

# BORALEX

The logo for BORALEX features the word "BORALEX" in a bold, sans-serif font. A stylized lightning bolt graphic is integrated into the letter 'A', extending downwards and to the left.

3

Interim Report  
As at September 30, 2010

**PROFILE**

Boralex is a major private electricity producer whose core business is the development and operation of power stations that generate renewable energy.

Employing over 300 people, the Corporation operates 41 power stations with a total installed capacity of 650 megawatts (“MW”) in Canada, in the Northeastern United States and in France. In addition, the Corporation has, alone or with its European and Canadian partners, power projects under development that will add approximately 300 MW of power, of which almost 50 MW will come online by the end of fiscal 2010. Boralex is distinguished by its diversified expertise and in-depth experience in three power generation segments—*wind, hydroelectric and thermal*.

Boralex’s shares and convertible debentures are listed on the Toronto Stock Exchange under the ticker symbol BLX. More information is available at [www.boralex.com](http://www.boralex.com) or [www.sedar.com](http://www.sedar.com).

# Interim Management Report 3

as at September 30, 2010

## DESCRIPTION OF BUSINESS

Boralex Inc. (“Boralex” or the “Corporation”) is a major private electricity producer whose core business is the development and operation of power stations that generate renewable energy. Employing over 300 people, the Corporation operates 41 power stations with a total installed capacity of 650 megawatts (“MW”) in Canada, in the Northeastern United States and in France.

Boralex stands out for its diversified expertise and in-depth experience in three power generation segments:

- Boralex currently operates a 202 MW wind power portfolio in Europe and Canada. In recent years, Boralex has become one of the biggest and most experienced wind power producers in France, where it currently operates 12 wind farms, including 94 wind generators, with a total installed capacity of 162 MW. Recently, Boralex has also entered the Canadian wind power market, with the commissioning in December 2009 and January 2010 of the 40 MW Phase I Thames River site in Ontario. The 50 MW Phase II of the Thames River project will be commissioned by the end of 2010. Boralex is also working with a partner on the development of two wind farms in Seigneurie de Beaupré, Québec, representing a total installed capacity of 272 MW, slated for commissioning at the end of 2013.
- Boralex has almost 20 years of expertise as a hydroelectric power producer, owning and operating 15 power stations of which seven are in the U.S., seven in Québec and one in British Columbia. This segment has a total installed capacity of nearly 136.4 MW, of which 123.4 MW are currently in operation.
- Boralex owns and operates ten thermal power stations, with a total installed capacity of 311.6 MW. The Corporation is North America’s largest producer of renewable wood-residue energy, with eight thermal power stations for a combined capacity of 266.6 MW. Boralex also operates two natural gas cogeneration power stations with a total installed capacity of 45 MW.

Boralex’s stock, in which Cascades Inc. holds a 35% interest, and its convertible debentures trade on the Toronto Stock Exchange under the ticker symbol BLX.

## IMPORTANT EVENT: TAKEOVER OF THE FUND BY BORALEX

### DESCRIPTION OF TRANSACTION

On September 15, 2010, Boralex announced that 26,428,340 trust units of the Boralex Power Income Fund (the “Fund”) had been deposited pursuant to its offer as amended on July 12, 2010 and August 25, 2010 to acquire all the issued and outstanding units of the Fund (the “Offer”). Boralex took up all of the deposited units at this date which, together with the 13,767,990 exchangeable Class B units it held, represented approximately 68% of the issued units. Accordingly, the minimum tender conditions set out in the Offer were satisfied. On September 28, 2010, Boralex announced that its Offer had expired and that an additional 4.5% of units had been deposited between September 16 and September 28, 2010 under the Offer. Boralex took up the deposited additional units which, together with the 13,767,990 exchangeable Class B units it already held and the units previously taken up and paid for on September 16, 2010, represented approximately 73% of the outstanding units of the Fund. On September 16 and 29, 2010, Boralex paid for all the trust units of the Fund that had been deposited before September 28 under the Offer, partly in cash totalling \$58.2 million and partly with the issue of convertible debentures of a value of \$87.3 million.

Following the rejection by the Superior Court on October 28, 2010 of the motion for the issue of a safeguard order filed by O’Leary Funds Management L.P. to block any actions affecting its Fund units, Boralex proceeded to acquire all the units of the Fund. On November 1, 2010, Boralex and the Fund executed the business combination agreement approved by the special meeting of unitholders of the Fund held on October 21, 2010. On November 2, 2010, Boralex proceeded with the payment for all the units of the Fund still outstanding at the time of the business combination. Boralex completed the privatization of the Fund by applying to have the Fund’s status as a reporting issuer revoked and to have the units delisted from the Toronto Stock Exchange.

**OPERATIONAL AND FINANCIAL IMPACTS OF THE ACQUISITION OF THE FUND**

Since the creation of the Fund in 2002, Boralex has been operating the Fund's ten power stations with a total installed capacity of 190 MW, including seven hydroelectric power stations, two wood-residue thermal power stations and one natural gas cogeneration facility. Eight of these power stations are located in Québec, Canada and two are in the State of New York in the United States.

Note that for the nine-month period ended September 30, 2010, the Fund generated revenues of \$65.0 million, EBITDA before specific items of \$32.0 million and cash flows from operations amounting to \$26.1 million. The power stations owned by the Fund are listed below:

Location of facility	Term	Energy source	Index	Maximum installed capacity in megawatts
<b>Québec, Canada</b>				
Beauport	2015	Hydroelectricity	CPI - Min 3%, Max 6%	4.5
Buckingham	2019	Hydroelectricity	CPI - Min 3%, Max 6%	9.9
Forestville	2013/2015	Hydroelectricity	CPI - Min 3%, Max 6%	12.7
Rimouski	2017	Hydroelectricity	CPI - Min 3%, Max 6%	3.6
Saint-Lambert	2020	Hydroelectricity	CPI - Min 3%, Max 6%	6.0
Dolbeau	2022	Wood residue <sup>(1)</sup>	CPI	28.0
Senneterre	2027	Wood residue	CPI - Min 3%, Max 6%	34.6
Kingsey Falls	2012	Natural gas <sup>(1)</sup>	CPI - Min 3%, Max 6%	31.0
				130.3
<b>New York State, United States</b>				
Hudson Falls	2035	Hydroelectricity	<sup>(2)</sup>	45.8
South Glens Falls	2034	Hydroelectricity	<sup>(2)</sup>	13.9
				59.7
				190.0

(1) These facilities have cogeneration capabilities allowing them to produce both electricity and steam.

(2) The price structure is as follows:

	Hudson Falls	South Glens Falls
	US\$/MWh	US\$/MWh
2010 - 2017	<b>89.53 – 80.58</b>	<b>89.37 – 86.65</b>
2018 - 2024	<b>48.27</b>	<b>86.65</b>
2025	<b>48.27</b>	<b>121.79 or market <sup>(*)</sup></b>
2026 and thereafter	<b>56.28 or market <sup>(*)</sup></b>	<b>121.79 or market <sup>(*)</sup></b>

(\*) The client has the option of replacing the contract price with the market price until the contract terminates in 2025 for the South Glens Falls facility and in 2026 for the Hudson Falls facility.

The table below shows the impact of the acquisition of the Fund on Boralex's portfolio of assets and the breakdown of its total installed capacity. Boralex owns a total of 41 power stations in Canada, the U.S. and France with a combined output capacity totalling 650 MW.

#### IMPACT OF THE ACQUISITION OF THE FUND ON THE MAKEUP OF BORALEX'S ENERGY PORTFOLIO

(As at November 10, 2010)	Boralex		Fund		Combined	
	MW	%	MW	%	MW	%
<b>Installed capacity</b>						
- Contracted	271.5	59%	190.0	100%	461.5	71%
- Non contracted	188.5	41%	-	-	188.5	29%
<b>Total</b>	<b>460.0</b>	<b>100%</b>	<b>190.0</b>	<b>100%</b>	<b>650.0</b>	<b>100%</b>
<b>Location</b>						
- Canada	57.5	13%	130.3	69%	187.8	29%
- United States	226.5	49%	59.7	31%	286.2	44%
- Europe	176.0	38%	-	-	176.0	27%
<b>Total</b>	<b>460.0</b>	<b>100%</b>	<b>190.0</b>	<b>100%</b>	<b>650.0</b>	<b>100%</b>
<b>Type of power</b>						
- Wind	202.0	44%	-	-	202.0	31%
- Hydroelectricity	40.0	9%	96.4	51%	136.4	21%
- Thermal/wood residue	204.0	44%	62.6	33%	266.6	41%
- Thermal/natural gas	14.0	3%	31.0	16%	45.0	7%
<b>Total</b>	<b>460.0</b>	<b>100%</b>	<b>190.0</b>	<b>100%</b>	<b>650.0</b>	<b>100%</b>

The acquisition of the Fund has numerous advantages for Boralex, particularly the integration of high quality power stations all with power sales contracts. The Corporation's contracted installed capacity has now increased from 59% to 71%, ensuring more stable profit margins and cash flows. The acquisition has also resulted in a more balanced diversification of assets among Canada, the U.S. and Europe. In terms of type of power, the acquisition temporarily reduces the relative share of the wind power segment in favour of hydroelectric power. However, with the large wind power projects currently under development, the segment will regain its key role in the coming quarters and fiscal years. At the corporate level, the integration of the Fund's assets enables Boralex to better focus its efforts and strategies relating to administrative and financial management.

Last, the acquisition brings Boralex closer to its goal of a total contracted installed capacity of 1,000 MW within three years, due to the integration of the Fund's ten power stations as well as the availability of stable cash flows to help finance development projects.

#### FINANCIAL STATEMENT PRESENTATION

The Fund's earnings are accounted for as follows in Boralex's interim statement of earnings (loss) for the three- and nine-month periods ended September 30, 2010:

- Up to September 15, 2010, Boralex's earnings include, as in the past, 23% of the Fund's net earnings and this amount is presented under *Share in earnings of the Fund*;
- For the period of two weeks from September 15 to September 30, 2010, the Fund's earnings are consolidated with those of Boralex while the portion of the Fund's earnings attributable to trust units not yet acquired by Boralex is presented under *Non-controlling interests*.

Boralex's balance sheet as at September 30, 2010 includes all of the balance sheet items of the Fund while the 27% of units not yet deposited as at September 30, 2010 is presented as *Non-controlling interests* under *Equity attributable to shareholders*.

In this interim report, when considered relevant, the Fund's performance is sometimes presented separately in management's discussion and analysis as well as in certain tables to allow comparisons of Boralex's results with those of previous periods.

## INFORMATION BY SEGMENT - INCLUDING THE FUND SINCE ACQUISITION

	FOR THE THREE-MONTH PERIODS ENDED SEPTEMBER 30,				FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30,			
	2010			2009	2010			2009
	Combined	Fund	Boralex		Combined	Fund	Boralex	
<b>Power generation (MWh)</b>								
Wind farms	66,722	-	66,722	39,758	234,013	-	234,013	155,677
Hydroelectric power stations	33,300	14,022	19,278	27,554	107,910	14,022	93,888	104,286
Wood-residue thermal power stations	339,903	7,757	332,146	297,851	925,429	7,757	917,672	852,253
Natural gas thermal power stations	7,953	7,953	-	-	30,460	7,953	22,507	22,642
	<b>447,878</b>	<b>29,732</b>	<b>418,146</b>	<b>365,163</b>	<b>1,297,812</b>	<b>29,732</b>	<b>1,268,080</b>	<b>1,134,858</b>
<b>Revenues from energy sales</b>								
Wind farms	7,802	-	7,802	5,797	28,446	-	28,446	22,898
Hydroelectric power stations	2,784	1,223	1,561	1,779	8,161	1,223	6,938	7,381
Wood-residue thermal power stations	28,072	436	27,636	29,841	81,184	436	80,748	96,360
Natural gas thermal power stations	3,438	1,063	2,375	2,259	12,037	1,063	10,974	11,992
	<b>42,096</b>	<b>2,722</b>	<b>39,374</b>	<b>39,676</b>	<b>129,828</b>	<b>2,722</b>	<b>127,106</b>	<b>138,631</b>
<b>EBITDA</b>								
Wind farms	5,628	-	5,628	4,247	22,159	-	22,159	17,704
Hydroelectric power stations	1,473	957	516	301	4,528	957	3,571	3,795
Wood-residue thermal power stations	7,135	(34)	7,169	10,685	21,587	(34)	21,621	30,636
Natural gas thermal power stations	254	411	(157)	(126)	2,186	411	1,775	1,240
Corporate and eliminations	(3,639)	(1,068)	(2,571)	(3,662)	(16,735)	(1,068)	(15,667)	(8,035)
	<b>10,851</b>	<b>266</b>	<b>10,585</b>	<b>11,445</b>	<b>33,725</b>	<b>266</b>	<b>33,459</b>	<b>45,340</b>

## INFORMATION BY GEOGRAPHIC SEGMENT - INCLUDING THE FUND SINCE ACQUISITION

	FOR THE THREE-MONTH PERIODS ENDED SEPTEMBER 30,				FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30,			
	2010			2009	2010			2009
	Combined	Fund	Boralex		Combined	Fund	Boralex	
<b>Power generation (MWh)</b>								
United States	353,021	7,212	345,809	319,186	996,127	7,212	988,915	938,613
France	50,741	-	50,741	39,758	187,513	-	187,513	178,319
Canada	44,116	22,520	21,596	6,219	114,172	22,520	91,652	17,926
	<b>447,878</b>	<b>29,732</b>	<b>418,146</b>	<b>365,163</b>	<b>1,297,812</b>	<b>29,732</b>	<b>1,268,080</b>	<b>1,134,858</b>
<b>Revenues from energy sales</b>								
United States	29,187	666	28,521	30,913	85,757	666	85,091	101,891
France	8,081	-	8,081	8,056	30,666	-	30,666	34,889
Canada	4,828	2,056	2,772	707	13,405	2,056	11,349	1,851
	<b>42,096</b>	<b>2,722</b>	<b>39,374</b>	<b>39,676</b>	<b>129,828</b>	<b>2,722</b>	<b>127,106</b>	<b>138,631</b>
<b>EBITDA</b>								
United States	7,689	516	7,173	10,735	23,642	516	23,126	33,152
France	3,752	-	3,752	3,406	14,152	-	14,152	16,162
Canada	(590)	(250)	(340)	(2,696)	(4,069)	(250)	(3,819)	(3,974)
	<b>10,851</b>	<b>266</b>	<b>10,585</b>	<b>11,445</b>	<b>33,725</b>	<b>266</b>	<b>33,459</b>	<b>45,340</b>

(For details of the transaction, see note 4, *Business Acquisition*, to the interim consolidated financial statements for the three- and nine-month periods ended September 30, 2010.)

## INFORMATION BY SEGMENT - INCLUDING 100% OF THE FUND

	FOR THE THREE-MONTH PERIODS ENDED				FOR THE TWELVE-MONTH PERIODS ENDED
	<i>December 31, 2009</i>	<i>March 31, 2010</i>	<i>June 30, 2010</i>	<i>September 30, 2010</i>	<i>September 30, 2010</i>
<b>Power generation (MWh)</b>					
Wind farms	79,741	90,291	76,999	66,722	313,753
Hydroelectric power stations	188,247	154,447	157,299	100,126	600,119
Wood-residue thermal power stations	354,680	404,882	322,624	386,654	1,468,840
Natural gas thermal power stations	71,430	76,657	43,705	47,410	239,202
	<b>694,098</b>	<b>726,277</b>	<b>600,627</b>	<b>600,912</b>	<b>2,621,914</b>
<b>Revenues from energy sales</b>					
Wind farms	10,974	11,413	9,230	7,802	39,419
Hydroelectric power stations	16,146	14,006	12,360	8,661	51,173
Wood-residue thermal power stations	31,248	39,209	26,207	30,698	127,362
Natural gas thermal power stations	12,845	15,350	8,295	8,901	45,391
	<b>71,213</b>	<b>79,978</b>	<b>56,092</b>	<b>56,062</b>	<b>263,345</b>
<b>EBITDA</b>					
Wind farms	9,085	9,419	7,112	5,628	31,244
Hydroelectric power stations	13,047	11,099	9,397	5,896	39,439
Wood-residue thermal power stations	8,647	14,571	4,507	7,433	35,158
Natural gas thermal power stations	4,176	6,695	1,967	2,517	15,355
Corporate and eliminations*	(5,707)	(5,975)	(9,969)	(4,324)	(25,975)
	<b>29,248</b>	<b>35,809</b>	<b>13,014</b>	<b>17,150</b>	<b>95,221</b>

\* Excluding the share in earnings of the Fund included in Boralex's EBITDA.

