or (ii) \$25.50 in the case of redemptions on any date which is not a Series B Conversion Date after January 15, 2016, in each case together with all accrued and unpaid dividends thereon up to, but excluding, the date fixed for redemption (less any tax required to be deducted or withheld by the Corporation). See “Details of the Offering – Description of the Series B Shares – Redemption”.

The Series A Shares and the Series B Shares do not have a fixed maturity date and are not redeemable at the option of the holders thereof. See “Risk Factors”.

Standard & Poor’s Rating Services, a division of The McGraw-Hill Companies (Canada) Corporation (“**S&P**”) has assigned a rating of P-3 for the Series A Shares. DBRS Limited (“**DBRS**”) has assigned a provisional rating of Pfd-3 (low). See “Ratings”.

The Toronto Stock Exchange (the “TSX”) has conditionally approved the listing of the Series A Shares issued under the Offering and the Series B Shares issuable on conversion of the Series A Shares. Listing is subject to the Corporation fulfilling all of the listing requirements of the TSX. There is no market through which these securities may be sold and purchasers may not be able to resell securities purchased under this short form prospectus. This may affect the pricing of the securities in the secondary market, the transparency and availability of trading prices, the liquidity of the securities, and the extent of issuer regulation. See “Risk Factors”.

Price: \$25.00 per Series A Share to yield initially 5.00% per annum

	Price to the Public	Fees ⁽¹⁾	Net Proceeds to the Corporation ⁽¹⁾⁽²⁾
Per Series A Share	\$25.00	\$0.75	\$24.25
Total.....	\$85,000,000	\$2,550,000	\$82,450,000

Notes:

- (1) The Underwriters’ fee for the Series A Shares is \$0.25 for each such share sold to certain institutions and \$0.75 per share for all other Series A Shares sold by the Underwriters. The Underwriters’ fee indicated in the table assumes that no Series A Shares are sold to such institutions and is equal to 3% of the gross proceeds of the Offering.

- (2) After deducting the Underwriters' fee, but before deducting the aggregate expenses of the Offering, estimated to be \$600,000, which, together with the Underwriters' fee, will be paid by the Corporation.

Investing in the Series A Shares and the Series B Shares involves risks that should be considered by prospective purchasers, certain of which are described in the "Risk Factors" section of and elsewhere in this Prospectus including in the documents incorporated by reference.

BMO Nesbitt Burns Inc., TD Securities Inc., CIBC World Markets Inc., National Bank Financial Inc., RBC Dominion Securities Inc., Scotia Capital Inc., Desjardins Securities Inc., Laurentian Bank Securities Inc., Cormark Securities Inc., Jacob Securities Inc. and NCP Northland Capital Partners Inc. are acting as underwriters (collectively, the "**Underwriters**") of this Offering. The Underwriters, as principals, conditionally offer the Series A Shares, subject to prior sale, if, as and when issued and sold by the Corporation and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement referred to under "Plan of Distribution" and subject to the approval of certain legal matters on behalf of the Corporation by McCarthy Tétrault LLP and on behalf of the Underwriters by Borden Ladner Gervais LLP. The terms of the Offering were established through negotiation between the Corporation and the Underwriters. See "Plan of Distribution".

Subject to applicable laws and in connection with this distribution, the Underwriters may effect transactions which stabilize or maintain the market price of the Series A Shares at levels other than those which otherwise might prevail on the open market. Such transactions, if commenced, may be discontinued at any time. See "Plan of Distribution".

After the Underwriters have made a bona fide effort to sell all of the Series A Shares offered under this short form prospectus at the Offering Price fixed in this short form prospectus, the Underwriters may reduce the Offering Price or otherwise change the selling terms from time to time. Any such reduction will not affect the proceeds received by the Corporation. See "Plan of Distribution".

Subscriptions for the Series A Shares will be received by the Underwriters subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. The closing of the Offering is expected to occur on or about September 14, 2010 or on such later date as the Corporation and the Underwriters may agree, but in any event, not later than October 1, 2010. At closing, a book entry only certificate representing the Series A Shares distributed hereunder will be issued in registered form to CDS Clearing and Depository Services Inc. ("**CDS**") or its nominee and will be deposited with CDS on the Closing Date. The Corporation understands that a purchaser of Series A Shares will receive only a customer confirmation from the registered dealer who is a CDS participant and from or through whom the Series A Shares are purchased. See "Book-Entry Only System".

BMO Nesbitt Burns Inc., TD Securities Inc., CIBC World Markets Inc. and Laurentian Bank Securities Inc. are wholly-owned indirect subsidiaries of Canadian chartered banks, and Desjardins Securities Inc. is an affiliate of a financial institution, which are currently lenders to the Corporation and certain of its subsidiaries. Consequently, the Corporation may be considered a connected issuer of BMO Nesbitt Burns Inc., TD Securities Inc., CIBC World Markets Inc., Laurentian Bank Securities Inc. and Desjardins Securities Inc. under applicable securities laws in certain Canadian provinces. See "Relationship Between the Corporation and Certain Persons".

The head and registered office of the Corporation is located at 1111 Saint-Charles Street West, East Tower, Suite 1255, Longueuil, Québec, J4K 5G4.

The earnings coverage ratio for the Corporation for the twelve-month period ended June 30, 2010 is less than one-to-one. If cash flows from operating activities before changes in non-cash working capital items, interest and income tax were used instead of net income, the coverage ratio for the twelve-month period ended June 30, 2010 would have been 2.44 times the Corporation's aggregate dividend and interest requirements for the period. On March 29, 2010, Innergex Power Income Fund (the "**Fund**") and the Corporation announced the completion of the strategic combination of the two entities whereby the Fund acquired the Corporation by way of a reverse takeover (the "**Combination**"), effecting at the same time the Fund's conversion to a Corporation. In accordance with Canadian GAAP, the Corporation's historical results for the year ended December 31, 2009 and for the twelve-month period ended June 30, 2010 are based on the historical financial results of the Fund, including the Corporation's contribution from March 30, 2010 and, accordingly, the earning coverage ratios presented in this Prospectus are derived from such historical results and do not take into account the Corporation's contribution prior to March 30, 2010. See "Recent Developments" and "Earnings Coverage Ratio".

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FORWARD-LOOKING STATEMENTS

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

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

Since forward-looking information addresses future events and conditions, by its very nature it involves inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to, the fact that some or all of the anticipated benefits of the Combination may not be realized; the ability of the Corporation to execute its corporate strategy; the inability to access sufficient capital from internal and external sources; liquidity risks related to derivative financial instruments; general economic conditions; availability of water flows and wind; delays in project development; uncertainty relating to the development of new power generating facilities; uncertainty relating to the amounts of power that current or future operating facilities are able to generate; equipment failure; interest rate fluctuations and debt refinancing; contractual restrictions contained in instruments governing current and future indebtedness; penalties for events of default under certain power purchase agreements; the ability to retain qualified personnel and management; the performance of third-party suppliers; reliance on major customers; relationships with communities in which projects or facilities are located and joint venture partners; wind turbine supply; obtainments of permits; changes to governmental regulatory requirements and applicable governing statutes; obtaining new power purchase agreements; securing appropriate land for projects; reliance on power purchase agreements; reliance on transmission systems; water and land rental expenses; dam safety; health, safety and environmental risks; natural disasters; foreign exchange fluctuations and sufficiency of insurance coverage. Readers are cautioned that the foregoing list is not exhaustive. Readers should carefully review and consider the risk factors described under the section “Risk Factors”, and the section “Risk Factors” of the revised annual information form of the Corporation dated August 23, 2010. The information contained in this short form prospectus, including the documents incorporated by reference herein, identifies additional factors that could affect the operating results and performance of the Corporation. Prospective investors are urged to carefully consider those factors.

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

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

DOCUMENTS INCORPORATED BY REFERENCE

Documents of the Corporation

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

1. the revised annual information form of the Corporation dated August 23, 2010 for the year ended December 31, 2009;
2. the audited financial statements of the Corporation as at December 31, 2009 and 2008 and for the years then ended, together with the notes thereto, the auditors' report thereon and the management's discussion and analysis in respect thereof;
3. the unaudited consolidated financial statements of the Corporation as at and for the three and six months ended June 30, 2010 and 2009, together with the notes thereto and the management's discussion and analysis in respect thereof;
4. the management information circular of the Corporation dated April 30, 2010 in respect of the annual general meeting of the Corporation shareholders held on June 1, 2010;
5. the joint information circular dated February 17, 2010 (the "**Joint Information Circular**") of the Corporation and the Fund prepared in connection with the Corporation's and the Fund's securityholders meetings which were held on March 24, 2010 to consider the Combination;
6. the material change report dated February 2, 2010 in respect of the entering into a definitive agreement with the Fund in connection with the Combination and the retirement of Gilles Lefrançois;
7. the material change report dated February 8, 2010 in respect of the initiation of commercial operation of the Fitzsimmons Creek run-of-river hydroelectric power generating plant;
8. the material change report dated February 16, 2010 in respect of the entering into of a bought deal agreement letter relating to an offering of extendible convertible unsecured subordinated debentures;
9. the material change report dated March 29, 2010, in respect of the selection of the Corporation for power purchase agreements awards for three of its run-of-river hydroelectric projects submitted in response to the 2008 BC Clear Power Call; and
10. the material change report dated March 30, 2010 in respect of the completion of the Arrangement.

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

Documents of the Fund

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

1. the audited consolidated balance sheets of the Fund as at December 31, 2009 and 2008 and the consolidated statements of earnings, comprehensive income, changes in unitholders' equity and cash flows for the years ended December 31, 2009 and 2008, together with the notes thereto, the auditors' report thereon and the management's discussion and analysis in respect thereof;
2. the material change report dated February 2, 2010 in respect of the entering into of the Arrangement Agreement;
3. the material change report dated March 30, 2010 in respect of the completion of the Arrangement; and
4. the Joint Information Circular.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded, for the purposes of this prospectus, to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded

statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this prospectus.

ELIGIBILITY FOR INVESTMENT

In the opinion of McCarthy Tétrault LLP, counsel to the Corporation and Borden Ladner Gervais LLP, counsel to the Underwriters, the Series A Shares and the Series B Shares, provided they are listed on a designated stock exchange (which currently includes the TSX), if issued on the date of this Prospectus, would be qualified investments under the *Income Tax Act* (Canada) (the “**Tax Act**”) and the regulations thereunder for a trust governed by a registered retirement savings plan, a registered retirement income fund, a registered education savings plan, a deferred profit sharing plan, a registered disability savings plan and a tax-free savings account.

The Series A Shares and the Series B Shares will not be a “prohibited investment” for a trust governed by a tax-free savings account on such date provided the holder of the tax-free savings account deals at arm’s length with the Corporation for purposes of the Tax Act and does not have a significant interest (within the meaning of the Tax Act) in the Corporation or in any person or partnership with which the Corporation does not deal at arm’s length for purposes of the Tax Act.

INNERGEX RENEWABLE ENERGY INC.

The Corporation was incorporated in Canada under the *Canada Business Corporations Act* (the “**CBCA**”), by articles of incorporation dated October 25, 2002. On October 25, 2007, the articles of the Corporation were amended to change its name from Innergex Management Inc. to Innergex Renewable Energy Inc. On March 29, 2010, the articles of the Corporation were amended by way of articles of arrangement to give effect to the Combination. The Corporation’s head and registered office is located at 1111 Saint-Charles Street West, East Tower, Suite 1255, Longueuil, Québec, J4K 5G4.

BUSINESS OF THE CORPORATION

The Corporation is a developer, owner and operator of run-of-river hydroelectric facilities and wind energy projects in North America. The Corporation operates various power generating facilities in the Provinces of Québec, Ontario and British Columbia and in the State of Idaho.

The Corporation’s management team has been active in the renewable power industry since 1990 and has developed and brought to commercial operation or refurbished, through different ventures, 17 operating facilities representing an aggregate net installed capacity of 325.5 MW (gross 537.8 MW). The Corporation owns, together with its partners, three wind farms and 14 hydroelectric facilities currently in operation with respective net aggregate installed capacities of 121.4 MW (gross 319.5 MW) and 204.1 MW (gross 218.3 MW) and seven projects for which power purchase agreements have been secured with an aggregate net installed capacity of 202.9 MW (gross 432.9 MW). The projects are expected to reach the commercial operation stage between 2011 and 2016. The Corporation has also net interests in approximately 2,000 MW (gross 2,100 MW) of prospective power generating projects which are in various stages of development.

RECENT DEVELOPMENTS

On January 31, 2010, the Corporation and Innergex Power Income Fund (the “**Fund**”) entered into a definitive agreement to undertake a strategic combination of the two entities whereby the Fund would acquire the Corporation by way of a reverse take-over, thereby effecting at the same time the conversion of the Fund to a corporation (the “**Combination**”). Pursuant to the Combination, which was completed on March 29, 2010, Fund unitholders (other than the Corporation) exchanged their Fund units on the basis of 1.460 Common Shares for each unit of the Fund held. Further details regarding the Combination may be found in the joint information circular dated February 17, 2010 (the “**Joint Information Circular**”) of the Corporation and the Fund prepared in connection with the Corporation’s and the Fund’s securityholders meeting held to consider the Combination and incorporated by reference herein.

Forthwith upon completion of the Combination, the Corporation completed a corporate reorganization, pursuant to which, inter alia, (i) Innergex Power Trust distributed all of its assets and transferred all of its liabilities to the Fund and ceased to exist; and (ii) the Fund subsequently distributed all of its assets and transferred all of its liabilities to the Corporation and ceased to exist.

On February 1, 2010, Mr. Gilles Lefrançois, founder and former Executive Chairman of the Board of Directors of the Corporation, announced that he was retiring from the Corporation. Mr. Lefrançois will continue to share his experience and expertise with the Corporation as a special advisor during the 12 months following his retirement.

On March 8, 2010, the Corporation completed an offering (the “**Debentures Offering**”) of extendible convertible unsecured subordinated debentures in the aggregate principal amount of \$70.0 million (the “**Debentures**”). The Debentures have a maturity date of April 30, 2017. The Debentures bear interest at a rate of 5.75% per annum, payable semi-annually, and are convertible at the option of the holder into Common Shares at a conversion price of \$10.65 per Common Share. On March 16, 2010, an over-allotment option was exercised by the underwriters to purchase an additional \$10.5 million principal amount, bringing the aggregate gross proceeds of the Debentures Offering to \$80.5 million.

On March 11, 2010, the Corporation was selected by the British Columbia Transmission Corporation (“**BC Hydro**”) to enter into power purchase agreements for three run-of-river hydro projects submitted in the BC Clean Call, namely the Upper Lillooet River, Boulder Creek and North Creek projects, with an expected aggregate net installed capacity of 75.3 MW (gross 113.0 MW).

On June 1, 2010, the Corporation issued a notice to proceed to the turbine supplier and the balance-of-plant contractor, thereby launching the construction phase of the Montagne-Sèche, Gros-Morne Phase I and Gros-Morne Phase II Wind Farms.

On July 7, 2010, the Corporation announced the submission of eight wind farm development projects, in partnership with local organizations and municipalities. These new wind farms were submitted in response to a call for tenders issued by Hydro-Québec Distribution for the purchase of 250 MW resulting from community projects, and represent 24.6 MW in potential installed capacity each, with in-service dates beginning December 2013. Municipalities or local organizations will hold interests of between 30% and 50% of the respective wind farm projects. Hydro-Québec Distribution is expected to announce the awards in December 2010.

USE OF PROCEEDS

The estimated net proceeds from the Offering, after deducting fees payable to the Underwriters and the expenses of the Offering payable by the Corporation will be approximately \$81.85 million. The net proceeds of the Offering will be used by the Corporation to enhance its financial flexibility, to reduce indebtedness and for general corporate purposes. In particular, the Corporation intends to use a portion of the proceeds of the Offering: i) as to approximately \$37.5 million, to repay the amounts outstanding on the Corporation’s operating facility with Canadian chartered banks (all of which was incurred in the previous two years for general corporate purposes) which are affiliates of BMO Nesbitt Burns Inc., TD Securities Inc., CIBC World Markets Inc. and Laurentian Bank Securities Inc. and with a financial institution which is an affiliate of Desjardins Securities Inc., and ii) the balance of \$44.35 million will be added to the Corporation’s working capital and, subject to market conditions, be used to reimburse additional indebtedness or fund the Corporation’s share of the equity required for the construction of its hydroelectric facilities and wind projects. Consequently, the Corporation may be considered a connected issuer of BMO Nesbitt Burns Inc., TD Securities Inc., CIBC World Markets Inc., Laurentian Bank Securities Inc. and Desjardins Securities Inc. under applicable securities laws in certain Canadian provinces. See “Relationship Between the Corporation and Certain Persons”.

DESCRIPTION OF SHARE CAPITAL

The authorized share capital of the Corporation consists of an unlimited number of Common Shares and an unlimited number of preferred shares (the “**Preferred Shares**”) issuable in series. Holders of Common Shares are entitled to receive dividends as and when declared by the Board of Directors and are entitled to one vote per share on all matters to be voted on at all meetings of shareholders. Subject to the prior rights of holders of Preferred Shares of any series thereof, and other shares of the Corporation ranking in priority to the Common Shares, upon the voluntary or involuntary liquidation, dissolution or winding-up of the Corporation, the holders of Common Shares will be entitled to share rateably in the remaining assets available for distribution, after payment of liabilities.

At the close of business on September 3, 2010, there were 59,532,606 Common Shares outstanding and no Preferred Shares were outstanding.

DETAILS OF THE OFFERING

Description of the Preferred Shares

Issuance in Series

The Board of Directors may from time to time issue Preferred Shares in one or more series, each series to consist of such number of shares as will before issuance thereof be fixed by the Board of Directors who will at the same time determine the designation, rights, privileges, restrictions and conditions attaching to that series of Preferred Shares.

Voting

Subject to applicable corporate law the Preferred Shares of each series shall be non-voting and not entitled to receive notice of any meeting of shareholders. See “Description of the Series A Shares – Voting Rights” and “Description of the Series B Shares – Voting Rights”.

Description of the Series A Shares

The following is a summary of certain provisions attaching to the Series A Shares as a series.

Definition of Terms

The following definitions are relevant to the Series A Shares.

“**Annual Fixed Dividend Rate**” means, for any Subsequent Fixed Rate Period, the annual rate (expressed as a percentage rounded to the nearest one hundred-thousandth of one percent (with 0.000005% being rounded up)) equal to the sum of the Government of Canada Yield on the applicable Fixed Rate Calculation Date plus 2.79.

“**Bloomberg Screen GCAN5YR Page**” means the display designated as page “GCAN5YR<INDEX>” on the Bloomberg Financial L.P. service (or such other page as may replace the GCAN5YR page on that service) for purposes of displaying Government of Canada Yields.

“**Fixed Rate Calculation Date**” means, for any Subsequent Fixed Rate Period, the 30th day prior to the first day of such Subsequent Fixed Rate Period.

“**Government of Canada Yield**” on any date means the yield to maturity on such date (assuming semi-annual compounding) of a Canadian dollar denominated non-callable Government of Canada bond with a term to maturity of five years as quoted as of 10:00 a.m. (Montréal time) on such date and which appears on the Bloomberg Screen GCAN5YR Page on such date; provided that, if such rate does not appear on the Bloomberg Screen GCAN5YR Page on such date, the Government of Canada Yield will mean the average of the yields determined by two registered Canadian investment dealers selected by the Corporation, as being the yield to maturity on such date (assuming semi-annual compounding) which a Canadian dollar denominated non-callable Government of Canada bond would carry if issued in Canadian dollars at 100% of its principal amount on such date with a term to maturity of five years.

“**Initial Fixed Rate Period**” means the period from and including the Closing Date to, but excluding, January 15, 2016.

“**Subsequent Fixed Rate Period**” means for the initial Subsequent Fixed Rate Period, the period from and including January 15, 2016 to, but excluding, January 15, 2021 and for each succeeding Subsequent Fixed Rate Period, the period commencing on the day immediately following the end of the immediately preceding Subsequent Fixed Rate Period to, but excluding, January 15 in the fifth year thereafter.

Issue Price

The Series A Shares will have an issue price of \$25.00 per share.