## INFORMATION BY GEOGRAPHIC SEGMENT - INCLUDING 100% OF THE FUND

	FOR THE THREE-MONTH PERIODS ENDED				FOR THE TWELVE-MONTH PERIODS ENDED
	<i>December 31, 2009</i>	<i>March 31, 2010</i>	<i>June 30, 2010</i>	<i>September 30, 2010</i>	<i>September 30, 2010</i>
<b>Power generation (MWh)</b>					
United States	430,504	427,058	356,802	390,957	1,605,321
France	88,972	85,317	51,454	50,741	276,484
Canada	174,622	213,902	192,371	159,214	740,109
	<b>694,098</b>	<b>726,277</b>	<b>600,627</b>	<b>600,912</b>	<b>2,621,914</b>
<b>Revenues from energy sales</b>					
United States	37,764	39,112	30,235	32,717	139,828
France	15,667	14,432	8,152	8,081	46,332
Canada	17,782	26,434	17,705	15,264	77,185
	<b>71,213</b>	<b>79,978</b>	<b>56,092</b>	<b>56,062</b>	<b>263,345</b>
<b>EBITDA</b>					
United States	17,552	16,991	9,489	10,204	54,236
France	8,202	7,068	3,332	3,752	22,354
Canada*	3,494	11,750	193	3,194	18,631
	<b>29,248</b>	<b>35,809</b>	<b>13,014</b>	<b>17,150</b>	<b>95,221</b>

\* Excluding the share in earnings of the Fund included in Boralex's EBITDA.

## **INTRODUCTORY COMMENTS TO THE INTERIM MANAGEMENT REPORT**

### **GENERAL**

This interim Management's Discussion and Analysis ("MD&A") reviews the operating results and cash flows for the three- and nine-month periods ended September 30, 2010, compared with the corresponding three- and nine-month periods ended September 30, 2009, as well as the Corporation's financial position as at September 30, 2010 and December 31, 2009. This report should be read in conjunction with the unaudited interim consolidated financial statements and accompanying notes appearing in this interim report, as well as with the audited consolidated financial statements and accompanying notes appearing in the Corporation's most recent annual report for the year ended December 31, 2009.

Additional information about the Corporation, including the annual information form, previous annual reports, MD&As and interim financial statements, the different documents issued and filed relating to Boralex's offer to acquire the Fund as well as press releases, is published separately and is available on the SEDAR website ([www.sedar.com](http://www.sedar.com)).

The interim consolidated financial statements have not been audited or reviewed by the Corporation's external auditors.

In this interim MD&A, Boralex or the Corporation means, as applicable, either Boralex Inc. and its subsidiaries and divisions or Boralex Inc. or one of its subsidiaries or divisions.

The information contained in this interim MD&A reflects all material events up to November 10, 2010, the date on which the Board of Directors approved the interim consolidated financial statements and interim MD&A.

Unless otherwise indicated, all financial information presented below, as well as tabular information, is in Canadian dollars.

### **NOTICE CONCERNING FORWARD-LOOKING STATEMENTS**

The purpose of this MD&A is to help the reader understand the nature and importance of changes and trends as well as the risks and uncertainties that may affect Boralex's operating results and financial position. Accordingly, some of the statements contained in this analysis, including those regarding future results and performance, are forward-looking statements based on current expectations, within the meaning of securities legislation. These statements are characterized by the use of positive or negative verbs, such as plan, anticipate, evaluate, estimate, believe and other related expressions. They are based on Boralex management's expectations, estimates and assumptions as at November 10, 2010.

Boralex would like to point out that, by their very nature, forward-looking statements involve risks and uncertainties such that its results or the measures it adopts could differ materially from those indicated by or underlying these statements, or could have an impact on the degree of realization of a particular projection.

The main factors that could lead to a material difference between the Corporation's actual results and the projections or expectations set forth in the forward-looking statements include, but are not limited to, the general impact of economic conditions, raw material price increases and availability, currency fluctuations, volatility in the selling price of electricity, the Corporation's financing capacity, negative changes in general market and industry conditions, as well as other factors presented in this interim MD&A as well as under *Risk Factors and Uncertainties* in the MD&A for the year ended December 31, 2009. Unless otherwise specified by the Corporation, the forward-looking statements do not take into account the possible impact on its activities of transactions, non-recurring items or exceptional items announced or occurring after the statements are made.

There can be no assurance as to the materialization of the results, performance or achievements as expressed or implied by forward-looking statements. The reader is cautioned not to place undue reliance on such forward-looking statements. Unless required to do so under applicable securities legislation, Boralex management does not assume any obligation to update or revise forward-looking statements to reflect new information, future events or other changes.



**COMPLIANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES**

Unless otherwise indicated, the financial information presented in this interim MD&A, including tabular amounts, is prepared in accordance with Canadian generally accepted accounting principles (“GAAP”). This interim MD&A also contains measures that are not standardized measures according to GAAP. For management purposes, Boralex uses earnings before interest, taxes, depreciation and amortization (“EBITDA”), as this method allows management to assess the operating and financial performance of the Corporation’s various segments.

In addition, in analyzing changes in its financial position, the Corporation uses cash flows from operations, which is equal to cash flows related to operating activities before change in non-cash working capital items. Both management and investors use this indicator to measure the Corporation’s ability to finance its expansion projects through its operating activities.

Please see *Additional Information about Non-GAAP Performance Measures* in this interim MD&A for a reconciliation between EBITDA and cash flows from operations with certain line items in Boralex’s consolidated statements of earnings (loss) and consolidated statements of cash flows.

## SEASONAL FACTORS

(in thousands of dollars, except per share amounts and number of shares)

<i>Quarters ended</i>	<i>December 31, 2009</i>	<i>March 31, 2010</i>	<i>June 30, 2010</i>	<i>September 30, 2010</i>
<b>REVENUES FROM ENERGY SALES</b>				
Wind farms	10,974	11,413	9,230	7,802
Hydroelectric power stations	2,948	3,054	2,323	2,784
Wood-residue thermal power stations	27,031	30,216	22,896	28,072
Natural gas thermal power stations	5,196	6,321	2,279	3,438
	46,149	51,004	36,728	42,096
<b>EBITDA</b>				
Wind farms	9,085	9,419	7,112	5,628
Hydroelectric power stations	1,743	1,873	1,182	1,473
Wood-residue thermal power stations	9,359	10,028	4,424	7,135
Natural gas thermal power stations	915	2,038	(106)	254
Corporate and eliminations	(9,117)	(5,726)	(7,370)	(3,639)
	11,985	17,632	5,242	10,851
<b>NET EARNINGS (LOSS)</b>				
	14,712	1,348	(5,798)	27,092
Per share, basic, in dollars	0.39	0.04	(0.15)	0.72
Per share, diluted, in dollars	0.39	0.04	(0.15)	0.69
Weighted average number of common shares outstanding (basic)	37,740,921	37,740,921	37,740,921	37,740,921

(in thousands of dollars, except per share amounts and number of shares)

<i>Quarters ended</i>	<i>December 31, 2008</i>	<i>March 31, 2009</i>	<i>June 30, 2009</i>	<i>September 30, 2009</i>
<b>REVENUES FROM ENERGY SALES</b>				
Wind farms	7,942	9,083	8,018	5,797
Hydroelectric power stations	2,844	2,760	2,842	1,779
Wood-residue thermal power stations	37,040	38,181	28,338	29,841
Natural gas thermal power station	6,490	7,174	2,558	2,259
	54,316	57,198	41,756	39,676
<b>EBITDA</b>				
Wind farms	6,059	7,215	6,242	4,247
Hydroelectric power stations	1,647	1,709	1,785	301
Wood-residue thermal power stations	9,064	11,803	8,148	10,685
Natural gas thermal power station	1,378	1,511	(145)	(126)
Corporate and eliminations	(2,544)	(1,286)	(3,088)	(3,662)
	15,604	20,952	12,942	11,445
<b>NET EARNINGS</b>				
	4,398	7,212	1,817	698
Per share, basic, in dollars	0.12	0.19	0.05	0.02
Per share, diluted, in dollars	0.12	0.19	0.05	0.02
Weighted average number of common shares outstanding (basic)	37,740,921	37,740,921	37,740,921	37,740,921

Operations and results for some of the Corporation's power stations are subject to seasonal cycles that vary by segment. However, the impact of seasonal variations differs, depending on whether the power stations have power sales contracts or not.

For the 22 Boralex facilities and the ten facilities of the Fund that have long-term fixed-price power sales contracts, seasonal cycles mainly affect the volume of power generated. The nine Boralex power stations that do not have long-term contracts and that sell their power on the open market in the Northeastern U.S. are more vulnerable to seasonal fluctuations which, in addition to influencing power generation volumes, also have an impact on prices obtained. The price of natural gas, which is highly volatile, has a significant influence on electricity selling prices in the Northeastern U.S. Generally, electricity consumption increases in the winter and summer, which corresponds to Boralex's first and third quarters. Historically, this means that, for those two periods, the power stations that do not have long-term power sales contracts obtain generally higher average prices. In addition, the Corporation uses financial instruments for periods of up to three years for hedging purposes to fix part of the prices of power stations without long-term power sales contracts, which partially offsets the seasonal impact on prices. As the wood-residue power stations that Boralex operates in the United States can also regulate their output level, they usually generate more power during such peak periods. Whether or not power stations benefit from sales contracts, their output level is subject to following seasonal cycles, depending on their power generation method.

*Wind power:* For the Corporation's 16 wind farms with long-term power sales contracts, wind conditions are usually more favourable in the winter, which falls during Boralex's first and fourth quarters, both in France and Canada. However, in winter there is a greater risk of lower output caused by weather conditions, such as icing. In general, in view of weather conditions described above, management estimates that approximately 60% of annual output in its wind power segment is generated in the first and fourth quarters and 40% in the second and third quarters.

*Hydroelectric:* For the eight Boralex facilities and the seven power stations of the Fund, power output depends on water flow, which in Canada and the Northeastern U.S. tends to be at a maximum in spring and generally good in the fall, which represents Boralex's second and fourth quarters. Historically, water flow tends to decrease in winter and summer. Note that apart from the three hydroelectric power stations of the Fund whose water flow is regulated upstream, Boralex's hydroelectric facilities and the Fund's other power stations do not have reservoirs that would permit water flow regulation during the year.

*Wood-residue:* Because the wood-residue power stations comprising six Boralex facilities and two facilities of the Fund can regulate their output level as mentioned previously, they usually generate more power during such peak periods. For this reason, these power stations perform shutdowns for regular maintenance in spring or fall, which impacts their operating results for those periods.

*Natural gas:* Steam output of natural gas power stations, of which one is owned by Boralex and the other by the Fund, is generally more stable from quarter to quarter, as it is based on client demand, which is more predictable and steady. On the downside, steam revenues are quite volatile since prices for steam generated by the Fund's power station in Québec are partially indexed to oil prices while prices at the Boralex facility in France are partially indexed to natural gas prices. The natural gas cogeneration power station's long-term power sales contract with Électricité de France ("EDF") contains a clause that caps electricity prices from April to October. When the cost of natural gas is high, the profit margin for this period is not sufficient to offset the ceiling on electricity prices. The cogeneration equipment may therefore be shut down, in which case the Corporation supplies its steam client from an auxiliary boiler. Accordingly, since 2005, the power station operates its cogeneration equipment only during the five winter months.

Boralex's acquisition of the Fund is expected to have a stabilizing and therefore beneficial impact on seasonal changes that could affect the Corporation's performance as all of the Fund's power stations have long-term power sales contracts that shield them from seasonal price cycles. In the short term, this acquisition will also increase the hydroelectric segment's relative share of Boralex's output, thereby heightening its seasonal patterns. However, in the medium and long term, the wind sector is expected, under Boralex's strategic plan, to become its largest as well as a more geographically diversified segment. With the commissioning of the wind farms currently under development in Canada, the Corporation's wind power segment will represent over 250 MW of installed capacity by the end of fiscal 2010 and about 400 MW by the end of fiscal 2013.

In general, excluding potential foreign currency fluctuations, the addition of the Fund's power stations combined with wind power segment expansion should accentuate the Corporation's trend to generate more revenues and earnings during the first and fourth quarters.

---

**To sum up,** although Boralex's performance is affected by seasonal cycles, their impact is mitigated by the increasing proportion of revenues from fixed-price and price-indexed contracts, the growing diversification of its power generation sources and its geographic positioning. These factors will be strengthened significantly by the acquisition of the Fund and Boralex's wind power expansion strategy. To mitigate its vulnerability to seasonal cycles, the Corporation is also making partial use of hedging instruments to hedge prices and developing complementary revenue streams in order to increase and secure revenues or to reduce costs. For example, Boralex participates in the Renewable Energy Certificates ("RECs") market and the Forward Capacity Market in the U.S., and in the carbon dioxide ("CO<sub>2</sub>") quota trading and green certificate markets in France.

---

**FINANCIAL HIGHLIGHTS**

(in thousands of dollars, except per share amounts and number of shares)	<i>Three-month periods ended September 30,</i>		<i>Nine-month periods ended September 30,</i>	
	<b>2010</b>	2009	<b>2010</b>	2009
<b>REVENUES FROM ENERGY SALES</b>				
Wind farms	7,802	5,797	28,446	22,898
Hydroelectric power stations	2,784	1,779	8,161	7,381
Wood-residue thermal power stations	28,072	29,841	81,184	96,360
Natural gas thermal power stations	3,438	2,259	12,037	11,992
	<b>42,096</b>	39,676	<b>129,828</b>	138,631
<b>EBITDA AS REPORTED IN THE FINANCIAL STATEMENTS</b>				
Wind farms	5,628	4,247	22,159	17,704
Hydroelectric power stations	1,473	301	4,528	3,795
Wood-residue thermal power stations	7,135	10,685	21,587	30,636
Natural gas thermal power stations	254	(126)	2,186	1,240
Corporate and eliminations	(3,639)	(3,662)	(16,735)	(8,035)
	<b>10,851</b>	11,445	<b>33,725</b>	45,340
<b>EBITDA ADJUSTED AND EXCLUDING THE FUND <sup>(1)</sup></b>				
Wind farms	5,628	4,247	22,159	17,704
Hydroelectric power stations	516	301	3,571	3,795
Wood-residue thermal power stations	7,169	10,685	21,621	30,636
Natural gas thermal power stations	(157)	(126)	1,775	1,240
Corporate and eliminations	(2,914)	(3,662)	(10,047)	(8,755)
	<b>10,242</b>	11,445	<b>39,079</b>	44,620
<b>NET EARNINGS AS REPORTED IN THE FINANCIAL STATEMENTS</b>				
	27,092	698	22,642	9,727
Per share, basic, in dollars	0.72	0.02	0.60	0.26
Per share, diluted, in dollars	0.69	0.02	0.60	0.26
<b>NET EARNINGS (LOSS) ADJUSTED <sup>(1)</sup></b>				
Per share, basic and diluted, in dollars	(0.07)	0.02	(0.04)	0.24
Weighted average number of common shares				
outstanding (basic)	37,740,921	37,740,921	37,740,921	37,740,921

(1) See *Additional Information about Non-GAAP Performance Measures* for information on these specific items.

(in thousands of dollars)	As at September 30, 2010	As at December 31, 2009
<b>BALANCE SHEET DATA</b>		
Total assets	1,281,742	663,767
Long-term debt and convertible debentures <sup>(2)</sup>	703,560	242,680
Total equity	459,302	347,061

(3) Including long-term debt and its current portion, bank loans and advances, as well as the "debt" component of convertible debentures.

**ADDITIONAL INFORMATION ABOUT NON-GAAP PERFORMANCE MEASURES**

In order to assess the performance of its assets and reporting segments, Boralex uses EBITDA and cash flows from operations. Although not performance measures under GAAP, management feels that EBITDA and cash flows from operations are widely accepted financial measures used by investors to assess the operating performance of a company and its ability to generate cash through operations.

Nevertheless, since these measures are not defined under GAAP, they may not be comparable to similarly named measures used by other companies.

Investors should not view EBITDA as an alternative measure to, for example, net earnings, or as a measure of operating results or cash flows, or as a parameter for measuring liquidity. In Boralex's consolidated statement of earnings, EBITDA corresponds to *Operating earnings before amortization*.

The following table reconciles EBITDA to net earnings:

(in thousands of dollars)	<i>Three-month periods ended September 30,</i>		<i>Nine-month periods ended September 30,</i>	
	<b>2010</b>	2009	<b>2010</b>	2009
Net earnings attributable to shareholders	27,092	698	22,642	9,727
Non-controlling interests	(370)	1	(277)	56
Income taxes (recovery)	(13,495)	316	(10,815)	5,751
Gain on sale of subsidiary	-	-	(774)	-
Net gain on deemed disposal of investment in the Fund	(16,078)	-	(16,078)	-
Financing costs	4,195	3,362	13,078	10,228
Net loss (gain) on financial instruments	214	398	(125)	(6)
Foreign exchange loss	532	236	1,562	202
Amortization	8,761	6,434	24,512	19,382
<b>EBITDA</b>	<b>10,851</b>	<b>11,445</b>	<b>33,725</b>	<b>45,340</b>

Cash flows from operations are equal to cash flows related to operating activities before change in working capital. Management uses this measure to assess cash flows generated by the Corporation's operations and its capacity to finance its expansion through those funds. In light of the seasonal nature of the Corporation's operations and development activities, changes in non-cash working capital items can vary considerably.