Dividends

During the Initial Fixed Rate Period, the holders of the Series A Shares will be entitled to receive fixed, cumulative, preferential cash dividends, as and when declared by the Board of Directors, payable quarterly on the 15th day (or, if such day is not a Business Day, the immediately following Business Day) of January, April, July and October in each year during the Initial Fixed Rate Period, at an annual rate equal to \$1.25 per share. The initial dividend will be payable on January 17, 2011 and will be \$0.42123 per share, based on the anticipated Closing Date of September 14, 2010.

During each Subsequent Fixed Rate Period, the holders of Series A Shares will be entitled to receive fixed cumulative preferential cash dividends, as and when declared by the Board of Directors, payable quarterly on the 15th day (or, if such day is not a Business Day, the immediately following Business Day) of January, April, July and October in each year during the Subsequent Fixed Rate Period, in an annual amount per share determined by multiplying the Annual Fixed Dividend Rate applicable to such Subsequent Fixed Rate Period by \$25.00.

The Annual Fixed Dividend Rate applicable to a Subsequent Fixed Rate Period will be determined by the Corporation on the Fixed Rate Calculation Date. Such determination will, in the absence of manifest error, be final and binding on the Corporation and all holders of Series A Shares. The Corporation will, on the Fixed Rate Calculation Date, give written notice of the Annual Fixed Dividend Rate for the ensuing Subsequent Fixed Rate Period to the registered holders of the then outstanding Series A Shares.

Payments of dividends and other amounts in respect of the Series A Shares will be made by the Corporation to CDS, or its nominee, as the case may be, as registered holder of the Series A Shares. As long as CDS, or its nominee, is the registered holder of the Series A Shares, CDS, or its nominee, as the case may be, will be considered the sole owner of the Series A Shares for the purposes of receiving payment on the Series A Shares.

Redemption

The Series A Shares will not be redeemable by the Corporation prior to January 15, 2016. On January 15, 2016 and on January 15 every five years thereafter (or, if such date is not a Business Day, the immediately following Business Day), and subject to certain other restrictions set out below under the heading "Description of the Series A Shares – Restrictions on Dividends and Retirement and Issue of Shares", the Corporation may, at its option, on at least 30 days and not more than 60 days prior written notice, redeem all or any number of the outstanding Series A Shares by payment in cash of a per share sum equal to \$25.00, in each case together with all accrued and unpaid dividends thereon up to, but excluding, the date fixed for redemption (less any tax required to be deducted or withheld by the Corporation).

If less than all of the outstanding Series A Shares are at any time to be redeemed, the particular shares to be redeemed shall be selected on a pro rata basis (disregarding fractions) or, if such shares are at such time listed on a stock exchange, with the consent of any applicable stock exchange, in such other manner as the Board of Directors may, in its sole discretion, determine by resolution.

The Series A Shares do not have a fixed maturity date and are not redeemable at the option of the holders of Series A Shares. See "Risk Factors".

Conversion of Series A Shares into Series B Shares

Each holder of Series A Shares will have the right, at its option, on January 15, 2016 and on January 15 every five years thereafter (a "**Series A Conversion Date**"), to convert, subject to the restrictions on conversion described below and the payment or delivery to the Corporation of evidence of payment of the tax (if any) payable, all or any of its Series A Shares into Series B Shares on the basis of one Series B Share for each Series A Share converted. If a Series A Conversion Date falls on a day that is not a Business Day, such Series A Conversion Date will be the immediately following Business Day. The conversion of Series A Shares may be effected upon written notice (each notice an "**Election Notice**") given by the registered holder of the Series A Shares not earlier than the 30th day prior to, but not later than 5:00 p.m. (Montréal time) on the 15th day preceding the applicable Series A Conversion Date. Once received by the Corporation, an election notice is irrevocable.

The Corporation will, at least 30 days and not more than 60 days prior to the applicable Series A Conversion Date, give notice in writing to the then registered holders of the Series A Shares of the Series A Conversion Date and a form of Election Notice. On the 30th day prior to each Series A Conversion Date, the Corporation will give notice in writing to the then registered holders of the Series A Shares of the Annual Fixed Dividend Rate for the next Subsequent Fixed Rate Period and the Floating Quarterly Dividend Rate applicable to the Series B Shares for the next succeeding Quarterly Floating Rate Period (as these terms are defined below).

If the Corporation gives notice to the registered holders of the Series A Shares of the redemption on a Series A Conversion Date of all the Series A Shares, the Corporation will not be required to give notice as provided hereunder to the registered holders of the Series A Shares of the Annual Fixed Dividend Rate, the Floating Quarterly Dividend Rate or of the conversion right of holders of Series A Shares and the right of any holder of Series A Shares to convert such Series A Shares will cease and terminate in that event.

Holders of Series A Shares will not be entitled to convert their shares into Series B Shares if the Corporation determines that there would remain outstanding on a Series A Conversion Date fewer than 1,000,000 Series B Shares, after having taken into account all Election Notices in respect of Series A Shares tendered for conversion into Series B Shares and all Election Notices in respect of Series B Shares tendered for conversion into Series A Shares. The Corporation will give notice in writing to all affected holders of Series A Shares of their inability to convert their Series A Shares at least seven days prior to the applicable Series A Conversion Date. Furthermore, if the Corporation determines that there would remain outstanding on a Series A Conversion Date fewer than 1,000,000 Series A Shares, after having taken into account all Election Notices in respect of Series A Shares tendered for conversion into Series B Shares and all Election Notices in respect of Series B Shares tendered for conversion into Series A Shares, then, all, but not part, of the remaining outstanding Series A Shares will automatically be converted into Series B Shares on the basis of one Series B Share for each Series A Share, on the applicable Series A Conversion Date. The Corporation will give notice in writing to this effect to the then registered holders of such remaining Series A Shares at least seven days prior to the applicable Series A Conversion Date.

Upon exercise by a registered holder of its right to convert Series A Shares into Series B Shares (and upon an automatic conversion), the Corporation reserves the right not to issue Series B Shares to any person whose address is in, or whom the Corporation or its transfer agent has reason to believe is a resident of, any jurisdiction outside Canada, to the extent that such issue would require the Corporation to take any action to comply with the securities or analogous laws of such jurisdiction.

Purchase for Cancellation

Subject to applicable law and to the provisions described below under “Description of the Series A Shares – Restrictions on Dividends and Retirement and Issue of Shares”, the Corporation may at any time purchase for cancellation by private contract or in the market or by tender all or any number of the Series A Shares outstanding at the lowest price or prices at which, in the opinion of the Board of Directors, such shares are obtainable.

Rights on Liquidation

In the event of the liquidation, dissolution or winding-up of the Corporation or any other distribution of assets of the Corporation among its shareholders for the purpose of winding-up its affairs, whether voluntary or involuntary, subject to the prior satisfaction of the claims of all creditors of the Corporation and of holders of shares of the Corporation ranking prior to the Series A Shares, the holders of the Series A Shares will be entitled to receive an amount equal to \$25.00 per share, together with an amount equal to all accrued and unpaid dividends up to but excluding the date of payment or distribution (less any tax required to be deducted or withheld by the Corporation), before any amount is paid or any assets of the Corporation are distributed to the holders of any shares ranking junior as to capital to the Series A Shares. Upon payment of such amounts, the holders of the Series A Shares will not be entitled to share in any further distribution of the assets of the Corporation.

Priority

The Series A Shares rank senior to the Common Shares with respect to priority in the payment of dividends and in the distribution of assets in the event of the liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, or in the event of any other distribution of assets of the Corporation among its shareholders for the purpose of winding-up its affairs. The Series A Shares rank on a parity with every other series of Preferred Shares with respect to priority in the payment of dividends and in the distribution of assets in the event of the liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, or in the event of any other distribution of assets of the Corporation among its shareholders for the purpose of winding-up its affairs.

Restrictions on Dividends and Retirement and Issue of Shares

So long as any of the Series A Shares are outstanding, the Corporation will not, without the approval of the holders of the Series A Shares:

1. declare, pay or set apart for payment any dividends (other than dividends payable in shares of the Corporation ranking as to capital and dividends junior to the Series A Shares) on any shares of the Corporation ranking as to dividends junior to the Series A Shares;

2. except out of the net cash proceeds of a substantially concurrent issue of shares of the Corporation ranking as to capital and dividends junior to the Series A Shares, redeem or call for redemption, purchase for cancellation or otherwise pay off, retire or make any return of capital in respect of any shares of the Corporation ranking as to capital junior to the Series A Shares;
3. redeem or call for redemption, purchase for cancellation, or otherwise pay off or retire for value or make any return of capital in respect of less than all of the Series A Shares then outstanding; or
4. except pursuant to any purchase obligation, sinking fund, retraction privilege or mandatory redemption provisions attaching thereto, redeem or call for redemption, purchase or otherwise pay off or retire for value or make any return of capital in respect of any Preferred Shares, ranking as to capital or dividends on a parity with the Series A Shares,

unless, in each such case, all accrued and unpaid dividends up to and including the dividend payable for the last completed period for which dividends were payable on the Series A Shares and on all other shares of the Corporation ranking prior to or on a parity with the Series A Shares with respect to the payment of dividends have been declared and paid or monies set apart for payment.

Shareholder Approvals

In addition to any other approvals required by law (including any approvals required by the TSX), the approval of all amendments to the rights, privileges, restrictions and conditions attaching to the Series A Shares as a series and any other approval to be given by the holders of the Series A Shares may be given by a resolution signed by all holders of the Series A Shares, or by a resolution passed by the affirmative vote of not less than two-thirds of the votes cast by the holders who voted in respect of that resolution at a meeting of the holders duly called for that purpose and at which the holders of 10% of the outstanding Series A Shares are present in person or represented by proxy or, if no quorum is present at such meeting, at an adjourned meeting at which the holders of Series A Shares then present in person or represented by proxy would form the necessary quorum. At any meeting of holders of Series A Shares as a series, each such holder shall be entitled to one vote in respect of each Series A Share held by such Holder.

Voting Rights

The holders of the Series A Shares will not (except as otherwise provided by law and except for meetings of the holders of Preferred Shares as a class and meetings of all holders of Series A Shares as a series) be entitled to receive notice of, attend, or vote at, any meeting of shareholders of the Corporation, unless and until the Corporation shall have failed to pay eight quarterly dividends on the Series A Shares, whether or not consecutive and whether or not such dividends were declared and whether or not there are any monies of the Corporation properly applicable to the payment of such dividends. In the event of such non-payment, and for only so long as any such dividends remain in arrears, the holders of the Series A Shares will be entitled to receive notice of and to attend each meeting of the Corporation's shareholders, other than meetings at which only holders of another specified class or series are entitled to vote, and be entitled to vote together with all of the voting shares of the Corporation on the basis of one vote in respect of each Series A Share held by such holder, until all such arrears of such dividends have been paid, whereupon such rights shall cease.

The foregoing entitlement is subject to the amendment of the articles of the Corporation with respect to the voting rights' provisions of the Preferred Shares as a class to give effect to the foregoing right, which amendment the Corporation will put forward for, and which amendment will be subject to, approval by the shareholders of the Corporation at the next scheduled annual general meeting of the shareholders of the Corporation.

In the event that the aforesaid amendment is not implemented, then the Corporation shall, in the event that the dividends are not paid as described above, take all necessary steps to nominate for election to the Board of Directors, in the manner set out below, one independent candidate proposed by the holders of the Series A Shares, the Series B Shares, and any other Preferred Shares with respect to which any right to vote upon failure of the Corporation to pay dividends is then in force, together as a class.

Said candidate shall be nominated for election pursuant to the vote of all shareholders eligible to vote in accordance with the articles and by-laws of the Corporation at the next scheduled annual shareholders' meeting following the Corporation's failure to pay the dividends as set forth above. Until all such dividends are paid in full, the nominee shall be nominated for election at each annual shareholders' meeting. When such dividends are paid in full, the foregoing right shall be extinguished and the nominee shall immediately resign. The aforementioned right shall become effective again at such time as the Corporation may again fail to pay the applicable dividend for the number of quarters set forth above.

Tax Election

The Corporation will elect, in the manner and within the time provided under Part VI.1 of the Tax Act, to pay or cause payment of the tax, under Part VI.1 at a rate such that the corporate holders of Series A Shares will not be required to pay tax under Part IV.1 of the Tax Act on dividends received on such shares.

Description of the Series B Shares

The following is a summary of certain provisions attaching to the Series B Shares as a series.

Definition of Terms

The following definitions are relevant to the Series B Shares.

“Floating Quarterly Dividend Rate” means, for any Quarterly Floating Rate Period, the rate (expressed as a percentage rounded to the nearest one hundred-thousandth of one percent (with 0.000005% being rounded up)) equal to the sum of the T-Bill Rate on the applicable Floating Rate Calculation Date plus 2.79% (calculated on the basis of the actual number of days in such Quarterly Floating Rate Period divided by 365).

“Floating Rate Calculation Date” means, for any Quarterly Floating Rate Period, the 30th day prior to the first day of such Quarterly Floating Rate Period.

“Quarterly Commencement Date” means the 15th day of each of January, April, July and October in each year.

“Quarterly Floating Rate Period” means, for the initial Quarterly Floating Rate Period, the period from and including January 15, 2016 to, but excluding, April 15, 2016, and thereafter the period from and including the day immediately following the end of the immediately preceding Quarterly Floating Rate Period to, but excluding, the next succeeding Quarterly Commencement Date.

“T-Bill Rate” means, for any Quarterly Floating Rate Period, the average yield expressed as a percentage per annum on 90-day Government of Canada Treasury Bills, as reported by the Bank of Canada, for the most recent treasury bills auction preceding the applicable Floating Rate Calculation Date.

Issue Price

The Series B Shares will have an issue price of \$25.00 per share.

Dividends

The holders of the Series B Shares will be entitled to receive floating rate cumulative preferential cash dividends, as and when declared by the Board of Directors, payable quarterly on the 15th day (or, if such day is not a Business Day, the immediately following Business Day) of January, April, July and October in each year, in the amount per share determined by multiplying the applicable Floating Quarterly Dividend Rate by \$25.00.

The Floating Quarterly Dividend Rate for each Quarterly Floating Rate Period will be determined by the Corporation on the Floating Rate Calculation Date. Such determination will, in the absence of manifest error, be final and binding upon the Corporation and upon all holders of Series B Shares. The Corporation will, on the relevant Floating Rate Calculation Date, give written notice of the Floating Quarterly Dividend Rate for the ensuing Quarterly Floating Rate Period to the registered holders of the then outstanding Series B Shares.

Payments of dividends and other amounts in respect of the Series B Shares will be made by the Corporation to CDS, or its nominee, as the case may be, as registered holder of the Series B Shares. As long as CDS, or its nominee, is the registered holder of the Series B Shares, CDS, or its nominee, as the case may be, will be considered the sole owner of the Series B Shares for the purposes of receiving payment on the Series B Shares.

Redemption

The Series B Shares will not be redeemable by the Corporation on or prior to January 15, 2016. Subject to certain other restrictions set out below under the heading “Description of the Series B Shares – Restrictions on Dividends and Retirement and

Issue of Shares”, the Corporation may, at its option, on at least 30 days and not more than 60 days prior written notice, redeem all or any number of the outstanding Series B Shares by payment in cash of a per share sum equal to (i) \$25.00 in the case of redemptions on January 15, 2021 and on January 15 every five years thereafter (each a “**Series B Conversion Date**”), or (ii) \$25.50 in the case of redemptions on any date which is not a Series B Conversion Date after January 15, 2016, in each case together with all accrued and unpaid dividends thereon up to, but excluding, the date fixed for redemption (less any tax required to be deducted or withheld by the Corporation). If a Series B Conversion Date falls on a day that is not a Business Day, such Series B Conversion Date will be the immediately following Business Day.

If less than all of the outstanding Series B Shares are at any time to be redeemed, the particular shares to be redeemed shall be selected on a pro rata basis (disregarding fractions) or, if such shares are at such time listed on a stock exchange, with the consent of any applicable stock exchange, in such other manner as the Board of Directors may, in its sole discretion, determine by resolution.

The Series B Shares do not have a fixed maturity date and are not redeemable at the option of the holders of Series B Shares. See “Risk Factors”.

Conversion of Series B Shares into Series A Shares

Each holder of Series B Shares will have the right, at its option, on any Series B Conversion Date, to convert, subject to the restrictions on conversion described below and the payment or delivery to the Corporation of evidence of payment of the tax (if any) payable, all or any of its Series B Shares into Series A Shares on the basis of one Series A Share for each Series B Share converted. If a Series B Conversion Date falls on a day that is not a Business Day, such Series B Conversion Date will be the immediately following Business Day. The conversion of Series B Shares may be effected upon an Election Notice given by the registered holder of the Series B Shares not earlier than the 30th day prior to, but not later than 5:00 p.m. (Montréal time) on the 15th day preceding the applicable Series B Conversion Date. Once received by the Corporation, an Election Notice is irrevocable.

The Corporation will, at least 30 days and not more than 60 days prior to the applicable Series B Conversion Date, give notice in writing to the then registered holders of the Series B Shares of the Series B Conversion Date and a form of Election Notice. On the 30th day prior to each Series B Conversion Date, the Corporation will give notice in writing to the then registered holders of Series B Shares of the Floating Quarterly Dividend Rate for the next Quarterly Floating Rate Period and of the Annual Fixed Dividend Rate applicable to the Series A Shares for the next Subsequent Fixed Rate Period.

If the Corporation gives notice to the registered holders of the Series B Shares of the redemption on a Series B Conversion Date of all the Series B Shares, the Corporation will not be required to give notice as provided hereunder to the registered holders of the Series B Shares of the Annual Fixed Dividend Rate, the Floating Quarterly Dividend Rate or of the conversion right of holders of Series B Shares and the right of any holder of Series B Shares to convert such Series B Shares will cease and terminate in that event.

Holders of Series B Shares will not be entitled to convert their shares into Series A Shares if the Corporation determines that there would remain outstanding on a Series B Conversion Date fewer than 1,000,000 Series A Shares, after having taken into account all Election Notices in respect of Series B Shares tendered for conversion into Series A Shares and all Election Notices in respect of Series A Shares tendered for conversion into Series B Shares. The Corporation will give notice in writing to all affected holders of Series B Shares of their inability to convert their Series B Shares at least seven days prior to the applicable Series B Conversion Date. Furthermore, if the Corporation determines that there would remain outstanding on a Series B Conversion Date fewer than 1,000,000 Series B Shares, after having taken into account all Election Notices in respect of Series B Shares tendered for conversion into Series A Shares and all Election Notices in respect of Series A Shares tendered for conversion into Series B Shares, then, all, but not part, of the remaining outstanding Series B Shares will automatically be converted into Series A Shares on the basis of one Series A Share for each Series B Share, on the applicable Series B Conversion Date. The Corporation will give notice in writing to this effect to the then registered holders of such remaining Series B Shares at least seven days prior to the applicable Series B Conversion Date.

Upon exercise by a registered holder of its right to convert Series B Shares into Series A Shares (and upon an automatic conversion), the Corporation reserves the right not to issue Series A Shares to any person whose address is in, or whom the Corporation or its transfer agent has reason to believe is a resident of, any jurisdiction outside Canada, to the extent that such issue would require the Corporation to take any action to comply with the securities or analogous laws of such jurisdiction.

Purchase for Cancellation

Subject to applicable law and to the provisions described below under “Description of the Series B Shares – Restrictions on Dividends and Retirement and Issue of Shares”, the Corporation may at any time purchase for cancellation by

private contract or in the market or by tender all or any number of the Series B Shares outstanding at the lowest price or prices at which in the opinion of the Board of Directors, such shares are obtainable.

Rights on Liquidation

In the event of the liquidation, dissolution or winding-up of the Corporation or any other distribution of assets of the Corporation among its shareholders for the purpose of winding-up its affairs, whether voluntary or involuntary, subject to the prior satisfaction of the claims of all creditors of the Corporation and of holders of shares of the Corporation ranking prior to the Series B Shares, the holders of the Series B Shares will be entitled to receive an amount equal to \$25.00 per share, together with an amount equal to all accrued and unpaid dividends up to but excluding the date of payment or distribution (less any tax required to be deducted or withheld by the Corporation), before any amount is paid or any assets of the Corporation are distributed to the holders of any shares ranking junior as to capital to the Series B Shares. Upon payment of such amounts, the holders of the Series B Shares will not be entitled to share in any further distribution of the assets of the Corporation.