In addition, development activities result in significant changes in accounts payable during the construction period, as well as an initial injection of working capital at project start-up.

Trade accounts receivable can also vary significantly when the Corporation qualifies for entry into new renewable energy markets. Accordingly, the Corporation deems it preferable not to integrate changes in working capital in this performance measure.

However, investors should not consider cash flows from operations as an alternative measure to cash flows related to operating activities, a measure consistent with GAAP.

The following table reconciles cash flows from operations to cash flows related to operating activities:

(in thousands of dollars)	<i>Three-month periods ended September 30,</i>		<i>Nine-month periods ended September 30,</i>	
	<b>2010</b>	2009	<b>2010</b>	2009
Cash flows related to operating activities	2,702	(4,103)	23,191	36,193
Cash flows used in (generated from) change in non-cash working capital items	1,650	13,286	581	(110)
<b>CASH FLOWS FROM OPERATIONS</b>	<b>4,352</b>	<b>9,183</b>	<b>23,772</b>	<b>36,083</b>

The following table reconciles EBITDA and net earnings as reported in the financial statements with adjusted EBITDA and net earnings (loss):

EBITDA (in thousands of dollars)	<i>Three-month periods ended September 30,</i>		<i>Nine-month periods ended September 30,</i>	
	2010	2009	2010	2009
As reported in the financial statements	10,851	11,445	33,725	45,340
Specific items:				
The Fund's results since the takeover	(266)	-	(266)	-
Share of Boralex in impairment of property, plant and equipment at a power station owned by the Fund	1,899	-	5,620	-
Professional fees incurred in connection with the offer to acquire the Fund	(2,242)	-	-	-
Gain on disposal of investment in subsidiary	-	-	-	(720)
<b>Adjusted data</b>	<b>10,242</b>	<b>11,445</b>	<b>39,079</b>	<b>44,620</b>
<b>NET EARNINGS*</b> (in thousands of dollars)				
As reported in the financial statements	27,092	698	22,642	9,727
Specific items:				
The Fund's results since the takeover, net of non-controlling interests	410	-	410	-
Share of Boralex in impairment of property, plant and equipment at a power station owned by the Fund	1,397	-	4,136	-
Professional fees incurred in connection with the offer to acquire the Fund	2,058	-	3,627	-
Amortization of balance of deferred financing costs under former financing for Phase I of Thames River	-	-	1,915	-
Gain on sale of subsidiary	-	-	(519)	-
Gain on disposal of investment in subsidiary	-	-	-	(482)
Interest on convertible debentures	467	-	467	-
Amortization of fair value adjustment to the Fund's debts	(88)	-	(88)	-
Gain on deemed disposal of investment in the Fund	(21,260)	-	(21,260)	-
Income tax recovery on the deemed disposal of investment in the Fund	(12,750)	-	(12,750)	-
<b>Adjusted data</b>	<b>(2,674)</b>	<b>698</b>	<b>(1,420)</b>	<b>9,245</b>

\* Impact net of income taxes

**ANALYSIS OF OPERATING RESULTS FOR THE THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2010**

The following table shows major changes in net earnings:

	<i>Net earnings (in millions of dollars)</i>	<i>Per share (in \$) (basic)</i>
<b>THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2009</b>	<b>0.7</b>	<b>0.02</b>
Impact of Fund operations during consolidation period	(0.4)	(0.01)
<i>Data pertaining to Boralex:</i>		
Change in EBITDA	(0.9)	(0.02)
Amortization	(1.4)	(0.04)
Foreign exchange loss	(0.3)	(0.01)
Net loss on financial instruments	0.2	-
Financing costs	(0.5)	(0.01)
Net gain on deemed disposal of investment in the Fund	16.1	0.43
Income taxes (recovery)	13.4	0.36
Non-controlling interests	0.2	-
<b>THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2010</b>	<b>27.1</b>	<b>0.72</b>

Boralex generated net earnings of \$27.1 million or \$0.72 per share (basic) or \$0.69 per share (diluted) during the third quarter of fiscal 2010, compared with net earnings of \$0.7 million or \$0.02 per share (basic and diluted) for the same quarter in 2009.

Net earnings for the third quarter of 2010 stems primarily from a net positive impact of \$31.5 million attributable to the takeover of the Fund and is made up of the following items:

- A loss of \$0.4 million (\$1.0 million loss before tax) representing Boralex’s 68% share in the net loss incurred by the Fund during the last two weeks of the quarter, that is, subsequent to the takeover on September 15, 2010. Note that, as of this date, the Fund’s results are consolidated with those of Boralex;
- A net gain of \$19.2 million (\$21.3 million before expenses) on the deemed disposal of Boralex’s 23% interest in the Fund. More specifically, this is the gain realized from the September 15, 2010 takeover transaction on the carrying amount of the initial 23% investment Boralex held in the Fund compared with the \$5 per trust unit purchase price offered by Boralex. (This transaction is discussed in the beginning of this MD&A under *Important Event: Takeover of the Fund by Boralex* as well as in note 4 to the interim consolidated financial statements as at September 30, 2010); and
- An income tax recovery of \$12.7 million on the deemed disposal of investment in the Fund recognized at the time of the takeover.

Boralex’s net earnings for the third quarter of 2010 was affected by certain other specific unfavourable items, mainly:

- Boralex’s after-tax \$1.4 million share (\$1.9 million before tax) in the impairment charge recorded against property, plant and equipment at the Fund’s Dolbeau, Québec thermal power station, which was recorded by the Fund in the third quarter after its industrial client, AbitibiBowater (“ABI”), announced that it will permanently shut down its Dolbeau pulp and paper mill.

Excluding all the items discussed previously, Boralex reported an adjusted net loss of \$2.7 million or \$0.07 per share (basic and diluted) compared with net earnings of \$0.7 million or \$0.02 per share (basic and diluted) for the same period of 2009 (see reconciliation table on previous page). The following key factors resulted in the negative variance of \$3.4 million or \$0.09 per share (basic and diluted):

- A \$1.2 million decrease in adjusted EBITDA attributable to Boralex’s operations;
- A \$1.4 million increase in amortization expense arising primarily from the expansion in Boralex’s wind power segment; and
- A \$0.9 million unfavourable variance relating to income taxes.

These items were partially offset by a favourable variance of \$0.1 million relating to the share of non-controlling interests.



The following table shows major changes in revenues from energy sales and EBITDA:

(in millions of dollars)	<i>Revenues from energy sales</i>	<i>EBITDA</i>
<b>THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2009</b>	<b>39.7</b>	<b>11.4</b>
Impact of Fund operations during consolidation period	2.7	0.3
<i>Data pertaining to Boralex:</i>		
Power stations commissioned	2.9	2.3
Price	0.9	0.9
Volume	1.4	-
RECs and green certificates	(2.5)	(2.6)
Translation of self-sustaining subsidiaries	(2.8)	(1.1)
Renewable energy tax credits	-	(3.3)
Raw material costs	-	1.7
Maintenance	-	0.7
Boralex Power Income Fund – change in results before takeover	-	(2.1)
Professional fees – Fund acquisition	-	2.2
Other	(0.2)	0.5
<b>THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2010</b>	<b>42.1</b>	<b>10.9</b>

### REVENUES FROM ENERGY SALES

Revenues from energy sales totalled \$42.1 million for the three-month period ended September 30, 2010 compared with \$39.7 million for the same period of 2009. The Fund's ten power stations contributed additional revenues of \$2.7 million for the last two weeks of the quarter. Excluding this amount, revenues generated by Boralex's power stations fell marginally by \$0.3 million or 0.8% to \$39.4 million.

Note that the Canadian dollar's strength against the US dollar and the euro had a \$2.8 million unfavourable impact on Boralex power station revenues in the third quarter of 2010 compared with the corresponding quarter of 2009. At constant exchange rates, Boralex would have reported a \$2.5 million or 6.3 % increase in revenues.

This increase is mainly attributable to the additional contribution of \$2.9 million to revenues from new wind power facilities commissioned in recent quarters, namely:

- The December 2009 and January 2010 commissioning of the 40 MW Phase I Thames River site in Canada;
- The February 2010 commissioning of the 4.6 MW Cham Longe II wind farm in France; and
- The August 2010 commissioning of the first two phases of the new 30 MW Ronchois wind farm in France. (Note that following trial runs in August 2010, the Chasse-Marée and Le Grand Camp wind farms in France with a total installed capacity of 19.2 MW were commissioned in early October.)

For Boralex's existing power stations, other than the items mentioned above and excluding the negative impact of \$2.5 million stemming from lower REC sales in the U.S., revenues from energy sales increased by \$2.3 million, broken down as follows:

- A \$1.4 million amount related to higher output mainly in the wood-residue segment. Existing wind power facilities as well as the natural gas cogeneration power station also stepped up their output marginally while the hydroelectric segment output fell due to less favourable water flow conditions than in the previous year; and
- A \$0.9 million amount related a net increase in the Corporation's average selling price, due primarily to higher prices in the New England electricity market following several consecutive quarterly declines as well as to an increase in steam prices in France.

Excluding the Fund, Boralex generated a total of 418,146 MWh of electricity in the third quarter of fiscal 2010, up 14.5% from 365,163 MWh for the same quarter of 2009. This growth resulted primarily from the commissioning of Phase I at the Thames River facility in Ontario as well as the voluntary increase in output of wood-residue power stations driven by improved market conditions.

## OTHER REVENUES

Boralex reported a negative amount of \$0.7 million in other revenues for the third quarter of 2010 compared with other revenues of \$1.6 million during the same period of 2009. This \$2.3 million decline stemmed primarily from Boralex's \$1.9 million pre-tax share in the impairment charge recorded against property, plant and equipment at the Fund's Dolbeau thermal power station in Québec, as discussed in the previous section.

## EBITDA

Consolidated EBITDA for the third quarter of 2010 amounted to \$10.9 million compared with \$11.4 million for the same period last year. Excluding the Fund's results for the two last weeks of the period and the specific items shown in the table on page 14, namely the \$2.2 million reclassification of expenses related to the takeover of the Fund against the gain on deemed disposal and Boralex's \$1.9 million share in the impairment of property, plant and equipment at the Dolbeau power station, adjusted EBITDA amounted to \$10.2 million, down \$1.2 million or 10.5% from the corresponding period of 2009.

Note that the significant rise in the Canadian dollar against the US dollar and the euro had a \$1.1 million unfavourable impact on EBITDA and adjusted EBITDA. Apart from fluctuations in exchange rates, EBITDA was adversely affected by two main factors:

- A \$3.3 million shortfall arising from the December 2009 expiry of the U.S. renewable energy tax credit program. The U.S. government is currently studying a bill which may lead to the extension of this program; and
- The \$2.6 million unfavourable impact of lower REC sales in the U.S. combined with slightly higher direct selling costs on those sales.

However, the impact of these unfavourable elements on EBITDA was largely offset by the following main favourable factors:

- The \$2.3 million additional contribution from the Corporation's new wind farms. This bodes well for the upcoming quarters especially since three new wind farms in France with a total installed capacity of nearly 50 MW will start making full contributions starting in the fourth quarter of the current fiscal year;
- A \$1.7 million decline in raw material costs in the wood-residue segment; and
- A \$0.9 million favourable impact from Boralex's higher average selling price.

## AMORTIZATION, FOREIGN EXCHANGE LOSS, NET LOSS ON FINANCIAL INSTRUMENTS AND FINANCING COSTS

Amortization expense for the third quarter stood at \$8.8 million compared with \$6.4 million in 2009. Excluding \$0.9 million in amortization expense related to the Fund's power stations for the last two weeks of the quarter, Boralex recorded a \$1.5 million increase in amortization expense owing to investments in previous quarters in the wind power segment, particularly the commissioning of Phase 1 of Thames River. However, the increase in amortization expense driven by the expansion in Boralex's asset base was curtailed by a decrease in the amortization of assets located in the U.S. and Europe due to the strengthening of the Canadian currency against the US dollar and the euro relative to the third quarter of 2009.

Boralex reported a \$0.5 million foreign exchange loss for the quarter compared with a \$0.2 million loss last year. The Corporation also posted a net loss on financial instruments of \$0.2 million this year compared with a \$0.4 million net loss in 2009. As a result, the net unfavourable variance in these two elements was only \$0.1 million. *Net loss (gain) on financial instruments* consists mainly of the ineffective portion of financial instruments. Although all of the financial instruments used by Boralex are highly effective, they always include a small ineffective portion. Generally, if the change in derivative instruments is favourable to Boralex, it gives rise to a favourable ineffective amount. Conversely, when the change in derivative instruments is unfavourable to Boralex, it gives rise to an unfavourable ineffective amount.

Financing costs totalled \$4.2 million in the third quarter of 2010 (\$3.9 million excluding the Fund) compared with \$3.4 million for the previous year. Financing costs for the third quarter of 2009 included a \$1.1 million amount related to the U.S. renewable energy tax credits monetization program which came to an end in December 2009. Excluding this factor as well as the Fund's results, Boralex's financing costs for the third quarter of 2010 rose \$1.7 million over the same period of 2009 as a result of new debt contracted by the Corporation over the past twelve months under a number of its wind power development projects, particularly the commissioning of Phase I of the Thames River wind farm, and the issue of convertible debentures on September 15, 2010. The increase in financing costs were offset to some extent by the positive impact of the Canadian dollar' strength on the interest expense on euro-denominated debt, which accounted for 72% of Boralex's total debt at the beginning of fiscal 2010 (52 % as at September 30, 2010).

**NET GAIN ON DEEMED DISPOSAL OF INVESTMENT IN THE FUND**

Boralex reported a net gain of \$16.1 million (\$21.3 million before expenses) on the deemed disposal of Boralex's investment in the Fund. This is the realized gain on the 23% interest Boralex held in the Fund when the takeover transaction was carried out on September 15, 2010. (For details, please see note 4 to interim consolidated financial statements as at September 30, 2010.).

**EARNINGS BEFORE INCOME TAXES (RECOVERY), INCOME TAXES (RECOVERY) AND NET EARNINGS ATTRIBUTABLE TO SHAREHOLDERS**

For the third quarter, Boralex posted \$13.2 million in earnings before income taxes including the impact of the acquisition of the Fund and a \$3.6 million loss excluding the transactions to acquire the Fund, compared with \$1.0 million in earnings before income taxes for the same period of 2009. This variance arises mainly from the net gain on deemed disposal of the investment in the Fund, combined with other specific items for the period.

Boralex reported a \$13.5 million income tax recovery for the third quarter of 2010 compared with \$0.3 million income tax expense for the previous year. The 2010 amount is due to the \$12.7 million income tax recovery on the deemed disposal of investment in the Fund.

As a result, Boralex ended the third quarter of fiscal 2010 with net earnings of \$27.1 million or \$0.72 per share (basic) or \$0.69 per share (diluted) compared with net earnings of \$0.7 million or \$0.02 per share (basic and diluted) for the same period of 2009. Excluding favourable and unfavourable non-recurring specific items as well as the Fund's results since the takeover, Boralex would have reported an adjusted net loss of \$2.7 million or \$0.07 per share (basic and diluted) for the third quarter.

---

**To sum up,**

**Boralex carried out a major transaction in the third quarter of 2010, namely the takeover of the Fund, which will generate significant revenue growth for the Corporation while contributing toward stable profit margins and cash flows in the future. Apart from financial impacts directly related to the transaction and other non-recurring items in the third quarter, Boralex's profitability continues to be affected by the:**

- **Unfavourable impact of exchange rate fluctuations;**
- **Weak REC market in the U.S.;**
- **Expiry of the U.S. renewable energy tax credit program; and**
- **Increase in amortization expense and financing costs resulting from the significant expansion of Boralex's wind power segment; the segment's contribution to profitability will fully materialize starting in the coming quarters.**

**On the upside, following several quarters of declines in the New England open electricity market, selling prices rose in the third quarter of 2010, which, combined with an additional decrease in raw material costs with the renewal of the BCAP program in the U.S., bodes well for wood-residue segment performance in the coming quarters.**

---

**ANALYSIS OF OPERATING RESULTS FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2010**

The following table shows major changes in net earnings:

	<i>Net earnings (in millions of dollars)</i>	<i>Per share (in \$) (basic)</i>
<b>NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2009</b>	<b>9.7</b>	<b>0.26</b>
Impact of Fund operations during consolidation period	(0.4)	(0.01)
<i>Data pertaining to Boralex:</i>		
Change in EBITDA	(11.9)	(0.31)
Amortization	(4.2)	(0.11)
Foreign exchange loss	(1.4)	(0.04)
Net gain on financial instruments	0.1	-
Financing costs	(2.5)	(0.07)
Net gain on deemed disposal of investment in the Fund	16.1	0.43
Gain on sale of subsidiary	0.8	0.02
Income taxes (recovery)	16.2	0.43
Non-controlling interests	0.1	-
<b>NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2010</b>	<b>22.6</b>	<b>0.60</b>

Boralex reported a net loss of \$22.6 million or \$0.60 per share (basic and diluted) for the nine-month period ended September 30, 2010 compared with net earnings of \$9.7 million or \$0.26 per share (basic and diluted) for the same period of 2009. As explained in the discussion on third quarter performance, 2010 net earnings included a \$30.0 million net positive impact resulting from the acquisition of the Fund, namely a \$17.6 million gain on deemed disposal of investment in the Fund at the time of the takeover and a \$12.7 million income tax recovery on deemed disposal of investment in the Fund, partly offset by Boralex's \$0.4 million share of the loss incurred by the Fund after the takeover by Boralex, that is, during the two-week period ended September 30, 2010.