Priority

The Series B Shares rank senior to the Common Shares with respect to priority in the payment of dividends and in the distribution of assets in the event of the liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, or in the event of any other distribution of assets of the Corporation among its shareholders for the purpose of winding-up its affairs. The Series B Shares rank on a parity with every other series of Preferred Shares with respect to priority in the payment of dividends and in the distribution of assets in the event of the liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, or in the event of any other distribution of assets of the Corporation among its shareholders for the purpose of winding-up its affairs.

Restrictions on Dividends and Retirement and Issue of Shares

So long as any of the Series B Shares are outstanding, the Corporation will not, without the approval of the holders of the Series B Shares:

1. declare, pay or set apart for payment any dividends (other than dividends payable in shares of the Corporation ranking as to capital and dividends junior to the Series B Shares) on any shares of the Corporation ranking as to dividends junior to the Series B Shares;
2. except out of the net cash proceeds of a substantially concurrent issue of shares of the Corporation ranking as to capital and dividends junior to the Series B Shares, redeem or call for redemption, purchase for cancellation or otherwise pay off, retire or make any return of capital in respect of any shares of the Corporation ranking as to capital junior to the Series B Shares;
3. redeem or call for redemption, purchase for cancellation, or otherwise pay off or retire for value or make any return of capital in respect of less than all of the Series B Shares then outstanding; or
4. except pursuant to any purchase obligation, sinking fund, retraction privilege or mandatory redemption provisions attaching thereto, redeem or call for redemption, purchase or otherwise pay off or retire for value or make any return of capital in respect of any Preferred Shares, ranking as to capital or dividends on a parity with the Series B Shares,

unless, in each such case, all accrued and unpaid dividends up to and including the dividend payable for the last completed period for which dividends were payable on the Series B Shares and on all other shares of the Corporation ranking prior to or on a parity with the Series B Shares with respect to the payment of dividends have been declared and paid or monies set apart for payment.

Shareholder Approvals

In addition to any other approvals required by law (including any approvals required by the TSX), the approval of all amendments to the rights, privileges, restrictions and conditions attaching to the Series B Shares as a series and any other approval to be given by the holders of the Series B Shares may be given by a resolution signed by all holders of the Series B Shares, or by a resolution passed by the affirmative vote of not less than two-thirds of the votes cast by the holders who voted in respect of that resolution at a meeting of the holders duly called for that purpose and at which the holders of 10% of the outstanding Series B Shares are present in person or represented by proxy or, if no quorum is present at such meeting, at an adjourned meeting at which the holders of Series B Shares then present in person or represented by proxy would form the

necessary quorum. At any meeting of holders of Series B Shares as a series, each such holder shall be entitled to one vote in respect of each Series B Share held by such holder.

Voting Rights

The holders of the Series B Shares will not (except as otherwise provided by law and except for meetings of the holders of Preferred Shares as a class and meetings of all holders of Series B Shares as a series) be entitled to receive notice of, attend, or vote at, any meeting of shareholders of the Corporation, unless and until the Corporation shall have failed to pay eight quarterly dividends on the Series B Shares, whether or not consecutive and whether or not such dividends were declared and whether or not there are any monies of the Corporation properly applicable to the payment of such dividends. In the event of such non-payment, and for only so long as any such dividends remain in arrears, the holders of the Series B Shares will be entitled to receive notice of and to attend each meeting of the Corporation's shareholders, other than meetings at which only holders of another specified class or series are entitled to vote, and be entitled to vote together with all of the voting shares of the Corporation on the basis of one vote in respect of each Series B Share held by such holder, until all such arrears of such dividends shall have been paid, whereupon such rights shall cease.

The foregoing entitlement is subject to the amendment of the articles of the Corporation with respect to the voting rights' provisions of the Preferred Shares as a class to give effect to the foregoing right, which amendment the Corporation will put forward for, and which amendment will be subject to, approval by the shareholders of the Corporation at the next scheduled annual general meeting of the shareholders of the Corporation.

In the event that the aforesaid amendment is not implemented, then the Corporation shall, in the event that the dividends are not paid as described above, take all necessary steps to nominate for election to the Board of Directors, in the manner set out below, one independent candidate proposed by the holders of the Series A Shares, the Series B Shares, and any other Preferred Shares with respect to which any right to vote upon failure of the Corporation to pay dividends is then in force, together as a class.

Said candidate shall be nominated for election pursuant to the vote of all shareholders eligible to vote in accordance with the articles and by-laws of the Corporation at the next scheduled annual shareholders' meeting following the Corporation's failure to pay the dividends as set forth above. Until all such dividends are paid in full, the nominee shall be nominated for election at each annual shareholders' meeting. When such dividends are paid in full, the foregoing right shall be extinguished and the nominee shall immediately resign. The aforementioned right shall become effective again at such time as the Corporation may again fail to pay the applicable dividend for the number of quarters set forth above.

Tax Election

The Corporation will elect, in the manner and within the time provided under Part VI.1 of the Tax Act, to pay or cause payment of the tax, under Part VI.1 at a rate such that the corporate holders of Series B Shares will not be required to pay tax under Part IV.1 of the Tax Act on dividends received on such shares.

BOOK-ENTRY ONLY SYSTEM

Registration of interests in and transfers of the Series A Shares and of the Series B Shares, as applicable, will be made only through a book-entry only system administered by CDS. On or about September 14, 2010, the expected Closing Date, but no later than October 1, 2010, the Corporation will deliver to CDS certificates evidencing the aggregate number of Series A Shares subscribed for under the Offering. Series A Shares and Series B Shares must be purchased, transferred and surrendered for conversion or redemption through a participant in CDS (a "**CDS Participant**"). All rights of an owner of Series A Shares or Series B Shares must be exercised through, and all payments or other property to which such owner is entitled will be made or delivered by, CDS or the CDS Participant through which the owner holds Series A Shares or Series B Shares, as applicable. Upon purchase of any Series A Shares or Series B Shares, as applicable, the owner will receive only the customary confirmation. References in this Prospectus to a holder of Series A Shares or Series B Shares means, unless the context otherwise requires, the owner of the beneficial interest in such shares.

The ability of a beneficial owner of Series A Shares or Series B Shares to pledge the Series A Shares or Series B Shares, as applicable, or otherwise take action with respect to such owner's interest in such shares (other than through a CDS Participant) may be limited due to the lack of a physical certificate.

The Corporation has the option to terminate registration of the Series A Shares or Series B Shares through the book entry only system in which case certificates for Series A Shares or Series B Shares, as applicable, in fully registered form will be issued to beneficial owners of such shares or their nominees.

PRIOR SALES

Other than in respect of the Offering, the Corporation has not sold or agreed to sell or issue any Preferred Shares or securities convertible into Preferred Shares.

EARNINGS COVERAGE RATIO

On March 29, 2010, the Fund and the Corporation announced the completion of the strategic combination of the two entities whereby the Fund acquired the Corporation by way of a reverse takeover, effecting at the same time the Fund's conversion to a corporation. In accordance with Canadian GAAP, the Corporation's results for the year ended December 31, 2009 and for the twelve-month period ended June 30, 2010 are based on the historical financial results of the Fund including the Corporation's contribution from March 30, 2010 and, accordingly, the earning coverage ratios presented in this Prospectus are derived from such historical results and do not take into account the Corporation's contribution prior to March 30, 2010. See "Recent Developments".

The Corporation's dividend requirements on all of the Preferred Shares, after giving effect to the issue of the Series A Shares, and adjusted to a before-tax equivalent using an effective income tax rate of 27%, amounted to approximately \$5.8 million for the 12 months ended December 31, 2009. The Corporation's interest and dividend requirements for the 12 months ended December 31, 2009 (assuming the issuance of the Debentures and the Series A Shares on the first day of such period) amounted to approximately \$19.0 million. The Corporation's income before interest and income tax for the 12 months ended December 31, 2009 was approximately \$41.8 million, which is 2.19 times the Corporation's aggregate dividend and interest requirements for the period.

The Corporation's dividend requirements on all of the Preferred Shares, after giving effect to the issue of the Series A Shares, and adjusted to a before-tax equivalent using an effective income tax rate of 27%, amounted to approximately \$5.8 million for the 12 months ended June 30, 2010. The Corporation's interest and dividend requirements for the 12 months ended June 30, 2010 (assuming the issuance of the Debentures and the Series A Shares on the first day of such period) amounted to approximately \$21.6 million. The Corporation's income before interest and income tax for the 12 months ended June 30, 2010 was approximately \$14.6 million, which is 0.67 times the Corporation's aggregate dividend and interest requirements for the period.

The earnings coverage ratio for the Corporation for the twelve-month period ended June 30, 2010 is less than one-to-one. If cash flows from operating activities before changes in non-cash working capital items, interest and income tax were used instead of net income, the coverage ratios for the year ended December 31, 2009 and for the twelve-month period ended June 30, 2010 would have been 2.46 and 2.44 times the Corporation's aggregate dividend and interest requirements for the periods, respectively. The Corporation believes that the cash flow coverage ratios provide important additional information for the investors with respect to the Corporation's ability to service its debt and pay dividends on its Preferred Shares because they provide a measure that excludes certain elements that have no impact on cash on hand and on cash available to holders of the Preferred Shares. In particular, the cash flow coverage ratios exclude unrealized foreign exchange gains or losses and unrealized gains or losses on derivative financial instruments, depreciation and amortization as well as future income tax. We refer you to the unaudited consolidated financial statements of the Corporation as at and for the three and six months ended June 30, 2010 and 2009, together with the notes thereto and the management's discussion and analysis in respect thereof for a description of these elements that impact the profitability of the Corporation but have no impact on cash on hand.

Based on earnings coverage ratio as prescribed by the Canadian Securities Administrators, the additional earnings, required to bring the ratio to one-to-one is \$7.1 million at June 30, 2010.

CONSOLIDATED CAPITALIZATION

The following table sets forth the consolidated capitalization of the Corporation as at the dates indicated before and after the completion of the Offering. This table should be read in conjunction with the financial statements of the Corporation incorporated by reference into this short form prospectus.