Boralex's net earnings for the first nine months of 2010 were affected by the following main specific items:

- The \$4.1 million after-tax share of Boralex (\$5.6 million before tax) in the impairment charge recorded against property, plant and equipment at the Dolbeau power station, which was recorded by the Fund in the first and third quarters of fiscal 2010 due to significant changes in this power station's operating environment; and
- A \$1.9 million amount in amortization (net of taxes) of the entire balance of the deferred financing costs related to the initial financing of the Thames River Phase I wind farm in Canada, arising from the new overall financing secured in March 2010 for the two Thames River phases.

Excluding all the specific items discussed previously and the specific \$0.5 million gain recorded the previous year on the disposal of an investment in a subsidiary, Boralex recorded an adjusted net loss of \$1.4 million or \$0.04 per share (basic and diluted) for the first nine months of fiscal 2010, compared with adjusted net earnings of \$9.2 million or \$0.24 per share (basic and diluted) for the same period in 2009. The following key factors resulted in the negative variance of \$10.6 million or \$0.28 per share (basic and diluted):

- A \$5.5 million decrease in adjusted EBITDA attributable to Boralex's operations;
- A \$4.2 million increase in amortization expense arising primarily from the recent expansion in Boralex's wind power segment in Canada and France;
- A total of \$1.2 million in net unfavourable differences between foreign exchange losses and gains on financial instruments recognized in the first nine months of 2010 compared with the same period of 2009; and
- A \$0.4 million unfavourable variance relating to income taxes and non-controlling interests.

These items were partially offset by a favourable variance of \$0.7 million relating to financing costs.

The following table shows major changes in revenues from energy sales and EBITDA:

(in millions of dollars)	<i>Revenues from energy sales</i>	<i>EBITDA</i>
<b>NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2009</b>	<b>138.6</b>	<b>45.3</b>
Impact of Fund operations during consolidation period	2.7	0.3
<i>Data pertaining to Boralex:</i>		
Power stations commissioned	10.9	9.1
Price	(4.8)	(4.8)
Volume	0.1	(1.1)
RECs and green certificates	(1.3)	(1.2)
Capacity premiums	(0.3)	(0.3)
Translation of self-sustaining subsidiaries	(16.7)	(5.9)
CO <sub>2</sub> quota	-	(0.4)
Renewable energy tax credits	-	(9.3)
Raw material costs	-	8.7
Maintenance	-	0.9
Boralex Power Income Fund – change in results before takeover	-	(6.2)
Development expenses – prospecting	-	0.3
Other	0.6	(1.7)
<b>NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2010</b>	<b>129.8</b>	<b>33.7</b>

### REVENUES FROM ENERGY SALES

Revenues from energy sales totalled \$129.8 million for the nine-month period ended September 30, 2010 compared with \$138.6 million for the same period of 2009. Excluding the Fund's \$2.7 million contribution for the last two weeks of the period, Boralex's revenues declined by \$11.5 million or 8.3% to \$127.1 million.

This decrease is mainly attributable to the Canadian dollar's strength against the US dollar and the euro which had a \$16.7 million unfavourable impact on Boralex power station revenues compared with 2009. Accordingly, at constant exchange rates, Boralex would have reported a \$5.2 million or 3.8% increase in revenues, due primarily to \$10.9 million in additional revenues from new sites commissioned in the past 12 months, more specifically the December 2009 and January 2010 commissioning of the 40 MW Phase I of the Thames River wind farm in Canada and the August commissioning of a portion of the new 30 MW Ronchois wind farm in France, and to a lesser extent, the February 2010 commissioning of the 4.6 MW Cham Longe II wind farm in France, as well as the April 2009 acquisition of the Ocean Falls hydroelectric power station in Canada. Boralex's existing power stations also stepped up their output marginally.

Excluding the Fund's power stations, Boralex generated a total of 1,268,080 MWh of electricity in the first nine months of fiscal 2010 compared with 1,134,858 MWh for the same period of 2009. This 11.7% rise in output was driven primarily by the commissioning of Phase I at Thames River.

On the downside, apart from exchange rate fluctuations, revenues for the first nine months of 2010 were affected by the following:

- A \$4.8 million adverse impact of the reduction in the Corporation's average selling price owing primarily to weak electricity selling prices in the Northeastern U.S. open market and to the fact that the wood-residue segment had exhausted the majority of the benefits it enjoyed in 2009 under electricity price financial swaps entered into in 2008;
- A \$1.3 million decrease in sales of RECs and green certificates; and
- A \$0.3 million decrease in capacity premiums.

**OTHER INCOME**

Income from sources other than revenues from energy sales totalled \$1.8 million for the third quarter of 2010 compared with \$8.9 million for the same period of the previous year. This decline stemmed primarily from Boralex's \$5.6 million pre-tax share in the impairment charge recorded in the first and third quarters of 2010 against property, plant and equipment at the Fund's Dolbeau power station in Québec. Excluding this specific item, Boralex's share in earnings of the Fund before the takeover was down \$0.6 million, partially offset by a \$0.3 million increase in management fees received from the Fund prior to the takeover. Furthermore, a \$1.2 million decrease in *Other income* resulted from the recognition in the first quarter of 2009 of a \$0.7 million gain on disposal of an investment in a subsidiary, as well as the recognition in the first nine-months of 2009 of higher excess CO<sub>2</sub> quota sales at the natural gas power station in France than in the corresponding period of 2010.

**EBITDA**

Boralex reported \$33.7 million in consolidated EBITDA for the first nine months of fiscal 2010 compared with \$45.3 million for the same period of 2009. Excluding the Fund's results for the two last weeks of the period and the aforementioned specific non-recurring items for the two periods (detailed in the table on page 14 of this MD&A), adjusted EBITDA was \$39.1 million for the first nine months of 2010, down \$5.5 million or 12.3% from \$44.6 million for the corresponding period of 2009. The decline resulted primarily from the following:

- A \$9.3 million shortfall arising from the termination of the U.S. renewable energy tax credit program;
- The \$5.9 million adverse effect of exchange rate changes;
- A \$4.8 million shortfall resulting primarily from lower electricity selling prices in the U.S. market in the first half of the year and the recognition of fewer benefits under the electricity price financial swaps entered into in 2008 which boosted wood-residue segment performance last year;
- A \$1.2 million decrease in sales of RECs and green certificates;
- A \$1.1 million unfavourable net volume effect, coupled with a \$0.3 million decline in capacity premiums; and
- A \$2.2 million net adverse effect of a set of less significant factors, including lower sales in excess CO<sub>2</sub> quota sales by our natural gas cogeneration plant.

However, the impact of these unfavourable items on EBITDA was partially offset by \$19.0 million in favourable factors, consisting mainly of the following:

- The \$9.1 million additional contribution to EBITDA from the Corporation's new wind farms;
- A \$8.7 million reduction in raw material costs, consisting of savings of \$7.9 million in wood-residue costs at the U.S. thermal power stations and \$0.8 million in natural gas costs at the cogeneration power station in France;
- A \$0.9 million decrease in maintenance costs; and
- A \$0.3 million decrease in the development and prospecting costs incurred by the Corporation.

**AMORTIZATION, FOREIGN EXCHANGE LOSS, NET GAIN ON FINANCIAL INSTRUMENTS AND FINANCING COSTS**

The Corporation reported \$24.5 million in amortization expense for the first nine months of 2010 compared with \$19.4 million year over year. Excluding \$0.9 million in amortization expense related to the Fund's power stations for the last two weeks of the period, Boralex recorded a \$4.2 million increase in amortization expense owing to investments in previous quarters in the wind power segment, particularly the commissioning of Phase 1 of Thames River. However, the increase in amortization expense was offset by the lower amortization expense of U.S. and European assets resulting from the year-over-year appreciation of Canada's currency against the US dollar and the euro.

Boralex reported a \$1.6 million foreign exchange loss year to date, compared with \$0.2 million for the first nine months of 2009. The Corporation posted a \$0.1 million net gain on financial instruments for the nine-month period of 2010, compared with an immaterial gain for the same period of 2009.

Year to date, financing costs totalled \$13.1 million or \$12.2 million excluding the Fund, compared with \$10.2 million for the nine-month period of 2009. Our 2010 costs include \$2.7 million representing the amortized balance of deferred financing costs under the former financing for Phase I of the Thames River site, which was refinanced in the first quarter. Our financing costs for the nine-month period of 2009 included \$3.3 million related to the U.S. renewable energy tax credits monetization program which ended in December 2009. Excluding these two items, financing costs rose \$3.2 million as the Corporation contracted new debt over the past twelve months for various development projects and convertible debentures issued in the third quarter. Higher financing costs were offset, however, by debt repayments over the past 12 months and by the positive impact of the appreciation of the Canadian dollar on the interest expense on debt denominated in euros.

### **GAIN ON SALE OF SUBSIDIARY**

On March 31, 2010, the end of the first quarter, Boralex generated a \$0.8 million gain on the sale of the subsidiary that owned the Bel Air wind farm in France. This wind farm was acquired in December 2009 as part of the transaction entered into by Boralex to acquire wind power assets totalling 47 MW at three wind farms—Le Grand Camp (10 MW), Ronchois (30 MW) and Bel Air (7 MW). The transaction was primarily intended to integrate the first two farms, under development, into Boralex's wind power portfolio. The Bel Air wind farm, of secondary importance, was not a good fit with the Corporation's wind power development strategy in Europe. Management therefore regarded the offer to purchase this site as a sound alternative for Boralex and its shareholders.

### **EARNINGS BEFORE INCOME TAXES (RECOVERY), INCOME TAXES (RECOVERY) AND NET EARNINGS ATTRIBUTABLE TO SHAREHOLDERS**

Year to date, Boralex posted \$11.6 million in earnings before income taxes including the Fund's results for the last two weeks of the period, and a \$3.0 million loss before income taxes excluding the impact of the acquisition of the Fund, compared with \$15.5 million in earnings before income taxes for the nine-month period of 2009. The Corporation reported a \$10.8 million income tax recovery for the first nine months of 2010 compared with \$5.8 million in income tax expense year over year, owing to a \$12.7 million income tax recovery on the deemed disposal of the investment in the Fund at the time of the takeover. Given the various jurisdictions in which the Corporation currently operates and develops future power station projects, management expects Boralex's combined tax rate to range from 32% to 35% over a medium-term horizon. In the short term, however, Boralex's consolidated tax rate may vary significantly from period to period due to changes in results across its geographic operating areas.

In light of the foregoing, Boralex reported net earnings for the first nine months of fiscal 2010 of \$22.6 million or \$0.60 per share (basic and diluted) compared with \$9.7 million or \$0.26 per share (basic and diluted) for the same period of 2009. Excluding the Fund's results since the September 15, 2010 takeover and the aforementioned favourable and unfavourable specific non-recurring items for the two corresponding periods, Boralex recorded an adjusted net loss of \$1.4 million or \$0.04 per share (basic and diluted) compared with adjusted net earnings of \$9.2 million or \$0.24 per share (basic and diluted) for the same period of 2009.

---

**To sum up,** **excluding specific items not related to current operations, and the adverse impact of currency fluctuations, Boralex reported a slight year-to-date improvement in EBITDA from power station operations compared with the first nine months of the previous year, despite less favourable business conditions in the wood-residue segment than in 2009. The Corporation's operational performance was particularly driven by expansion in the wind power segment and reduced supply costs in the wood-residue segment. Bolstered by the integration of the Fund's ten power stations, the recent expansion and current installed capacity in the wind power segment and the growing percentage of assets being added in Canada are expected to continue strengthening the Corporation's overall performance over the next few years.**

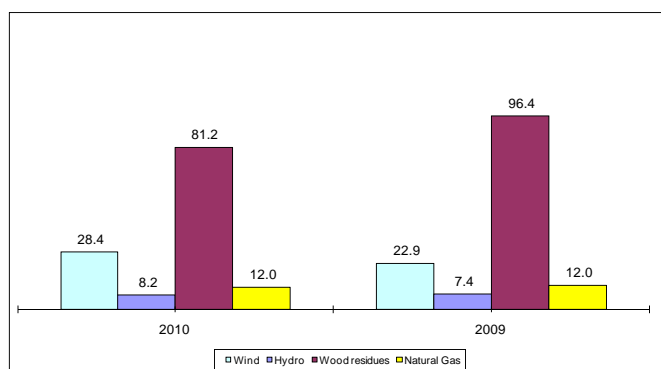
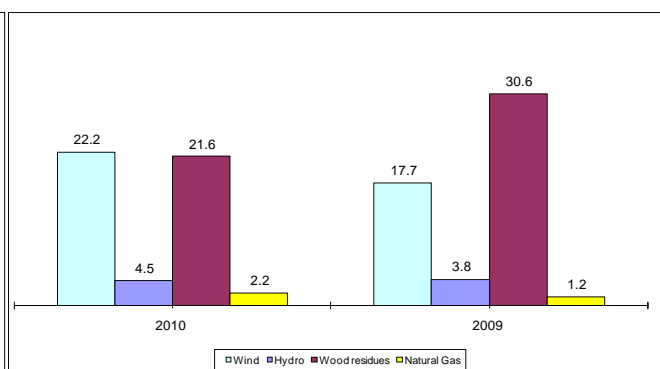
---

## ANALYSIS OF SEGMENTED PERFORMANCE FOR THE THREE- AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2010

## SEGMENT BREAKDOWN

(Cumulative results for the first nine months of 2010)

## Revenues from energy sales (in millions of dollars)

EBITDA (in millions of dollars)<sup>(1)</sup>

(1) Excluding corporate segment and eliminations

Year to date, the wind power segment accounted for 21.9% of Boralex's consolidated revenues from energy sales compared with 16.5% for first nine months of 2009. The segment generated 44.0% of consolidated EBITDA before corporate expenses and intersegment eliminations compared with 33.2% in 2009. These increases resulted from growth in segment revenues and EBITDA of 24.0% and 25.4%, respectively, for the first nine months of fiscal 2010 compared with the same period of 2009, owing primarily to the recent expansion of its asset base, particularly with the commissioning of Phase I of Thames River in Canada.

The wind power segment's larger contribution to Boralex's consolidated results also stemmed from declines in wood-residue segment revenues and EBITDA of 15.8% and 29.4%, respectively, resulting primarily from foreign currency fluctuations, a lower average selling price and the expiry of the U.S. renewable energy tax credit program. As a result, the wind power segment's contribution to Boralex's consolidated revenues for the first nine months of 2010 fell to 62.6% (63.5% without the Fund) from 69.5% for the same period of 2009, while its share of consolidated EBITDA declined to 42.8% (43.9% without the Fund) from 57.4%.

The hydroelectric segment's year-to-date contribution to Boralex's consolidated revenues rose to 6.3% (5.4% without the Fund) from 5.3% in 2009, while its share of consolidated EBITDA increased to 8.9% (7.3% without the Fund) from 7.1%. Excluding the contribution of the Fund's hydroelectric power stations, the Corporation reported a decline in its hydroelectric segment's results owing to the adverse foreign exchange effect, lower electricity prices in the New York State open market and less favourable weather conditions than in the corresponding nine-month period of 2009. However, the hydroelectric segment's share of Boralex's results remained in line with year-over-year levels due to the marked decline in wood-residue segment results.

Lastly, for the first nine months of 2010, the natural gas segment's contribution to consolidated revenues was 9.2% (8.7% without the Fund) compared with 8.7% for the first nine months of 2009, while the segment's contribution to consolidated EBITDA rose to 4.4% (3.7% without the Fund) from 2.3% in 2009. Excluding the contribution of the Fund's power station for the last two weeks, the profitability of Boralex's natural gas power station capitalized in particular on lower fuel costs.



**WIND POWER STATIONS**

The following table shows major changes in revenues from energy sales and EBITDA:

(in millions of dollars)	Three-month periods		Nine-month periods	
	Revenues from energy sales	EBITDA	Revenues from energy sales	EBITDA
<b>AS AT SEPTEMBER 30, 2009</b>	<b>5.8</b>	<b>4.2</b>	<b>22.9</b>	<b>17.7</b>
Power stations commissioned	2.9	2.3	10.2	8.7
Price	-	-	(0.2)	(0.2)
Volume	-	-	(0.9)	(0.9)
Translation of self-sustaining subsidiaries	(0.8)	(0.6)	(3.3)	(2.6)
Other	(0.1)	(0.3)	(0.3)	(0.5)
<b>AS AT SEPTEMBER 30, 2010</b>	<b>7.8</b>	<b>5.6</b>	<b>28.4</b>	<b>22.2</b>

**OPERATING RESULTS FOR THE THREE-MONTH PERIOD**

With the momentum of the past few quarters, the wind power segment's results for the third quarter of 2010 show how Boralex is reaping the benefits of its wind power expansion strategy, which has notably become the Corporation's largest EBITDA generator for the current fiscal year.

For the three-month period ended September 30, 2010, the wind power segment reported \$7.8 million in revenues from energy sales compared with \$5.8 million for the same period of 2009. Growth reached 34.5% despite the Canadian dollar's appreciation against the euro having curtailed segment revenues by \$0.8 million. At constant exchange rates, revenues from energy sales would have surged 48.3%. Third-quarter EBITDA totalled \$5.6 million, up 33.3% (47.6% at constant exchange rates) from \$4.2 million for the third quarter of 2009.

This performance was mainly driven by the commissioning of new wind farms over the past few quarters, which boosted quarterly revenues and EBITDA by \$2.9 million and \$2.3 million, respectively. In particular, the four wind farms totalling 40 MW commissioned in Canada in December 2009 and January 2010 increased quarterly revenues and EBITDA by \$2.1 million and \$1.6 million, respectively. In France, the new wind farms grew revenues and EBITDA by \$0.8 million and \$0.7 million, respectively. More specifically, these facilities consisted of the 4.6 MW Cham Longe II wind farm commissioned in February 2010 and a portion of the new 30 MW Ronchois wind farm commissioned on August 1, 2010. Commercial operations also got underway at two other wind farms in France early in October 2010, at Chasse-Marée and Le Grand Camp, with capacities of 9.2 MW and 10 MW, respectively, whose contributions to Boralex's revenues and EBITDA will begin in the fourth quarter of 2010.

Excluding the impact of the Canadian dollar's appreciation against the euro, the existing wind farms, all located in France, reported results in line with the third quarter of 2009, with the exception of a slight decrease in their average selling price owing to the decline in France's consumer price index, to which our electricity selling prices are tied. EBITDA was also impacted by the drop in green certificate sales and a rise in some expenses arising from operational expansion, such as maintenance costs and operating salaries.

Overall, the wind power segment generated 66,722 MWh in the third quarter of 2010, up 67.8% from 39,758 MWh in the same quarter of 2009, resulting primarily from the wind farms commissioned over the past few quarters.

**OPERATING RESULTS FOR THE NINE-MONTH PERIOD**

Wind power segment revenues totalled \$28.4 million for the first nine months of fiscal 2010, logging a year-over-year increase of 24.0% (38.4% excluding the \$3.3 million adverse impact of fluctuations in the Canadian dollar/euro exchange rate). Year-to-date EBITDA totalled \$22.2 million, up 25.4% (40.1% at constant exchange rates) from \$17.7 million for the same period in 2009.

Accordingly, the segment's margin of EBITDA to revenues stood at 78.2% for the first nine months of 2010 compared with 77.3% for the same period last year. The wind power segment's profit margin remains significantly higher than the average EBITDA margin for Boralex's segments as a whole, which amounted to 38.9% for the first nine-months of fiscal 2010 compared with 38.4% for the same period of 2009. Boralex's overall profit margin is generally trending upward in step with increases in the wind power segment weighting in its product mix. This favourable curve will steepen over coming quarters and years with the completion of projects in progress.

In the first nine months of fiscal 2010, excluding the adverse effect of currency fluctuations, the lion's share of the change in results from year-over-year levels resulted from the aforementioned commissioning of new wind farms. These facilities contributed an additional \$10.2 million to revenues, consisting of \$8.8 million from Canada and \$1.4 million from France, and an additional \$8.7 million to EBITDA, comprising \$7.5 million from Canada and \$1.2 million from France.

The segment generated 234,013 MWh of electricity for the first nine months of 2010, logging a year-over-year increase of 50.3% from 155,677 MWh. In Ontario, year-to-date performance at the new wind farms in Ontario has met management's operational targets. Note that the four wind farms of Phase I of the Thames River project have capitalized, since February 2010, on the benefits of the Advanced RESOP program, including a basic rate of \$131/MWh plus a \$10/MWh top-up from the federal ecoENERGY program. In France, wind conditions failed to match their 2009 levels, particularly in the first half of 2010, resulting in a 4.8% drop in output at existing wind farms.

Generally, the contribution of these new wind farms to year-to-date wind power results readily offset the following unfavourable items:

- The significant impact of exchange rate changes;
- The \$0.9 million decline in revenues and EBITDA at existing wind farms caused by wind conditions in France that were less favourable in 2010 than in 2009;
- A \$0.2 million adverse effect on both revenues and EBITDA arising from a slight reduction in the average selling price at the French wind farms owing to the decline in France's consumer price index, to which our electricity selling prices are tied; and
- A set of less significant factors, including lower green certificate sales and increases in certain expenses.

## OUTLOOK

Boralex anticipates growth in the wind power segment for the remainder of 2010, with the three new wind farms totalling 42.9 MW and commissioned between August and October 2010 contributing fully to results. Segment growth is expected to gather pace in 2011. Thanks to recent development projects in Canada and Europe, installed capacity in Boralex's wind power segment currently stands at 202 MW, up 87.0% from 108 MW in September of 2009. In addition, five new wind farms totalling 50 MW will be commissioned in Canada by the end of fiscal 2010. As a result, Boralex will kick off fiscal 2011 with installed and contracted wind power capacity totalling 252 MW, up 133% from its level at the outset of fiscal 2009. All of Boralex's wind power assets, in both Europe and Canada, enjoy long-term power sales contracts and favourable rates.

The following key development projects are currently underway:

In Canada, in addition to optimizing output at the 40 MW wind farms in operation at the Thames River site, Boralex intends to commission the site's 50 MW Phase II by the end of fiscal 2010. Phase II has been financed and Phase I refinanced over a 21-year period, with development of the five new wind farms of Phase II progressing as planned. Once in operation, these facilities will also qualify for the Advanced RESOP program at a basic rate of \$121/MWh and, for the first ten years, an additional ecoENERGY payment of \$10/MWh. Over a longer horizon, Boralex and its partner are pursuing development of two wind farms totalling 272 MW at Seigneurie de Beaupré, Québec, with a view to completing financing over the next 9 to 12 months. These projects are to be commissioned in late 2013.

In Boralex management's opinion, the medium- and long-term outlooks for the wind power segment are highly favourable, due in particular to the scale and quality of its Canadian projects. In North America, in the next three fiscal years, the Corporation will focus on completing and optimizing the Thames River projects in Ontario and the Seigneurie de Beaupré project in Québec. The Québec site also has high potential for development of additional wind farms that could generate significant operating synergies.

Accordingly, the Corporation continues to plan for long-term growth for its wind power segment by seeking projects to be developed from 2014 onward. For instance, in July 2010, in response to Hydro-Québec's request for proposals for the development of 250 MW of municipal energy projects, and in partnership with Québec RCMs (regional county municipalities), Boralex submitted two community wind farm projects of 25 MW each, including an expansion at Seigneurie de Beaupré. Pending approval, these and other projects that may be submitted in the coming months would be commissioned as of 2013-2014.

In July 2009, France's Council of State, the final level of appeal in the French legal system, upheld the decision cancelling the building permit for the expansion of two wind turbines at the Avignonet-Lauragais facility commissioned in April 2008. This decision does not jeopardize the power sales contract with EDF nor operation of the expansion. At present, this situation does not place Boralex in default under any credit agreement. To date, Boralex has applied to the appropriate authorities for an amended building permit and expects a decision by the end of 2010, while the Commune of Montferrand has filed a civil suit to have the wind turbines destroyed, against which the Corporation intends to vigorously defend itself. A hearing was held for its amended permit on September 16, 2010 and management expects a decision by the end of November. These wind turbines account for less than 1% of the Corporation's current installed capacity.

### HYDROELECTRIC POWER STATIONS

The following table shows major changes in revenues from energy sales and EBITDA:

(in millions of dollars)	Three-month periods		Nine-month periods	
	Revenues from energy sales	EBITDA	Revenues from energy sales	EBITDA
<b>AS AT SEPTEMBER 30, 2009</b>	<b>1.8</b>	<b>0.3</b>	<b>7.4</b>	<b>3.8</b>
Impact of Fund operations during consolidation period	1.2	1.0	1.2	1.0
<i>Data pertaining to Boralex:</i>				
Power stations commissioned	-	-	0.8	0.4
Price	0.3	0.3	0.2	0.2
Volume	(0.5)	(0.5)	(0.6)	(0.6)
Translation of self-sustaining subsidiaries	(0.1)	-	(0.7)	(0.4)
Maintenance	-	0.2	-	0.3
Other	0.1	0.2	(0.1)	(0.2)
<b>AS AT SEPTEMBER 30, 2010</b>	<b>2.8</b>	<b>1.5</b>	<b>8.2</b>	<b>4.5</b>

HYDROELECTRIC OUTPUT (MWH)*	Boralex		Fund		Combined	
	2010	2009	2010	2009	2010	2009
Quarters ended September 30	19,278	27,554	14,022	-	33,300	27,554
Nine-month periods ended September 30	93,888	104,286	14,022	-	107,910	104,286
Quarterly historical average	19,189		100,033			
Nine-month historical average	94,622		373,102			
Annual historical average	128,776		497,321		626,097	

\* The historical average is calculated using all output data available for each power station up to the end of Boralex's previous fiscal year.

### OPERATING RESULTS FOR THE THREE-MONTH PERIOD

Hydroelectric segment revenues and EBITDA for the third quarter of fiscal 2010 amounted to \$2.8 million and \$1.5 million, respectively, up from \$1.8 million and \$0.3 million in the same quarter of 2009. This growth was mainly driven by the contribution of the Fund's seven hydroelectric power stations for the last two weeks of the period.

Excluding the Fund's impact, quarterly revenues at Boralex's hydroelectric power stations fell \$0.2 million or 12.3% to \$1.6 million. However, EBITDA at the same stations rose \$0.2 million to \$0.5 million compared with the third quarter of 2009.

Excluding the \$0.1 million adverse effect of the appreciation of Canada's currency against the US dollar, the decline in revenues resulted mainly from a \$0.5 million negative volume effect, which also dampened EBITDA, due to less favourable water flow conditions than in the third quarter of 2009, particularly in the U.S. Excluding the Fund, Boralex's hydroelectric power stations generated 19,278 MWh of electricity, down 30.0% from 27,554 MWh for the third quarter of 2009, including declines of 36.0% at the U.S. power stations and 9.7% at the Canadian facilities. However, output at Boralex's hydroelectric power stations as a whole was slightly higher than the historical average for the third quarter.

Owing to the gradual uptrend in electricity selling prices in the New York State market in the third quarter, power stations in the U.S. capitalized on an increase of over 30% (in US dollars) of their average selling price, resulting in a favourable impact of \$0.3 million on Boralex's hydroelectric segment revenues and EBITDA. Segment profitability also benefited from \$0.2 million decrease in maintenance costs owing to the recognition of certain non-recurring expenses in 2009, as well a decline in other expense items.

### OPERATING RESULTS FOR THE NINE-MONTH PERIOD

The hydroelectric segment posted year-to-date revenues of \$8.2 million (\$6.9 million excluding the Fund) compared with \$7.4 million for the first nine months of 2009. EBITDA totalled \$4.5 million (\$3.6 million excluding the Fund) for the period compared with \$3.8 million in 2009. Excluding the Fund's contribution, Boralex's hydroelectric segment posted negative growth in revenues and EBITDA of \$0.5 million (6.8%) and \$0.2 million (5.3%), respectively.

Boralex's power stations generated 93,888 MWh of electricity year to date, down 10.0% from 104,286 MWh for the first nine months of 2009. This year-over-year decline resulted primarily from less favourable water conditions at the U.S. power stations, which reported a 17.5% drop in output. The Canadian power stations stepped up output by 26.3% due to the full contribution by the Ocean Falls, B.C. power station acquired by the Boralex in early April 2009 and currently operating at 2 MW for the Corporation. Year-to-date output for the power stations as a whole was just shy of the historical average.

Excluding the Fund, the changes in hydroelectric segment's results are summarized as follows:

- The contribution of the Ocean Falls power station for the entire period in 2010 compared with only two quarters in 2009, which boosted revenues and EBITDA by \$0.8 million and \$0.4 million, respectively;
- The \$0.2 million favourable effect on revenues and EBITDA of the gradual uptrend in electricity selling prices in the U.S. market;
- The \$0.3 million favourable effect on EBITDA of lower maintenance costs;
- The \$0.6 million unfavourable volume effect on revenues and EBITDA owing to less favourable year-to-date water flow conditions in 2010 than in 2009;
- The adverse effect of exchange rate fluctuations on revenues and EBITDA of \$0.7 million and \$0.4 million, respectively; and
- A set of less significant factors, including lower REC sales.

### OUTLOOK

The main short-term growth driver in the hydroelectric segment will be the integration of the Fund's seven power stations, the full effect of which will be felt in fiscal 2011. The Fund's hydroelectric power stations have 96 MW of installed capacity compared with 40 MW for Boralex's hydroelectric segment (27 MW of which is currently in production). For information purposes, revenues and EBITDA for the nine-month period ended September 30, 2010 at the Fund's hydroelectric power stations amounted to \$28.1 million and \$22.8 million, respectively, representing an 81.1% profit margin, compared with revenues and EBITDA for the same period at Boralex's hydroelectric power stations of \$6.9 million and \$3.6 million, for a profit margin of 52.2%.

As a result, the integration of the Fund's seven hydroelectric power stations will have a significant positive impact on the segment's results on a full annual basis. Since all of the Fund's facilities have long-term sales contracts, they will contribute in particular to greater stability in profit margins and cash flows from operations in the hydroelectric segment.

Hydroelectric segment output is generally difficult to forecast since it depends primarily on water flow conditions. Note however that the segment benefits from a low and generally fixed cost structure.

Boralex's hydroelectric segment has been affected for the past few quarters by difficult market conditions in the U.S. due to the economic slowdown and low natural gas prices. However, the past few months have seen electricity selling prices level off then strengthen in the New York State free market in the third quarter. We recall that results at Boralex's U.S. power stations are largely dependent on the price of natural gas, because the electricity selling price is indexed to this commodity in the North American market.

The segment's main projects include the following:

- Continue optimizing the 2 MW in operation at Ocean Falls;
- Renegotiate the power sales contract at the East Angus power station entered into in 1991 under Hydro-Québec's APR program due to expire at the end of 2010. This will be Boralex's first renegotiation of a long-term contract. The 2 MW East Angus power station's year-to-date share of consolidated revenues and EBITDA stood at 0.6% and 1.5%, respectively.

With respect to the Fund's power stations, an expansion project at the 9.9 MW power station in Buckingham, Québec is underway, and the required environmental studies have been filed. Boralex intends to continue developing this project provided it successfully negotiates a power sales contract under profitable terms. With respect to the Fund's other hydroelectric power stations, given the quality of assets and the ongoing maintenance program, there is no indication that output will not be in line with historical averages. In addition, Québec power stations will continue to benefit from contractual indexation under their power sales contracts and from capacity premiums.

Over the medium- and long-term, Boralex will target opportunities to expand its hydroelectric segment, particularly in British Columbia, where in addition to a medium-term development initiative to capture the full potential of Ocean Falls and the rights it acquired in the same area in 2009, Boralex will strive to identify and acquire operational assets or development projects slated to begin as of 2014.

#### WOOD-RESIDUE THERMAL POWER STATIONS

The following table shows major changes in revenues from energy sales and EBITDA:

(in millions of dollars)	Three-month periods		Nine-month periods	
	Revenues from energy sales	EBITDA	Revenues from energy sales	EBITDA
<b>AS AT SEPTEMBER 30, 2009</b>	<b>29.8</b>	<b>10.7</b>	<b>96.4</b>	<b>30.6</b>
Impact of Fund operations during consolidation period	0.4	-	0.4	-
<i>Data pertaining to Boralex:</i>				
Price	0.3	0.3	(5.1)	(5.1)
Volume	1.8	0.5	1.3	0.4
RECs	(2.5)	(2.5)	(1.0)	(0.9)
Translation of U.S. subsidiaries	(1.6)	(0.6)	(11.1)	(3.2)
Renewable energy tax credits	-	(3.3)	-	(9.3)
Raw material costs	-	2.0	-	7.9
Maintenance	-	0.4	-	0.4
Other	(0.1)	(0.4)	0.3	0.8
<b>AS AT SEPTEMBER 30, 2010</b>	<b>28.1</b>	<b>7.1</b>	<b>81.2</b>	<b>21.6</b>

#### OPERATING RESULTS FOR THE THREE-MONTH PERIOD

Revenues and EBITDA for the third quarter of 2010 amounted to \$28.1 million and \$7.1 million, respectively, compared with \$29.8 million and \$10.7 million for the same quarter of the previous year. The inclusion of the Fund's results for the last two weeks contributed \$0.4 million in revenues, but had not impact on EBITDA.