<i>(\$000s)</i>	<u>As at June 30, 2010</u>	<u>As at June 30, 2010 after giving effect to the Offering</u>
Indebtedness:		
Debt ⁽¹⁾	400,245	385,245 ⁽²⁾
Debtentures	79,259	79,259
Total Indebtedness	<u>479,504</u>	<u>464,504</u>
Shareholders' equity:		
Common Shares	1	1
Series A Shares	-	81,850
Convertible debentures – Equity component	1,841	1,841
Contributed Surplus	421,201	421,201
Total deficit and cumulative other comprehensive income	<u>(143,289)</u>	<u>(143,289)</u>
Total Shareholders' Equity:	<u>279,754</u>	<u>361,604</u>
Total Capitalization	<u><u>\$759,258</u></u>	<u><u>\$826,108</u></u>

Notes:

- (1) Includes current portion and bank loan.
- (2) The Corporation will use a portion of the net proceeds of the Offering to repay approximately \$37.5 million under the Corporation's operating facility (of which \$15.0 million was drawn as at June 30, 2010) and, subject to market conditions, may reimburse additional indebtedness. See "Use of Proceeds."

TRADING PRICE AND VOLUME

The Common Shares are listed and trade on the TSX. The trading symbol for the Common Shares is "INE". The trading symbol for the Debentures is "INE.DB". The following tables set forth the trading history of the Common Shares and the Debentures for each month in the twelve-month period ended August 31, 2010 and for the 6-day period ended September 6, 2010.

Common Shares

	<u>High (\$)</u>	<u>Low (\$)</u>	<u>Volume</u>
<u>2009</u>			
September	5.15	4.50	686,317
October	5.75	4.91	516,958
November	5.35	5.00	199,485
December	5.50	5.01	220,134
<u>2010</u>			
January	5.70	5.30	275,038
February	8.20	6.30	2,873,372
March	8.89	7.87	623,960
April	9.50	8.10	5,122,067
May	9.62	8.00	2,424,968
June	9.00	8.10	3,582,923
July	9.00	8.12	779,725
August	9.00	8.46	1,671,703
September 1 to 6	8.85	8.60	205,538

Debentures

	<u>High</u> <u>(\$)</u>	<u>Low</u> <u>(\$)</u>	<u>Volume</u> <u>(\$)</u>
<u>2010</u>			
March 8 to 31	101.00	99.65	15,337,000
April	101.50	99.25	4,654,000
May	101.00	99.00	2,643,000
June	101.00	99.00	1,784,000
July	101.00	100.00	1,423,000
August.....	102.00	100.55	1,601,000
September 1 to 6	102.00	101.10	153,000

RATINGS

The Series A Shares have been given a Canadian scale rating of P-3, by Standard & Poor's ("**S&P**"). Such P-3 rating is the tenth highest of twenty ratings used by S&P in its Canadian preferred share rating scale. According to S&P, such a P-3 rating indicates that although the obligation is considered to be less vulnerable to non-payment than other speculative issues, it faces major ongoing uncertainties or exposure to adverse business, financial, or economic conditions which could lead to the obligor's inadequate capacity to meet its financial commitment on the obligation.

The Series A Shares have been given a provisional rating of Pfd-3 (low) by DBRS Limited ("**DBRS**"). Pfd-3 (low) is the ninth highest of sixteen ratings used by DBRS for preferred shares. According to DBRS, preferred shares rated Pfd-3 (low) are of adequate credit quality and, while protection of dividends and principal is still considered acceptable for such preferred shares, the issuing entity of preferred shares with a Pfd-3 (low) rating is considered to be more susceptible to adverse changes in financial and economic conditions, and there may be other adverse conditions present which detract from debt protection.

Ratings are intended to provide investors with an independent assessment of the credit quality of an issue or issuer of securities and do not speak to the suitability of particular securities for any particular investor. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the rating organization. Prospective purchasers should consult the rating organizations with respect to the interpretation and implications of the foregoing ratings. There is no assurance that any rating will remain in effect for any given period of time or that any rating will not be withdrawn or revised entirely by a rating agency at any time if in its judgment circumstances so warrant.

PLAN OF DISTRIBUTION

Pursuant to the underwriting agreement dated August 27, 2010 between the Corporation and the Underwriters (the "**Underwriting Agreement**"), the Corporation has agreed to issue and sell an aggregate of 3,400,000 Series A Shares to the Underwriters, and the Underwriters have agreed to purchase such Series A Shares on September 14, 2010 or such other date as the Corporation and the Underwriters may agree, but in any event, not later than October 1, 2010. Delivery of such Series A Shares is conditional upon payment on closing by the Underwriters to the Corporation of \$25.00 per Series A Share for a total consideration of \$85,000,000, against delivery of a certificate representing such Series A Shares and subject to compliance with all necessary legal requirements and to the conditions contained in the Underwriting Agreement. The Underwriting Agreement provides that the Corporation will pay or cause to be paid to the Underwriters a fee of \$0.25 per Series A Share sold to certain institutional investors and a fee of \$0.75 per Series A Share sold to all other investors, in consideration for their services in connection with the Offering.

The obligations of the Underwriters under the Underwriting Agreement may be terminated at their discretion on the basis of their assessment of the state of the financial markets and may also be terminated upon the occurrence of certain stated events. The Underwriters are obligated to take up and pay for all Series A Shares agreed to be purchased under the Underwriting Agreement. The Corporation has agreed to indemnify each of the Underwriters and each of their respective directors, officers, employees, agents and other representatives against certain liabilities, including civil liabilities under Canadian provincial securities legislation, or will contribute to payments the Underwriters may be required to make in respect thereof.

Pursuant to the terms of the Underwriting Agreement, subject to certain exceptions, the Corporation has agreed not to authorize, offer, issue or sell, or announce its intention to sell any Preferred Shares, other than those Series A Shares qualified for distribution by this Prospectus, nor agree or become bound to do any of the foregoing, during the period commencing on the date

of this Prospectus and ending 90 days after the Closing Date, without the prior written consent of BMO Nesbitt Burns Inc. and TD Securities Inc., on behalf of the Underwriters, such consent not to be unreasonably withheld.

Pursuant to policy statements of certain securities commissions or regulatory authorities, the Underwriters may not, throughout the period of distribution under this Prospectus, bid for or purchase Series A Shares. The foregoing restriction is subject to exceptions, including a bid or purchase permitted under the rules of the TSX relating to market stabilization and passive market-making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution, provided that the bid or purchase is not engaged in for the purpose of creating actual or apparent active trading in, or raising the price of, the Series A Shares. In connection with this Offering, and subject to the foregoing, the Underwriters may effect transactions which stabilize or maintain the market price for the Series A Shares at levels other than those which might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time.

The Underwriters propose to offer the Series A Shares initially at the Offering Price. After the Underwriters have made a reasonable effort to sell all of the Series A Shares at the Offering Price, the Offering Price of the Series A Shares may be decreased, and further changed from time to time, to an amount not greater than the Offering Price and the compensation realized by the Underwriters will be decreased by the amount that the aggregate price paid by purchasers for the Series A Shares is less than the gross proceeds paid by the Underwriters to the Corporation. Any such reduction will not affect the proceeds received by the Corporation.

The Offering is being made in each of the provinces of Canada. Neither the Series A Shares nor the Series B Shares have been nor will be registered under the United States *Securities Act of 1933*, as amended (the “**U.S. Securities Act**”), or any state U.S. securities laws and, subject to certain exemptions, may not be offered or sold within the United States or to U.S. persons. The Underwriters have agreed that they will not offer, sell or deliver the Series A Shares offered hereby within the United States except for sales pursuant to an exemption from registration under the U.S. Securities Act. In addition, until 40 days after the commencement of the Offering, an offer or sale of Series A Shares within the United States by any dealer (whether or not participating in the Offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made other than pursuant to an exemption from registration under the U.S. Securities Act.

The TSX has conditionally approved the listing of the Series A Shares to be issued under the Offering and the Series B Shares issuable upon conversion of the Series A Shares. Listing is subject to the Corporation fulfilling all of the listing requirements of the TSX.

Certain of the Underwriters and/or their affiliates have performed investment banking and advisory services for the Corporation and its affiliates from time to time for which they have received customary fees and expenses. The Underwriters and/or their affiliates may, from time to time, engage in transactions with, or perform services for, the Corporation and its affiliates in the ordinary course of business and receive fees in connection therewith.

INTEREST OF EXPERTS

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

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of McCarthy Tétrault LLP, counsel to the Corporation and of Borden Ladner Gervais LLP, counsel to the Underwriters, the following is a summary of the principal Canadian federal income tax considerations generally applicable to

a holder of Series A Shares acquired pursuant to this Prospectus and Series B Shares acquired upon the conversion of Series A Shares so acquired (a “**Holder**”) who, for purposes of the Tax Act and at all relevant times, is or is deemed to be a resident of Canada, deals at arm’s length with and is not affiliated with the Corporation and holds the Series A Shares and will hold any Series B Shares as capital property and is not exempt from tax under Part I of the Tax Act.

Generally, the Series A Shares and the Series B Shares will be capital property to a Holder provided the Holder does not hold such shares in the course of carrying on a business of trading or dealing in securities and does not acquire them as part of an adventure or concern in the nature of a trade. Certain Holders who might not otherwise be considered to hold Series A Shares or Series B Shares as capital property may, in certain circumstances, be entitled to have them and every other “Canadian security”, as defined in the Tax Act, owned by such Holder in the taxation year of the election and each subsequent taxation year, treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act.

This summary is not applicable to a Holder that is a “financial institution” for the purposes of the “mark to market property” rules, to a Holder an interest in which would be a “tax shelter investment” or to a Holder to whom the “functional currency” reporting rules apply, each as defined in the Tax Act. Such Holders should consult their own tax advisors. Furthermore, this summary is not applicable to a Holder that is a “specified financial institution”, as defined in the Tax Act, that receives or is deemed to receive, alone or together with persons with whom it does not deal at arm’s length, in the aggregate dividends in respect of more than 10% of the Series A Shares or the Series B Shares, as the case may be, outstanding at the time the dividend is received. This summary assumes that all issued and outstanding Series A Shares and Series B Shares are listed on a designated stock exchange (as defined in the Tax Act, which currently includes the TSX) in Canada at such times as dividends (including deemed dividends) are paid or received on such shares.

This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular Holder. Accordingly, prospective Holders should consult their own tax advisors with respect to their particular circumstances.

This summary is based upon the current provisions of the Tax Act including the regulations thereunder (the “**Regulations**”), all specific proposals to amend the Tax Act and the Regulations publicly announced by the Minister of Finance prior to the date hereof (the “**Proposals**”) and counsel’s understanding of the current administrative and assessing policies and practices of the Canada Revenue Agency (the “**CRA**”) published in writing by it prior to the date hereof. This summary does not otherwise take into account or anticipate any change in law, whether by legislative, governmental or judicial decision or action, nor does it take into account or consider any provincial, territorial or foreign income tax legislation or considerations. No assurances can be given that the Proposals will be enacted as proposed or at all.

Dividends

Dividends (including deemed dividends) received on the Series A Shares or the Series B Shares by an individual (other than certain trusts) will be included in the individual’s income and generally will be subject to the gross-up and dividend tax credit rules applicable to taxable dividends received by individuals from taxable Canadian corporations, including the enhanced dividend gross-up and dividend tax credit applicable to any dividends designated by the Corporation as “eligible dividends” in accordance with the Tax Act.

Dividends (including deemed dividends) received on the Series A Shares or the Series B Shares by a corporation will be included in computing the corporation’s income and will generally be deductible in computing the taxable income of the corporation.

The Series A Shares and the Series B Shares will be “taxable preferred shares” as defined in the Tax Act. The terms of the Series A Shares and the Series B Shares require the Corporation to make the necessary election under Part VI.1 of the Tax Act so that corporate Holders will not be subject to tax under Part IV.1 of the Tax Act on dividends received (or deemed to be received) on the Series A Shares and the Series B Shares.

Dividends received by an individual (including certain trusts) may give rise to a liability for alternative minimum tax.

A “private corporation”, as defined in the Tax Act, or any other corporation controlled (whether by reason of a beneficial interest in one or more trusts or otherwise) by or for the benefit of an individual (other than a trust) or a related group of individuals (other than trusts), will generally be liable to pay refundable tax under Part IV of the Tax Act of 33½% on dividends received (or deemed to be received) on the Series A Shares and the Series B Shares to the extent such dividends are deductible in computing its taxable income.

Dispositions

A Holder who disposes of or is deemed to dispose of Series A Shares or Series B Shares (on redemption for cash or otherwise, but not on a conversion of Series A Shares for Series B Shares or of Series B Shares for Series A Shares as the case may be) will generally realize a capital gain (or sustain a capital loss) to the extent that the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of such shares to such Holder. The amount of any deemed dividend arising on the redemption or acquisition by the Corporation of Series A Shares or Series B Shares generally will not be included in computing the proceeds of disposition to a Holder for purposes of computing the capital gain or capital loss arising on the disposition of such shares. If the Holder is a corporation, any such capital loss may in certain circumstances be reduced by the amount of any dividends, including deemed dividends, which have been received on such shares, or a share which has been converted into such shares, to the extent and under the circumstances prescribed by the Tax Act. Analogous rules apply to a partnership or trust of which a corporation, trust or partnership is a member or beneficiary.

Generally, one-half of any capital gain will be included in computing the Holder's income as a taxable capital gain and one-half of a capital loss must normally be deducted as an allowable capital loss against taxable capital gains realized in the year of disposition. Any unused allowable capital losses may be applied to reduce net taxable capital gains realized in the three preceding taxation years or any subsequent taxation year, subject to the provisions of the Tax Act in that regard. Capital gains realized by an individual (including certain trusts) may give rise to a liability for alternative minimum tax under the Tax Act. Taxable capital gains of a Canadian-controlled private corporation, as defined in the Tax Act, may be subject to an additional refundable tax of 6⅔%.

Redemption

If the Corporation redeems or otherwise acquires Series A Shares or Series B Shares, other than by a purchase in the open market in the manner in which shares are normally purchased by a member of the public in the open market, the Holder will be deemed to have received a dividend equal to the amount, if any, paid by the Corporation, including any redemption premium, in excess of the paid-up capital (as determined for purposes of the Tax Act) of such shares at such time. Generally, the difference between the amount paid by the Corporation, including any redemption premium, and the amount of the deemed dividend will be treated as proceeds of disposition for the purposes of computing the capital gain or capital loss arising on the disposition of such shares. In the case of a corporate shareholder, it is possible that in certain circumstances all or part of the deemed dividend may be treated as proceeds of disposition and not a dividend.

Conversion of Series A Shares into Series B Shares

The conversion of a Series A Share into a Series B Share and a Series B Share into a Series A Share will be deemed not to be a disposition of property and accordingly will not give rise to any capital gain or capital loss. The cost to a Holder of a Series B Share or Series A Share, as the case may be, received on the conversion will be deemed to be equal to the Holder's adjusted cost base of the converted Series A Share or Series B Share, as the case may be, immediately before the conversion. The adjusted cost base of all of the Series A Shares and the Series B Shares held by the Holder will be determined in accordance with the cost averaging rules in the Tax Act.

RISK FACTORS

An investment in the Series A Shares or the Series B Shares is subject to certain risks. In addition to the risks described below, reference is made to the "Risk Factor" sections of the revised annual information form of the Corporation dated August 23, 2010, incorporated herein by reference. Such risk factors could have a materially adverse effect on the future results of operations, business prospects or financial condition of the Corporation, and could cause actual events to differ materially from those described in forward-looking statements. Additional risks and uncertainties not presently known to the Corporation, or which the Corporation currently deems to be immaterial, may also have an adverse effect upon the Corporation.

Credit rating may not reflect actual performance of the Corporation.

The credit rating applied to the Series A Shares is an assessment, by the rating agency, of the Corporation's ability to pay its obligations. The credit rating is based on certain assumptions about the future performance and capital structure of the Corporation that may or may not reflect the actual performance or capital structure of the Corporation. Changes in the credit rating of the Series A Shares or in any credit rating assigned to the Series B Shares in the future may affect the market price or value and the liquidity of the Series A Shares or the Series B Shares, as applicable. There is no assurance that any credit rating assigned to the Series A Shares or the Series B Shares will remain in effect for any given period of time or that any rating will not be lowered or withdrawn entirely by the rating agency.

The market value of Series A Shares and Series B Shares will be affected by a number of factors and, accordingly, their trading prices will fluctuate.

From time to time, the stock market experiences significant price and volume volatility that may affect the market price of the Series A Shares and the Series B Shares for reasons unrelated to the Corporation's performance. The value of those Series A Shares and Series B Shares are also subject to market fluctuations based upon factors which influence the Corporation's operations, such as legislative or regulatory developments, competition and global capital market activity.

The value of Series A Shares and Series B Shares will be affected by the general creditworthiness of the Corporation. The Corporation's revised annual information form for the year ended December 31, 2009 is incorporated by reference in this Prospectus and discusses, among other things, known material trends and events, and risks or uncertainties that are reasonably expected to have a material effect on the Corporation's business, financial condition or results of operations. See also the discussion under "Earnings Coverage Ratios", which ratios are relevant to an assessment of the risk that the Corporation will be unable to pay dividends on the Series A Shares and the Series B Shares.

The market value of the Series A Shares and the Series B Shares, as with other preferred shares, is primarily affected by changes (actual or anticipated) in prevailing interest rates and in the credit rating assigned to such shares. The market price or value of the Series A Shares and the Series B Shares will decline as prevailing interest rates for comparable instruments rise, and increase as prevailing interest rates for comparable instruments decline. Real or anticipated changes in credit ratings on the Series A Shares and the Series B Shares may also affect the cost at which the Corporation can transact or obtain funding, and thereby affect its liquidity, business, financial condition or results of operations.

Prevailing yields on similar securities will affect the market value of the Series A Shares and the Series B Shares. Assuming all other factors remain unchanged, the market value of the Series A Shares and the Series B Shares would be expected to decline as prevailing yields for similar securities rise and would be expected to increase as prevailing yields for similar securities decline. Spreads over the Government of Canada Bond Yield, T-Bill Rate and comparable benchmark rates of interest for similar securities may affect the market value of the Series A Shares and the Series B Shares.

The Corporation may redeem Series A Shares and Series B Shares.

The Corporation may choose to redeem the Series A Shares and the Series B Shares from time to time, in accordance with its rights described under "Details of the Offering — Description of the Series A Shares — Redemption" and "Details of the Offering — Description of the Series B Shares — Redemption", including when prevailing interest rates are lower than the yields borne by the Series A Shares and the Series B Shares. If prevailing rates are lower at the time of redemption, a purchaser would not be able to reinvest the redemption proceeds in a comparable security at an effective yield as high as the yields on the Series A Shares or the Series B Shares being redeemed. The Corporation's redemption right also may adversely impact a purchaser's ability to sell Series A Shares and Series B Shares as the optional redemption date or period approaches.

The Series A Shares and the Series B Shares do not have a fixed maturity date, may not be redeemed at the holder's option and the ability of a holder to liquidate its holding may be limited.

Neither Series A Shares nor the Series B Shares have a fixed maturity date and are not redeemable or retractable at the option of the holders of Series A Shares or Series B Shares, as applicable. The ability of a holder to liquidate its holdings of Series A Shares or Series B Shares may be limited.

The declaration of dividends on the Series A Shares and the Series B Shares is at the discretion of the Board of Directors.

Holders of Series A Shares and Series B Shares do not have a right to dividends on such shares unless declared by the Board of Directors. The declaration of dividends is at the discretion of the Board of Directors even if the Corporation has sufficient funds, net of its liabilities, to pay such dividends.

In addition, the Corporation may not declare or pay a dividend if there are reasonable grounds for believing that (i) the Corporation is, or would after the payment be, unable to pay its liabilities as they become due, or (ii) the realizable value of the Corporation's assets would thereby be less than the aggregate of its liabilities and stated capital of its outstanding shares.

There is currently no trading market for the Series A Shares and the Series B Shares.