Excluding the Fund, revenues fell \$2.1 million or 7.0% primarily as a result of a \$2.5 million drop in REC sales, the \$1.6 million adverse effect the appreciation of Canada's currency against the US dollar and lower capacity premiums. The decline in REC sales resulted in large part from a 28.7% decrease in the average REC selling price (in US\$). In addition, given the weakness of REC market prices, Boralex reduced the volume of RECs sold by approximately 1%.

On the upside, revenue growth was buoyed by the \$1.8 million favourable volume effect arising from an 11.5% increase in the segment's electricity output to 332,146 MWh for the third quarter of 2010 from 297,851 MWh for the same quarter of the previous year. This growth was driven by better electricity market conditions relative than in the third quarter of 2009 when Boralex's wood-residue segment voluntarily scaled back output owing to low electricity selling prices. However, the wood-residue segment reported a higher average selling price for the third quarter of 2010, resulting in an additional \$0.3 million increase in quarterly earnings.

The segment's negative growth of \$3.6 million or 33.6% in EBITDA for the third quarter of 2010 resulted primarily from the following:

- The end of the U.S. renewable energy tax credits program in December 2009, resulting in a \$3.3 million EBITDA shortfall;
- The \$2.5 million adverse effect of the aforementioned decline in REC sales;
- The \$0.6 million adverse effect of exchange rate changes; and
- A series of other items including lower capacity premiums, resulting in a \$0.4 million adverse effect on quarterly EBITDA.

However, the impact on EBITDA of the above factors was partly offset by the following favourable items:

- A \$2.0 million reduction in raw material costs arising from lower wood-residue acquisition and transportation costs coupled with improved combustion rates at Boralex's power stations;
- A \$0.5 million favourable volume effect;
- A \$0.4 million decrease in maintenance costs due in part to differences in maintenance schedules between the two comparative periods; and
- The \$0.3 million effect of higher average electricity selling prices for the power stations.

## OPERATING RESULTS FOR THE NINE-MONTH PERIOD

The wind-residue segment posted revenues and EBITDA of \$81.2 million (\$80.8 million excluding the Fund) and \$21.6 million, respectively, for the first nine months of 2010 compared with \$96.4 million and \$30.6 million, respectively, for the same period of 2009.

Excluding the Fund, revenues fell \$15.6 million or 16.2% owing primarily to an \$11.1 million unfavourable difference in the US/Canadian dollar exchange rate; at constant exchange rates, revenues at Boralex's wood-residue thermal power stations would have been down only 4.7%. Apart from currency fluctuations, revenues were also affected from the following key unfavourable items:

- The \$5.1 million unfavourable price effect attributable to a 13.1% drop in the average electricity selling price (in US\$). This decrease is explained by the fact that most of the benefits under electricity price financial swaps entered into in 2008 were exhausted in 2009 and that prices were depressed in the New England electricity market until the uptrend logged in the third quarter; and
- A \$1.0 million drop in REC sales to US\$21.6 million for first nine months of 2010, owing to lower average selling prices following a 20% increase in REC output.

Conversely, quarterly revenues got a boost from \$1.6 million in favourable items, including a \$1.3 million volume effect. Excluding the Fund, the wood-residue segment generated a total of 917,672 MWh for the first nine months of 2010, up 7.7% from 852,253 MWh year over year.

Negative growth in the wood-residue segment EBITDA of \$9.0 million or 29.4% for the nine-month period compared with the same period of 2009 resulted from four key items:

- A \$9.3 million shortfall arising from end of the U.S. renewable energy tax credit program in December 2009;
- The \$5.1 million unfavourable effect of lower market prices and fewer benefits year to date under forward sales transactions (electricity price financial swaps) entered into in 2008 than in the first nine months of 2009;
- The \$3.2 million adverse exchange rate effect; and
- The \$0.9 million adverse effect of lower REC sales.

However, the impact of these items was largely offset by a \$7.9 million decrease in raw material costs, due primarily to BCAP program incentives through April 30, 2010 and reduced transportation costs owing to lower fuel prices. The BCAP program, which offered financial incentives to companies that collect and transform forest residues into energy, has been suspended since April 30, 2010. The new attribution rules, issued on October 27, 2010, are substantially similar to those in place at the time of the April suspension. However, Boralex is currently studying the new rules in detail and will be able to assess the future impact of the BCAP on its results in the near future. Lastly, wood-residue segment EBITDA for the first nine months of 2010 also benefit from \$1.6 million in other less significant favourable factors, including a \$0.4 million favourable volume effect and a \$0.4 million decline in maintenance costs.

## OUTLOOK

In addition to the anticipated revenue growth, the addition of the Fund's two Canadian wood-residue thermal power stations (with an installed capacity of 62.6 MW) to Boralex's six U.S. wood-residue power stations (with an installed capacity of 204 MW) will result in improved geographic diversification and income smoothing for the segment, since the Fund's power stations have long-term power sales contracts with Hydro-Québec. For information purposes, revenues and EBITDA for the nine-month period ended September 30, 2010 at the Fund's wood-residue power stations amounted to \$15.4 million and \$4.9 million, respectively, representing a 31.8% profit margin, compared with revenues and EBITDA for the same period at Boralex's wood-residue power stations of \$80.7 million and \$21.6 million, for a profit margin of 26.8%.

The Corporation is participating with Pacific BioEnergy Corporation and TimberWest Forest Corporation in BC Hydro's Phase II Biomass Call under a joint tender for a 35 MW project in Campbell River on Vancouver Island, B.C. Several conditions must be met prior to project execution, such as winning the 25-year contract, securing a wood-supply agreement over the same term and obtaining the required financing.

*Boralex's U.S. power stations*

Management remains cautious as to the short-term outlook of the wood-residue power stations currently operated by Boralex, all located in the U.S. Although electricity selling prices have been on the rise in the Northeastern U.S. free market for the past few months, the prevailing fragility of the U.S. economy remains worrisome. The price of natural gas remains low compared with recent years, resulting in continued pressure on price of electricity, which is indexed to the commodity. Finally, the high value of the Canadian dollar against its U.S. counterpart, if it persists, will continue to curtail segment results.

The Corporation will continue its strategy of adjusting output at its wood-residue power stations to meet market conditions, thereby providing greater flexibility in managing costs.

Note that, in 2010, the wood-residue segment can no longer capitalize on the U.S. renewable energy tax credits program, which contributed a total amount of \$13.9 million to segment EBITDA for fiscal 2009. A proposed extension to the program is currently under before the U.S. Congress. Although, in 2010, the wood-residue segment does not have the same benefits under forward sales contracts and hedging mechanisms as in 2009, the Corporation does hold electricity contracts and swaps covering nearly 61% of anticipated output for 2010 and 28% for 2011. In addition, the power sales contract at the Fort Fairfield power station, containing better than market conditions, is in force until February 2011.

Boralex's management expects REC prices to improve over the coming quarters. As at November 10, 2010, Boralex had US\$8.2 million (\$8.4 million) in firm sales commitments for REC deliveries through December 31, 2012. Despite current economic conditions, Boralex's management expects increased demand to make the REC market an attractive source of recurring revenues and profits for its wood-residue segment until 2020.

The United States Department of Agriculture, which manages the BCAP, issued new attribution rules on October 27, 2010. The new rules are substantially similar to those in place at the April program suspension. However, Boralex is currently studying the new rules in detail and will be able to assess the future impact of the BCAP on its results in the near future.

Management is generally confident in the longer term outlook for Boralex's U.S. power stations. Under the global performance optimization program completed in 2009, the segment succeeded in reducing risk exposures, lowering costs, developing sources of recurring revenues, ensuring a steady supply stream and positioning itself proactively to capitalize on U.S. legislation that is increasingly favourable to the production of renewable energy.

*The Fund's Canadian power stations*

Difficult conditions in the Québec forest industry dating back to 2006 compromise the stability of wood-residue supply for the Fund's Senneterre and Dolbeau, Québec power stations. To address this situation, the Fund adopted a diversified wood-residue sourcing strategy consisting primarily in using, among others, old bark piles at the Senneterre power station. Since residues from old bark piles generally have higher moisture levels and lower calorific values, a \$6.7 million investment project has begun at Senneterre to optimize the quality of wood residues from old bark piles.

Moreover, due to financial difficulties experienced by its industrial client ABI, output at the Dolbeau power station was significantly disrupted during fiscal 2009 and 2010. In August 2010, ABI announced its decision to permanently shut down its Dolbeau facilities. Accordingly, the Dolbeau power station will no longer produce steam for ABI. In light of current wood-residue supply conditions, management expects the power station to generate electricity for Hydro-Québec from November 2010 to April 2011, a period in which demand is at its peak and capacity premium payments are significant.

Further to ABI's C-36 filing, claims have been filed for the cancellation of the service contracts pertaining to the Dolbeau and Senneterre power stations amounting to \$117.0 million and \$9.6 million, respectively. These claims were downwardly revised by the court-appointed monitor to approximately \$50.5 million and \$7.9 million, respectively. An objection to these amounts was filed with the claims agent appointed by the court.

**NATURAL GAS COGENERATION POWER STATION**

The following table shows major changes in revenues from energy sales and EBITDA:

(in millions of dollars)	Three-month periods		Nine-month periods	
	Revenues from energy sales	EBITDA	Revenues from energy sales	EBITDA
<b>AS AT SEPTEMBER 30, 2009</b>	<b>2.3</b>	<b>(0.1)</b>	<b>12.0</b>	<b>1.2</b>
Impact of Fund operations during consolidation period	1.1	0.4	1.1	0.4
<i>Data pertaining to Boralex:</i>				
Price	0.4	0.4	0.3	0.3
Volume	-	-	0.3	-
CO <sub>2</sub> quota	-	-	-	(0.4)
Translation of self-sustaining subsidiaries	(0.3)	-	(1.6)	(0.1)
Natural gas prices	-	(0.3)	-	0.8
Other	(0.1)	(0.1)	(0.1)	-
<b>AS AT SEPTEMBER 30, 2010</b>	<b>3.4</b>	<b>0.3</b>	<b>12.0</b>	<b>2.2</b>

**OPERATING RESULTS FOR THE THREE-MONTH PERIOD**

Natural gas segment revenues for the third quarter of 2010 totalled \$3.4 million compared with \$2.3 million for the same period last year, owing to the inclusion of the results of Fund's Kingsey Falls, Québec power station for the last two weeks of the quarter. This also resulted in a \$0.4 million increase in the segment's quarterly EBITDA to \$0.3 million.

Excluding the Fund, the natural gas cogeneration power station operated by Boralex in France posted results in line with the same quarter of 2009, with revenues and a negative EBITDA of \$2.3 million and \$0.1 million, respectively. However, were it not for the \$0.3 million adverse effect owing to the Canadian dollar's appreciation against the euro, revenues at Boralex's French power station would have been up 13.0%, driven by an increase in the price of steam, which is indexed to the price of natural gas in France. The higher steam price also boosted the power station's EBITDA, offset by the increases in raw material costs (natural gas) and other expenses.

**OPERATING RESULTS FOR THE NINE-MONTH PERIOD**

Excluding the Fund's results, year-to-date natural gas segment revenues totalled \$10.9 million compared with \$12.0 million for the first nine-months of 2009. This \$1.1 million or 9.2% decline resulted in particular from the \$1.6 million adverse effect of the change in the Canadian dollar/euro exchange rate. At constant exchange rates, segment revenues would have risen 4.2% on increases in steam volumes and selling prices. These items have a combined favourable effect of \$0.6 million.

Excluding the Fund's results, the nine-month period EBITDA totalled \$1.8 million, up \$0.6 million or 50.0% (58.3% at constant exchange rates) from the same period of 2009. This performance resulted primarily from \$0.8 million in raw material savings owing to lower natural gas prices and a \$0.3 million favourable effect due to a rise in the price of steam. These items readily offset the \$0.4 million decline in sales of excess CO<sub>2</sub> quota and effect of currency fluctuations.

**OUTLOOK**

For the next few quarters, the combination of the Fund's 31 MW Canadian gas-fired power station with Boralex's 14 MW French power station, which both have long-term sales contracts, will boost revenues and profits for the segment. For information purposes, revenues and EBITDA for the nine-month period ended September 30, 2010 at the Fund's Kingsey Falls power station amounted to \$21.6 million and \$9.4 million, respectively, representing a 43.5% profit margin, compared with revenues and EBITDA for the same period at Boralex's French natural gas power station of \$11.0 million and \$1.8 million, respectively, for a profit margin of 16.4%.

*Boralex's French power station:*

Since 2005, due to market conditions, the power station has operated its cogeneration equipment for the five-month winter period only, that is, from November 1 to March 31. This was the case in 2010 as well. The Blendecques natural gas power station is nonetheless a stable source of profits and cash flows for Boralex. One reason is that, despite the aforementioned discount, fluctuations in its selling prices are offset by opposite fluctuations in raw material costs.



*The Fund's Canadian power station:*

The facility's power sales contract with Hydro-Québec expires in 2012. Since this power station was one of the first private power stations to contract with Hydro-Québec, it is currently difficult to determine the likelihood of contract renewal or the terms and conditions that might be offered. The Kingsey Falls power station's steam sales contract also expires in 2012 and will have to be renegotiated. Upon entering into the contract, the client chose an indexing method partially based on the price of certain oil products sold in Montréal. Given the significant volatility in oil prices over the past few years, the price of steam has fluctuated significantly. Boralex anticipates the possibility of the contract not being renewed under the same terms and conditions as the initial contract.

The Fund has a long-term supply agreement that covers about 90% of the natural gas requirements for this power station. This agreement was entered into in 1995, when the price of natural gas was lower than it is today, which translates into significant cash flows. The commodity contract price, for instance, is approximately 35% below current market prices. The supply agreement expires in 2012, but the fixed price is only in effect until November 2011. In July 2010, the Fund entered into a supply agreement for the period from November 2011 to November 2012. This agreement covers the commodity price of the natural gas molecule for 13 months and its delivery for 12 months at a total rate of \$6.43/GJ.

## **ANALYSIS OF MAJOR CASH FLOWS FOR THE THREE- AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2010**

### **OPERATING ACTIVITIES**

During the third quarter of fiscal 2010, the Corporation reported \$4.4 million or \$0.12 per share in cash flows from operations compared with \$9.2 million or \$0.24 per share for the same quarter of 2009. This decrease resulted mainly from a decline in EBITDA, excluding non-cash items, a decrease in distributions received from the Fund, higher financing costs and a rise in current income taxes. The change in non-cash working capital items required cash outflows of \$1.7 million compared with \$13.3 million for the same quarter of the previous year. The cash outflows for the third quarter of 2010, excluding the Fund's \$0.4 million impact, resulted primarily from a \$1.0 million increase in inventories combined with a \$0.9 million decrease in accounts payable. Accounts receivable were down \$0.8 million. As a result, operating activities in the third quarter of 2010 generated net cash inflows of \$2.7 million compared with net cash outflows of \$4.1 million for the same quarter of the previous year.

Year-to-date, Boralex reported \$23.8 million or \$0.63 per share in cash flows from operations compared with \$36.1 million or \$0.96 per share for the same period in 2009. This difference resulted mainly from the factors discussed in the preceding paragraph, namely the decline in cumulative EBITDA (excluding non-cash items), the decrease in distributions received from the Fund, the increase in financing costs and the rise in current income taxes. The year-to-date change in non-cash working capital items required cash outflows of \$0.6 million whereas it generated cash inflows of \$0.1 million for the first nine months of 2009. The cash outflows for the first nine months of 2010, excluding the Fund's \$0.4 million impact, resulted primarily from a \$3.8 million decrease in accounts payable, partially offset by a \$2.6 million decrease in accounts receivable and a \$1.1 million increase in income taxes payable. As a result, year-to-date operating activities generated cash inflows totalling \$23.2 million compared with \$36.2 million for the same period of the previous year.

### **INVESTING ACTIVITIES**

Investing activities for the third quarter of 2010 resulted in net cash outlays totalling \$157.1 million compared with \$28.9 million in 2009, reflecting two key items: Corporation's ongoing development projects, in particular, the expansion of its wind power segment, and the transaction giving rise to the Fund's takeover by Boralex.

Boralex invested a total of \$73.5 million to develop and carry on business in the third quarter compared with \$25.4 million in the same period of 2009. Core investments during the third quarter of 2010 consisted as follows:

- \$72.0 million allocated to additions to property, plant and equipment related to construction projects underway in the wind power segment, consisting of \$41.5 million for three wind farms in France on which construction was completed in August 2010 and \$30.5 million for Phase II of the Thames River site in Canada;
- \$1.6 million allocated to additions to property, plant and equipment for power stations in operation across the various segments;
- \$2.1 million in additional consideration representing the balance of purchase price for the wind farm development rights for Thames River Phase I and Phase II; and
- \$0.3 million invested in various development projects, particularly the Seigneurie de Beaupré, Québec wind power project.

Conversely, Boralex utilized \$38.7 million in restricted cash pertaining primarily to the construction of Phase II of Thames River in Ontario and, to a lesser degree, optimization work at the Ocean Falls power station. Boralex also received \$0.7 million consisting mainly of repayments made by wood-residue suppliers in respect of crushing equipment financed by Boralex.

With regard to the transaction to acquire the Fund, first, the Corporation acquired 45% of the units of the Fund on September 15, 2010 for \$52.9 million in cash and \$79.3 million in convertible debentures. The Corporation then acquired 4.5% of additional units on September 28, 2010 for \$5.3 million in cash and \$8.0 million in convertible debentures. In addition, at the time of the acquisition, the Fund had a cash balance of \$19.4 million. Accordingly, the net consideration paid in cash totalled \$126.1 million (net of \$19.4 million cash belonging to the Fund).

The \$5.7 million contribution of non-controlling interest arose from the July 6, 2010 equity transaction entered into with the Corporation's European partner "Cube."

Year-to-date, Boralex has made net investments totalling \$293.9 million compared with \$82.8 million for the same period in 2009. Excluding the aforementioned items related to the takeover of the Fund and a capital raising agreement entered into with a European partner, Boralex invested a total of \$173.5 million to expand and carry on its business. Core investments for the first nine months of 2010 consisted as follows:

- \$130.3 million allocated to additions to property, plant and equipment related to various construction projects in progress, primarily in the wind power segment, consisting of \$69.7 million for Phase II of the Thames River site in Canada and \$60.6 million for wind power projects in France;
- \$7.5 million allocated to additions to property, plant and equipment for power stations in operation, consisting of \$3.3 million for the wind power segment, \$2.4 million for the wood-residue segment and \$2.2 million for the hydroelectric segment;
- \$35.0 million in restricted cash pertaining almost exclusively to the Phase II of the construction project at Thames River (50 MW) in Ontario, in connection with financing secured in March 2010;
- \$2.1 million representing the balance of purchase price for the rights for Thames River Phase I and Phase II;
- \$1.8 million allocated to repurchase of minority interests in the Cham Longe II wind farm (4.6 MW); and
- \$0.7 million for various development projects.

Conversely, Boralex received the following amounts:

- \$2.2 million consisting mainly of repayments made by wood-residue suppliers in respect of crushing equipment financed by the Corporation;
- \$0.9 million on the disposal of the Bel Air wind farm in France; and
- \$0.9 million representing the change in restricted funds, relating primarily to upgrades at the Ocean Falls power station.

#### FINANCING ACTIVITIES

Financing activities in the third quarter generated net cash flows of \$238.6 million. In connection with the transaction to acquire the Fund, Boralex issued convertible debentures amounting to \$191.2 million on a net basis, including the greenshoe option exercised by the agents and net of financing costs. A \$58.2 million portion of these proceeds was used to finance the cash consideration to acquire 73% of the trust units of the Fund from September 15 to September 28, 2010.

With a view to financing its operations, Boralex contracted \$54.4 million in new long-term debt, primarily to build three new wind farms in France, and repaid \$7.0 million in existing debt.

Year-to-date financing activities generated net cash inflows of \$374.4 million. In addition to the \$191.2 million in net proceeds from the issuance of convertible debentures discussed above, Boralex increased its long-term debt by \$195.5 million, net of repayments on long-term debt during the period. The Corporation also repaid \$12.3 million in bank loans and advances.

Excluding the issuance of convertible debentures, most financing activities during the first nine months of fiscal 2010 were carried out under the March 2010 agreement entered into with a consortium of Canadian life insurance companies to finance Phase II (50 MW) of the Thames River wind power site and refinance Phase I (40 MW) already in operation. Total financing amounts to \$194.5 million, which represents approximately 74% of the total investment, including initial financing costs, interest payable during the construction period, working capital and contingencies. The loan is structured in two tranches, a \$186.0 million term loan earmarked for construction costs and an \$8.5 million revolving loan to cover temporary deficits related to the payment of amounts owed to the administrative agent or the lenders. The increased financial leverage on Phase I of the project will allow Boralex to complete Phase II without adding any equity investment. The loan is amortized over a 21-year period at a rate of 7% for the full term.

Boralex drew down \$186.0 million under this new financing since it was secured in March 2010. Year-to-date, the Corporation also drew down \$82.5 million (€58.9 million) under its European credit facilities for the development and commissioning of the Cham Longe II, Ronchois, Le Grand Camp and Chasse-Marée wind farms. Boralex also repaid \$47.7 million in respect of the total initial financing for Thames River, as well as \$5.0 million on the balance of the purchase price of Ocean Falls, and continued to pay down its other loans on a regular basis.

Lastly, fluctuations in the C\$/€ and the C\$/US\$ exchange rates curtailed cash and cash equivalents by \$0.8 million in the first nine months of fiscal 2010. Total changes in cash and cash equivalents described above generated total net cash flows of \$102.9 million. As a result, cash and cash equivalents totalled \$140.7 million as at September 30, 2010 compared with \$37.8 million as at December 31, 2009.

---

**To sum up, changes in cash flows for the first nine months of fiscal 2010 reflect:**

- **Boralex’s significant capacity to meet its own financing requirements and the prudent management of its investment and capital structure;**
- **Its ability to step up its leadership in renewable energy production in North America and Europe through the acquisition and development of high-quality energy assets; and**
- **Its success in securing financing and completing its projects, which is a testament to their quality.**

**These strengths will continue to enhance the Corporation’s financial health and flexibility, allowing it to achieve its strategic objectives in Europe and North America.**

---

**FINANCIAL POSITION AS AT SEPTEMBER 30, 2010**

Changes in key balance sheet items between December 31, 2009 and September 30, 2010 primarily reflect:

- The consolidation of the Fund's balance sheet items subsequent to its takeover by Boralex;
- Acquisition financing for 73% of the Fund's trust units;
- Investing and financing activities related to wind power segment expansions; and
- The impact of fluctuations in Canada's currency relative to the US dollar and the euro.

To assist the reader, the following table shows the impact of the takeover of the Fund on Boralex's key balance sheet items as at September 30, 2010:

(in millions of dollars)				As at September 30, 2010	As at December 31, 2009
	Boralex	Fund	Consolidated adjustments	Consolidated	
<b>ASSETS</b>					
Current assets	207.3	33.0	(2.8)	237.5	89.1
Investment	193.0	-	(193.0)	-	55.5
Property, plant and equipment	530.5	277.7	-	808.2	413.6
Power and steam sales contracts	49.4	49.2	-	98.6	49.0
Goodwill	-	-	88.6	88.6	-
Other long-term assets	43.5	5.3	0.1	48.9	56.6
Long-term debt	816.4	332.2	(104.4)	1 044.2	574.7
	<b>1,023.7</b>	<b>365.2</b>	<b>(107.2)</b>	<b>1 281.7</b>	<b>663.8</b>
<b>LIABILITIES</b>					
Current liabilities	82.5	13.1	(2.7)	92.9	65.8
Long-term debt	376.6	107.4	10.3	494.4	206.1
Convertible debentures	173.4	-	-	173.4	-
Long-term lease accruals	-	3.0	-	3.0	-
Future income taxes	18.0	27.9	(2.7)	43.2	37.2
Fair value of derivative financial instruments	15.6	-	-	15.6	7.6
Long-term liabilities	583.6	138.3	7.6	729.5	250.9
	666.1	151.4	4.9	822.4	316.7
<b>EQUITY ATTRIBUTABLE TO SHAREHOLDERS</b>					
Capital stock	222.7	535.0	(535.0)	222.7	222.7
Equity component of convertible debentures	17.9	-	-	17.9	-
Contributed surplus	5.3	-	-	5.3	4.3
Retained earnings	163.3	(301.7)	322.6	184.2	159.9
Accumulated other comprehensive loss	(60.8)	(19.5)	19.5	(60.8)	(46.9)
	348.4	213.8	(192.9)	369.3	340.0
Non-controlling interests	9.2	-	80.8	90.0	7.1
Total equity	357.6	213.8	(112.1)	459.3	347.1
	<b>1,023.7</b>	<b>365.2</b>	<b>(107.2)</b>	<b>1,281.7</b>	<b>663.8</b>

**ASSETS**

As at September 30, 2010, Boralex reported total assets of \$1,281.7 million compared with \$663.8 million as at December 31, 2009, up \$617.9 million or 93.1%, due in particular to the inclusion of \$365.2 million in assets from the takeover of Fund. Current assets rose \$148.4 million to \$237.5 million as at September 30, 2010 owing to the impact on cash and cash equivalents of the undrawn portion of the March 2010 financing, Boralex's year-to-date cash flows from operations, a portion of the convertible debenture issuance proceeds and the inclusion of the Fund's current assets. Long-term assets were up \$469.5 million to \$1,044.2 million as at September 30, 2010, primarily as a result of additions to property, plant and equipment related to construction projects underway in the wind power segment and the inclusion of the Fund's long-term assets.

**WORKING CAPITAL**

As at September 30, 2010, Boralex's working capital amounted to \$144.7 million with a ratio of 2.56:1 compared with \$23.3 million and a ratio of 1.35:1 as at December 31, 2009. This change resulted primarily from the growth in cash and cash equivalents and restricted cash discussed above, net of a \$27.0 million increase in current liabilities. Accounts payable and accrued liabilities, in particular, grew \$27.0 million as a result of amounts due to suppliers in connection with construction projects in the wind power segment and the inclusion of the Fund's accounts payable and accrued liabilities.

**TOTAL DEBT AND SHAREHOLDERS' EQUITY**

As at September 30, 2010, the Corporation's total debt including the convertible debentures amounted to \$703.6 million compared with \$230.4 million as at December 31, 2009, owing to the following key items:

- The issuance of convertible debentures in connection with the Fund takeover transaction, whose "liability" component, remeasured at fair value, amounted to \$173.4 million as at September 30, 2010; and
- A \$303.0 million increase in long-term debt (including the current portion) resulting from financing for the Thames River wind power facility described in the previous section as well as the drawdowns under European credit facilities to finance the wind power projects in France, the whole net of debt repayments for the period. Also, the euro's weakening against the Canadian dollar between December 31, 2009 and September 30, 2010 resulted in a decrease of approximately \$8.5 million in Boralex's long-term debt in Europe. In this regard, note that 73% of Boralex's long-term debt as at December 31, 2009 was in Europe. Subsequent to the expansion of its wind power segment in Canada, this proportion was reduced to 41% as at September 30, 2010.

Net of cash and cash equivalents and restricted cash, total net debt (excluding deferred financing costs) stood at \$527.8 million as at September 30, 2010 compared with \$204.9 million as at December 31, 2009. Moreover, total shareholders' equity grew \$112.2 million to \$459.3 as at September 30, 2010 from \$347.1 million as at December 31, 2009. This increase resulted primarily from:

- \$22.6 million in net earnings for the nine-month period;
- The excess of purchase price paid for acquisition of the minority interests in Cham Longe II;
- The excess of the proceeds from the partial sale of the European subsidiary;
- The \$13.9 million change in *Accumulated other comprehensive income*;
- The \$17.9 million equity component of the convertible debentures; and
- The \$83.0 million increase in non-controlling interests resulting from the takeover of the Fund.

As a result, the total net debt to capitalization ratio including convertible debentures (total net debt plus shareholders' equity) was 54.1% as at September 30, 2010, up from 37.8% as at December 31, 2009.

Based on Boralex's share price of \$8.16 as at September 30, 2010, the net debt to enterprise value ratio was 63.8% as at that date compared with 36.5% as at December 31, 2009 when the share price stood at \$9.70.

**OUTLOOK**

Apart from the contribution of the Fund's power stations, Boralex management expects the Corporation's operating results to grow in the next few quarters, driven by recent and ongoing expansion in the wind power segment. The outlook for Boralex's different operating segments for fiscal 2010 is discussed in detail under *Analysis of segmented results for the three- and nine-month periods ended September 30, 2010* in this interim MD&A. The outlook by segment as well as for the Corporation as a whole is summarized below.

### WIND POWER SEGMENT

Installed capacity in this segment grew 87% over the past 12-month trailing period. Toward the end of the third quarter and in the beginning of the fourth quarter, in particular, this segment commissioned three new wind farms in France totalling nearly 50 MW, whose contribution to consolidated results will begin as of the three-month period ending December 31, 2010. By the end of the current fiscal year, an additional 50 MW will be brought online with the commissioning of Phase II of the Thames River facility in Canada. Accordingly, installed capacity in the wind power segment will exceed 250 MW in December 2010.

All these new facilities, like the existing wind farms in operation, benefit from long-term power sales contracts at an average selling price in excess of Boralex's current average price.

In addition, the partnership entered into with Cube in December 2009 will be leveraged over the next three fiscal years to expand the Corporation's wind power operations in France and other European countries, including Italy, as well as to develop other renewable energy sources, primarily solar power.

### HYDROELECTRIC SEGMENT

The main short-term growth driver in the hydroelectric segment will be the integration of the Fund's seven power stations, the full effect of which will be felt in fiscal 2011. The hydroelectric segment will triple in size with the inclusion of these power stations, but with power sales contracts in place at all these facilities, they will also have income smoothing effect in the segment, boosting the contracted percentage of installed capacity from 49% to 85%. Over the new few quarters, however, the strength of the Canadian dollar will likely continue to weigh on the results of the U.S. hydroelectric power stations of Boralex and the Fund, translated from US to Canadian dollars. With no sales contracts in place, Boralex's power stations will also be exposed to the volatility of prices in the New England electricity market.

Boralex plans to grow its hydroelectric segment over the medium term, particularly in British Columbia.

### WOOD-RESIDUE THERMAL POWER SEGMENT

The inclusion of the Fund's two wood-residue power stations increased the segment's contracted percentage of installed capacity from 18% to 37%. However, management remains prudent as to the short-term outlook in light of the difficult business environment for wood-residue energy production, due in particular to the volatility of power selling prices and RECs in the Northeastern U.S., to which Boralex's power stations are exposed, the difficulties in the Québec forest industry, which affect the Fund's power stations, specifically the Dolbeau facility.

Four key factors hampered year-to-date performance at Boralex's wood-residue power stations:

- The end of the U.S. renewable energy tax credits program on December 31, 2009, which contributed \$13.9 million to segment EBITDA in 2009. However, a proposed one-year-renewal of this program is currently before the U.S. Congress;
- Low electricity selling prices and fewer benefits under power sales contracts and hedging mechanisms than in 2009;
- The strength of Canada's currency against the US dollar; and
- A sluggish REC market in the U.S.

The impact of the second factor began to abate in the third quarter of 2010, amid an uptrend in selling prices in the open market. As regards the REC market, despite current economic conditions, Boralex's management sees attractive potential through 2020 for recurring revenues and profits for its wood-residue segment.

Following the April 30, 2010 suspension of the BCAP program, the United States Department of Agriculture released the new BCAP attribution rules in October 2010. The rules, issued on October 27, 2010, are substantially similar to those in place at the time of the April suspension. However, Boralex is currently studying the new rules in detail and will be able to assess the future impact of the BCAP on its results in the near future.

Management is confident in the segment's longer term outlook. Under the global performance optimization program completed in 2009, the segment succeeded in reducing risk exposures, lowering costs, developing sources of recurring revenues, ensuring a steady supply stream and positioning itself proactively to capitalize on U.S. legislation that is increasingly favourable to the production of renewable energy. In addition, the inclusion of the Fund's power stations will boost profitability and cash flows in the wood-residue segment, particularly at Senneterre, with investments targeting an optimized supply of raw materials.

The Corporation is participating with Pacific BioEnergy corporation and TimberWest Forest Corporation in BC Hydro's Phase II Biomass Call under a joint tender for a 35 MW project in Campbell River on Vancouver Island, B.C. Several conditions must be met prior to project execution, such as winning the 25-year contract, securing a wood-supply agreement over the same term and obtaining the required financing.

### NATURAL GAS THERMAL POWER SEGMENT

The combination of the Fund's 31 MW Canadian gas-fired power station with Boralex's 14 MW French power station, both with long-term sales contracts in place, will boost segment revenues and profits.

However, the Kingsey Falls facility sales contract expires in 2012 and will have to be renegotiated. Boralex anticipates the possibility of the contract not being renewed under the same terms and conditions as the initial contract whereby pricing is linked to the prices of certain oil product sold in Montréal. For this same facility, Boralex has a long-term supply agreement covering about 90% of its natural gas requirements. This agreement was entered into in 1995, when the price of natural gas was lower than it is today, which translates into significant cash flows. The commodity contract price, for instance, is approximately 35% below current market prices. The supply agreement expires in 2012, but the fixed price is only in effect until November 2011. In July 2010, the Fund entered into a supply agreement for the period from November 2011 to November 2012. This agreement covers the commodity price of natural gas for 13 months and its delivery for 12 months at a combined rate of \$6.43/GJ.

With respect to Boralex's French power station, regardless of market conditions, the facility is a relatively stable source of profits and cash flows for Boralex, as fluctuations in its selling prices are offset by opposite fluctuations in its raw material costs, as experienced in 2009 and year to date in fiscal 2010. This power station will remain closed until October 31, 2010, as in the past five fiscal years, due to the cap on prices in summer.