There is currently no trading market for the Series A Shares and the Series B Shares. There can be no assurance that an active trading market will develop for the Series A Shares after the Offering or for the Series B Shares following the issuance of any of those shares, or if developed, that such a market will be sustained at the Offering Price of the Series A Shares or the issue

price of the Series B Shares. If an active or liquid market for the Series A Shares and the Series B Shares fails to develop or be sustained, the prices at which the Series A Shares and the Series B Shares trade may be adversely affected.

The public Offering Prices of the Series A Shares and the Series B Shares have been determined by negotiation between the Corporation and Underwriters based on several factors and may bear no relationship to the prices at which the Series A Shares and the Series B Shares will trade in the public market subsequent to such offering. See “Plan of Distribution”.

Creditors of the Corporation rank ahead of holders of Series A Shares and Series B Shares in the event of an insolvency or winding up of the Corporation.

Creditors of the Corporation rank ahead of holders of Series A Shares and Series B Shares in the event of an insolvency or winding up of the Corporation, and creditors of the Corporation’s subsidiaries rank ahead of the Corporation and holders of Series A Shares and Series B Shares in the event of an insolvency or winding up of such subsidiaries.

The Series A Shares and the Series B Shares rank equally with other Preferred Shares that may be outstanding in the event of an insolvency or winding up of the Corporation. If the Corporation becomes insolvent or is wound-up, the Corporation’s assets must be used to pay debt, including inter-company debt, before payments may be made on Series A Shares, Series B Shares and other Preferred Shares.

The dividend rates on the Series A Shares and the Series B Shares will reset.

The dividend rate in respect of the Series A Shares will reset on January 15, 2016 and on January 15 every five years thereafter. The dividend rate in respect of the Series B Shares will reset quarterly. In each case, the new dividend rate is unlikely to be the same as, and may be lower than, the dividend rate for the applicable preceding dividend period.

Investments in the Series B Shares, given their floating interest component, entail risks not associated with investments in the Series A Shares.

Investments in the Series B Shares, given their floating interest component, entail risks not associated with investments in the Series A Shares. The resetting of the applicable rate on a Series B Share may result in a lower yield compared to fixed rate Series A Shares. The applicable rate on a Series B Share will fluctuate in accordance with fluctuations in the T-Bill Rate on which the applicable rate is based, which in turn may fluctuate and be affected by a number of interrelated factors, including economic, financial and political events over which the Corporation has no control.

The Series A Shares and the Series B Shares may be converted or redeemed without the holders’ consent in certain circumstances.

An investment in the Series A Shares, or in the Series B Shares, as the case may be, may become an investment in Series B Shares, or in Series A Shares, respectively, without the consent of the holder in the event of an automatic conversion in the circumstances described under “Details of the Offering — Description of the Series A Shares — Conversion of Series A Shares into Series B Shares” and “Details of the Offering — Description of the Series B Shares — Conversion of Series B Shares into Series A Shares”. Upon the automatic conversion of the Series A Shares into Series B Shares, the dividend rate on the Series B Shares will be a floating rate that is adjusted quarterly by reference to the T-Bill Rate which may vary from time to time while, upon the automatic conversion of the Series B Shares into Series A Shares, the dividend rate on the Series A Shares will be, for each five-year period, a fixed rate that is determined by reference to the Government of Canada Yield on the 30th day prior to the first day of each such five-year period. In addition, holders may be prevented from converting their Series A Shares into Series B Shares, and vice versa, in certain circumstances. See “Details of the Offering – Description of the Series A Shares – Conversion of Series A Shares into Series B Shares”, “Details of the Offering – Description of the Series B Shares – Conversion of Series B Shares into Series A Shares”.

The Corporation is subject to certain restrictions and covenants which could restrict its ability to declare dividends

The Corporation and its subsidiaries are subject to operating and financial restrictions through covenants in certain loan and security agreements. These restrictions prohibit or limit the Corporation’s ability, and the ability of its subsidiaries under certain circumstances to, among other things, make distributions or pay dividends, incur additional debt, provide guarantee for indebtedness, create liens, dispose of assets, liquidate, dissolve, amalgamate, consolidate or effect any corporate or capital reorganization, issue any equity interests and create subsidiaries. These restrictions may limit the Corporation’s ability to declare dividends on the Series A Shares and the Series B Shares.

Holders of the Series A Shares and the Series B Shares do not have voting rights except under limited circumstances.

Holders of Series A Shares and Series B Shares will generally not have voting rights at meetings of the shareholders of the Corporation except under limited circumstances. Holders of Series A Shares and Series B Shares will have no right to elect the Board of Directors. See “Details of the Offering”.

RELATIONSHIP BETWEEN THE CORPORATION AND CERTAIN PERSONS

BMO Nesbitt Burns Inc., TD Securities Inc., CIBC World Markets Inc. and Laurentian Bank Securities Inc. are wholly-owned indirect subsidiaries of Canadian chartered banks, and Desjardins Securities Inc. is an affiliate of a financial institution, which are currently lenders to the Corporation under certain of its credit facilities for an aggregate amount of \$170 million. Furthermore, the Canadian chartered banks of which Laurentian Bank Securities and BMO Nesbitt Burns Inc. are wholly-owned indirect subsidiaries are currently lenders under certain credit facilities of subsidiaries of the Corporation for an aggregate amount of approximately \$30.5 million and \$24.6 million respectively. Consequently, the Corporation may be considered a connected issuer of BMO Nesbitt Burns Inc., TD Securities Inc., CIBC World Markets Inc., Laurentian Bank Securities Inc. and Desjardins Securities Inc. under applicable securities laws in certain Canadian provinces.

The Corporation is in compliance with the terms of these existing credit facilities and the lenders have not waived a breach, on the part of the Corporation, of such credit facilities. Except as otherwise disclosed herein, the financial position of the Corporation has not changed in a material manner since such indebtedness was incurred. The indebtedness under these existing credit facilities is secured by pledges of partnership interests and share capital of, and guarantees provided by, certain subsidiaries of the Corporation. The Corporation currently intends to use a portion of the net proceeds of the Offering to repay certain of its indebtedness to such banks and financial institution. See “Use of Proceeds”.

Certain of the Underwriters and/or their affiliates have performed investment banking and advisory services for the Corporation from time to time for which they have received customary fees and expenses. The Underwriters and/or their affiliates may, from time to time, engage in transactions with, or perform services for, the Corporation in the ordinary course of business and receive fees in connection therewith.

The decision to issue the Series A Shares and the determination of the terms of the distribution were made through negotiation among the Corporation and the Underwriters. The Canadian chartered banks which are lenders to the Corporation, including the Canadian chartered banks of which BMO Nesbitt Burns Inc., TD Securities Inc., CIBC World Markets Inc., Laurentian Bank Securities Inc. are the respective subsidiaries and the financial institution of which Desjardins Securities Inc. is an affiliate, did not have any involvement in such decision or determination, but have been advised of the Offering and the terms thereof. As a consequence of the Offering, neither BMO Nesbitt Burns Inc., TD Securities Inc., Laurentian Bank Securities Inc., CIBC World Markets Inc. nor Desjardins Securities Inc. will receive any benefit in connection with the Offering other than their respective share of the Underwriters’ fee.

AUDITORS, TRANSFER AGENT AND REGISTRAR AND DEBENTURE TRUSTEE

The auditors of the Corporation are Samson Bélair/Deloitte & Touche s.e.n.c.r.l, Montréal, Quebec. The transfer agent and registrar for the Series A Shares and the Series B Shares will be Computershare Investor Services Inc, at its principal office located in Montréal, Québec.

PURCHASERS’ STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

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

AUDITORS' CONSENT

We have read the short form prospectus of Innergex Renewable Energy Inc. (the "**Corporation**") dated September 7, 2010 qualifying the distribution of 3,400,000 Cumulative Rate Reset Preferred Shares, Series A of the Corporation. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the incorporation by reference in the above-mentioned short form prospectus of our report to the shareholders of the Corporation on the consolidated balance sheets of the Corporation as at December 31, 2009 and 2008 and the consolidated statements of loss and comprehensive loss, deficit and cash flows for the years then ended. Our report is dated March 22, 2010.

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

Montréal, Québec
September 7, 2010

(Signed) Samson Bélaïr/Deloitte & Touche s.e.n.c.r.l.
Chartered Accountant auditor permit n° 15452

AUDITORS' CONSENT

We have read the short form prospectus of Innergex Renewable Energy Inc. (the "**Corporation**") dated September 7, 2010 qualifying the distribution of 3,400,000 Cumulative Rate Reset Preferred Shares, Series A of the Corporation. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the incorporation by reference in the above-mentioned short form prospectus of our report to the unitholders of Innergex Power Income Fund (the "**Fund**") on the consolidated balance sheets of the Fund as at December 31, 2009 and 2008 and the consolidated statements of earnings, comprehensive income, changes in unitholders' equity and cash flows for the years then ended. Our report is dated February 25, 2010.

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

Montréal, Québec
September 7, 2010

(Signed) KPMG LLP
Chartered Accountants

CERTIFICATE OF THE CORPORATION

Dated: September 7, 2010

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

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

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

On behalf of the Board of Directors

By: *(Signed)* Jean La Couture
Director

By: *(Signed)* Daniel Lafrance
Director

CERTIFICATE OF THE UNDERWRITERS

Dated: September 7, 2010

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

BMO NESBITT BURNS INC.

By: *(Signed)* Pierre-Olivier Perras

TD SECURITIES INC.

By: *(Signed)* Louis G. Véronneau

CIBC WORLD MARKETS INC.

By: *(Signed)* Paul St-Michel

NATIONAL BANK FINANCIAL INC.

By: *(Signed)* Louis Gendron

RBC DOMINION SECURITIES INC.

By: *(Signed)* Alexandre Bergeron

SCOTIA CAPITAL INC.

By: *(Signed)* Éric Michaud

DESJARDINS SECURITIES INC.

By: *(Signed)* Mathieu Cardinal

LAURENTIAN BANK SECURITIES INC.

By: *(Signed)* François Carrier

CORMARK SECURITIES INC.

By: *(Signed)* Marc Murnaghan

JACOB SECURITIES INC.

By: *(Signed)* Sasha Jacob

NCP NORTHLAND CAPITAL PARTNERS INC.

By: *(Signed)* Jonathan Robinson