### SOLAR ENERGY SEGMENT

Boralex is currently working on the implementation of a solar energy generation facility in France at the Avignonet-Lauragais wind farm it operates in southern France. New infrastructures with potential installed capacity of 4.5 MW should utilize photovoltaic technology panels and the electricity generated will be sold to EDF under a 20-year contract. Boralex is currently finalizing financing, with commissioning planned for 2011.

Boralex is convinced of the potential of solar energy, particularly in Europe, where this type of renewable power generation enjoys preferential sales rates. Furthermore, the economic downturn and the development of solar technologies have pushed the cost of solar technology equipment down over the past two years. For this reason, Boralex intends to capitalize on its strategic and financial partnership with Cube to replicate its success since 2002 in the European wind power segment. Projects totalling 40 MW are currently in the pipeline in France.

### MEDIUM-TERM OBJECTIVE: OPERATE CONTRACTED CAPACITY OF 1,000 MW

With the acquisition of 100% of the Fund now complete, Boralex will end fiscal 2010 with an installed capacity of nearly 700 MW, of which 77% is covered by indexed long-term sales contracts. With the commissioning of the Seigneurie de Beaupré wind farms, installed capacity will increase to nearly 1,000 MW by the end of 2013, of which nearly 80% will be covered under long-term contracts. This will enable the Corporation to home in on its strategic objective, presented to its shareholders a few years ago, of building, alone or with partners, a renewable energy asset base with an installed capacity of 1,000 MW under long-term contracts. Over the next few years, expansion will be spearheaded by the wind power segment.

For this reason, while it remains focused on the optimal execution of its current wind power segment projects, Boralex strives to identify potential projects and implement them to ensure its growth in the wake of its 2013 commissioning of the Seigneurie de Beaupré wind farms. In particular, the recent world economic and financial crisis may lead some energy asset developers or operators to decide to sell a portion of their assets to finance other operations. As it recently did in France, the Corporation intends to capitalize on development project acquisition opportunities for which long-term power sales contracts and financing arrangements are already in place and/or where energy assets are already operational, both in Canada and in Europe. Furthermore, declines in oil prices, prime rates and equipment prices, including wind generators, in recent quarters are beneficial to the operating profitability of certain power stations and to the Corporation's future development costs.

---

**To sum up, Boralex will continue, as always, to be financially rigorous and disciplined in investment projects and asset management in order to maximize and secure the operating earnings generated by its power stations and its cash flows from operations. It will also continue to prudently capitalize on opportunities that arise in its fields of expertise, while keeping abreast of new technologies.**

---

**CAPITAL STOCK INFORMATION**

As at September 30, 2010, Boralex's capital stock consisted of 37,740,921 Class A shares issued and outstanding, unchanged from December 31, 2009. There were 1,569,866 stock options outstanding as at September 30, 2010, of which 901,247 were exercisable.

Between September 30, 2010 and November 10, 2010, no new shares were issued on exercise of stock options and no shares were repurchased in the normal course of business.

**NORMAL COURSE ISSUER BID**

On August 30, 2010, the Toronto Stock Exchange ("TSX") accepted the Corporation's notice of intention to carry out a normal course issuer bid ("Issuer Bid") in respect of its Class A shares from September 1, 2010 through August 31, 2011. Shares purchased under the Issuer Bid will be cancelled.

Under the Issuer Bid, Boralex may repurchase up to 250,000 Class A shares, representing approximately 0.66% of the 37,740,921 issued and outstanding Class A shares as of August 25, 2010. Over the past 12 months, no Class A shares were repurchased by Boralex under a normal course issuer bid.

Boralex's Class A shares had an average daily trading volume ("ADTV") of 40,003 on the TSX over the last six completed calendar months. Boralex is authorized to purchase up to 25% of the ADTV on any trading day, which therefore amounts to 10,000 Class A shares. All repurchases will be made through the TSX in accordance with its requirements.

Boralex believes that share repurchases under the Issuer Bid will provide an opportunity to offset the dilutive effects arising from the issuance of Class A shares under the stock option plan. In light of the Corporation's view that the price of the shares covered by the Issuer Bid does not always reflect their true value, repurchases are an excellent way of enhancing shareholder value.

**FINANCIAL INSTRUMENTS****MARKET RISK**

As at September 30, 2010, the Corporation had two electricity price financial swaps for total deliveries of 134,760 MWh over periods of three to five months. All electricity price financial swaps as at September 30, 2010 were designated as hedges of future variable cash flows related to future deliveries of electricity, and their favourable fair value amounted to \$4.0 million (US\$3.9 million). These contracts qualify for hedge accounting.

**INTEREST RATE RISK**

The Corporation (including debts assumed from the Fund) carries a variety of long-term debt bearing interest at variable rates. As at September 30, 2010, approximately 39% of the long-term debt issued bore interest at variable rates. A sharp increase in interest rates in the future could affect the liquid assets available for the Corporation's development projects. However, since the Corporation uses interest rate swaps, its exposure to interest rate fluctuations is reduced to only 7% of total debt. As at September 30, 2010, the nominal balance of these swaps stood at \$181.4 million (€129.5 million) while their unfavourable fair value was \$15.6 million (€11.1 million).

The Corporation does not plan to sell these instruments, since they were entered into to reduce the Corporation's risk related to interest rate fluctuations. Therefore, the fact that fair value is unfavourable only indicates that forward interest rates have fallen, and has no bearing on the effectiveness of the instrument as part of the Corporation's risk management strategy.



**FOREIGN EXCHANGE RISK**

In the normal course of business, Boralex is not significantly exposed to currency fluctuations because its foreign operations are self-sustaining. The Corporation generally keeps liquid assets in the country in which they are generated to continue developing these subsidiaries in their country of origin. The Corporation is exposed, however, to a foreign exchange risk relating to certain transactions entered into in foreign currencies.

Specifically, a proportion of the raw materials used in the Corporation's wood-residue power stations in the United States is purchased with Canadian dollars. In this regard, in fiscal 2009, the Corporation entered into forward contracts to sell US\$0.2 million each for Canadian dollars with bi-weekly settlements at a weighted average rate of 1.1261 Canadian dollars for one US dollar up to February 17, 2011 to partially hedge purchases in Canadian dollars at its Fort Fairfield power station in the United States. The Corporation uses hedge accounting for these contracts such that the effective portion of gains and losses resulting from changes in fair value of these forward contracts is recognized in *Other comprehensive income*. Amounts are accumulated under *Other comprehensive income* until the hedged item is realized, namely the purchases of wood residue in Canadian dollars, at which date the amounts are transferred to net earnings by adjusting the carrying amount of purchases made in Canadian dollars during the period. Except for raw material purchases in Canadian dollars by U.S. power stations, the majority of other operating, investing and financing transactions are carried out in the power stations' local currencies.

The Corporation also entered into a forward contract to set an exchange rate of approximately C\$1.3811 per euro for an expected €5.0 million outlay in 2010 for turbine purchases at the Seigneurie site for which the supplier is also European. Hedge accounting was used for this foreign exchange contract with gains and losses resulting from the change in fair value of the effective portion of the hedging item included under *Other comprehensive income* until the date of purchase of the underlying capital assets. Their purchase cost is then adjusted for such amount.

Given that the Corporation is not significantly exposed to foreign exchange risk in its regular operating activities, its foreign exchange risk management focuses rather on protecting returns on its development projects. Where firm commitments are made in connection with a project requiring future cash outlays in a foreign currency, the Corporation enters into hedging transactions to mitigate the risk of fluctuations in that currency.

With regard to the Ontario Thames River wind power site, the turbine supplier is European, which means that purchases will be settled partly in euros, whereas the operation of these wind farms will generate cash flows in Canadian dollars. To protect the expected project return, the Corporation entered into forward contracts, setting exchange rates of approximately C\$1.4382 and C\$1.5372 per euro on all Phase I and Phase II turbine purchases, respectively. All of these contracts expired before September 30, 2010 and these amounts, totalling €15.6 million, are recognized in cash in the balance sheet.

The Fund entered into new monthly foreign exchange forward contracts on February 1, 2010 to set the exchange rate at 1.0673 for its expected net cash flows in US dollars. These contracts totalling US\$2 million cover the period from October 1, 2010 to December 31, 2010. These foreign exchange contracts provide for a fixed exchange rate for approximately 65% of its expected net cash flows in US dollars for the period covered.

The following table summarizes the Fund's commitments to sell foreign currencies as at September 30, 2010:

	<b>Foreign exchange rate</b>	<b>Maturity</b>	<b>Nominal value</b>	<b>Fair value</b>
Foreign exchange forward contracts (US\$ for C\$)	1.0673	December 31, 2010	US\$1,971	C\$70

## RELATED PARTY TRANSACTIONS

In addition to holding 73% of the Fund's trust units as at September 30, 2010, and through one of its wholly owned subsidiaries, the Corporation is linked to the Fund under long-term management and administration contracts. For the period from January 1, 2010 to September 15, 2010, these management and administration agreements generated \$4.4 million (\$4.1 million in 2009), while Boralex's share of the Fund's results amounted to a loss of \$3.3 million (revenue of \$3.0 million in 2009). Lastly, Boralex received distributions from the Fund totalling \$4.5 million (\$7.2 million in 2009).

One of Boralex's power stations in France supplies steam to a French division of Cascades Inc., which has significant influence over Boralex since it holds 35% of the Corporation's capital stock. For the first nine months of 2010, revenues from this division totalled \$7.2 million (\$7.5 million in 2009).

The Corporation also entered into a management agreement with an entity controlled by Bernard Lemaire, one of Boralex's directors and officers, and his family. For the first nine months of 2010, revenues from this agreement amounted to \$0.3 million (\$0.4 million in 2009).

The Fund has a steam sales contract with Cascades Inc. which holds 35% of the capital stock of Boralex. Since the September 15, 2010 acquisition of the Fund, the Fund received \$0.6 million in revenues from Cascades Inc.

## COMMITMENTS AND CONTINGENCIES

Commitments and contingencies are discussed in the MD&A of the Corporation and the Fund for the fiscal year ended December 31, 2009. Further, with respect to wind power projects in Ontario, Canada and France, the Corporation entered into new equipment purchase agreements during the first nine months of 2010. As at September 30, 2010, the total cost of net commitments was \$39.8 million (€18.9 million and \$13.5 million) (\$127.8 million as at December 31, 2009). Disbursements will take place mostly in 2010. A portion of the amount payable in euros was covered by foreign exchange forward contracts. In July 2010, the Fund entered into a supply agreement covering the Kingsey Falls power station's natural gas needs from November 1, 2011 through November 30, 2012. This agreement covers the commodity price of natural gas for 13 months and its delivery for 12 months. Total disbursements under this agreement amount to nearly \$17.1 million, including the gas and its delivery to Kingsey Falls.

## RISK FACTORS AND UNCERTAINTIES

Boralex has not observed any significant changes regarding the risks and uncertainties to which it is subject, and which are discussed under *Outlook* and *Risk Factors and Uncertainties* in Boralex's annual MD&A for the year ended December 31, 2009.

With respect to the risks and uncertainties pertaining to the Fund, they are described in detail in the section *Risks and Uncertainties* in the Fund's MD&A for the fiscal year ended December 31, 2009. Generally, operational, financial, economic and climate risks to which the Fund is subjected are similar to those of Boralex since both entities operate in the same industry. However, the aggregate risk incurred by the Fund is mitigated by the fact that all of its assets are covered by long-term sales contracts.

## USE OF ESTIMATES AND MEASUREMENT UNCERTAINTY

The preparation of financial statements in conformity with GAAP requires management to make estimates that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the balance sheet dates, as well as the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from these estimates. These estimates are reviewed periodically and adjustments, as they become necessary, are recorded in the period in which they become known.

The key estimates used by the Corporation relate mainly to the assumptions made with respect to the impairment tests of long-lived assets and the recoverability of renewable energy tax credits. The key assumptions are: the future price of electricity and its associated products, the price of other energy sources, particularly those of oil and natural gas, the future costs of wood-residue procurement and the remaining useful life of the energy producing assets, considering planned maintenance over the period.

Over a three-year horizon, there is some liquidity in the electricity market, making it possible to establish forward selling price curves. Beyond that horizon, prices can be negotiated, but often at a significant discount in light of a lack of liquidity in that market. Therefore, the assumption used for pricing beyond the third year consists in adding a reasonable inflation rate to the third year price. Assumptions related to the other sources of energy are made using a similar method since there is a correlation between their price and that of electricity.

With regard to wood-residue costs, this raw material is not traded in an organized open market. Purchases are made based on specific agreements negotiated with each supplier. As most agreements are renewable annually, prices are subject to change. The assumption regarding wood-residue costs is based on the following year's negotiated contract prices, adjusted for the estimated Consumer Price Index ("CPI") in subsequent years.

Finally, the remaining useful life of the assets will vary with the amount of maintenance work realized each year. When the power stations are sufficiently well maintained, their useful life can be very long and limited only by changes in technology which could make their production method less competitive. Consequently, the forecasts consider sufficient maintenance expenses to ensure that the useful life of the power stations will be, at a minimum, as long as the forecast period.

## **CHANGES IN ACCOUNTING POLICIES**

### **BUSINESS COMBINATIONS, CONSOLIDATED FINANCIAL STATEMENTS AND NON-CONTROLLING INTERESTS**

In January 2009, the Canadian Institute of Chartered Accountants (“CICA”) issued three new accounting standards: Section 1582, *Business Combinations*, Section 1601, *Consolidated Financial Statements*, and Section 1602, *Non-controlling Interests*. These new standards will be effective for financial statements for fiscal years beginning on or after January 1, 2011, but early adoption is permitted. Boralex adopted these standards on January 1, 2010.

Section 1582 replaces former Section 1581, *Business Combinations*, and establishes standards for the accounting of business combinations. The new standard requires that the acquiring entity in a business combination recognize most of the assets acquired and liabilities assumed in the transaction at fair value, including contingent assets and liabilities, and recognize and measure the goodwill acquired in the business combination or a gain resulting from an acquisition. Acquisition-related costs are also to be expensed. The adoption of Section 1582 did not materially impact financial statements but it will affect the accounting for acquisitions after the effective date. The Section is the Canadian equivalent of International Financial Reporting Standard IFRS 3, *Business Combinations*.

Sections 1601 and 1602 supersede former Section 1600, *Consolidated Financial Statements*. Section 1601, *Consolidated Financial Statements*, carries forward guidance from Section 1600 with the exception of non-controlling interests which are addressed in a separate section. Section 1602 requires that the Corporation report non-controlling interests within equity separately from the parent owners’ equity, and transactions between an entity and non-controlling interests as capital transactions. As a result of this adoption, the Corporation reclassified non-controlling interests in the amount of \$7.0 million from *Liabilities to Equity* in the December 31, 2009 consolidated balance sheet. Additionally, net earnings are to be reported with separate disclosure of the amounts attributable to the shareholders of the Corporation and to the non-controlling interests in the consolidated statement of earnings. This Section is the equivalent of International Accounting Standard IAS 27, *Consolidated and Separate Financial Statements*.

### **INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”)**

For fiscal years beginning on or after January 1, 2011, public Canadian companies will be required to prepare their financial statements in accordance with IFRS. Although IFRS use a conceptual framework similar to GAAP, there are significant differences in accounting policies that must be assessed. IFRS will require more disclosures than Canadian GAAP. The financial statements issued by Boralex during the first quarter of 2011 will comply with IFRS and contain comparative figures for 2010.

As discussed in detail in the 2009 annual report, the Corporation has established its conversion plan, including phases and timetables, for the conversion of its consolidated financial statements to IFRS, and has also set up and trained its project team and formally developed a project structure. A steering committee consisting of members of senior management and the Chairman of the Audit Committee will approve accounting policy choices recommended by the project team and ensure that adjustments are made, including those to information technology, contracts and internal control. The choices made by management are reviewed by the external auditors. Boralex’s Audit Committee will ensure that management fulfills its responsibilities and achieves a successful IFRS conversion. Project status updates are provided to the Audit Committee every quarter. Boralex engages external consultants for assistance with each phase of its conversion plan.

### **IFRS CONVERSION PLAN STATUS**

Boralex’s IFRS conversion plan is currently on schedule. The conversion plan has three main phases: (i) preliminary diagnostic review and scoping of differences; (ii) analysis and design and (iii) implementation and disclosures. The Corporation has completed the first phase of the conversion plan and the major differences in accounting and disclosures between GAAP and IFRS have been identified. The second phase, which consists in performing a detailed review of differences, qualifying the current and potential impacts and recommending accounting policy choices, has been completed except for one standard to be finalized during the fourth quarter. A draft opening balance sheet, prepared under IFRS at the January 1, 2010 date of transition, is currently being reviewed by the external auditors.

**MAJOR DIFFERENCES BETWEEN IFRS AND CURRENT ACCOUNTING STANDARDS**

The following table summarizes the required changes in Boralex's accounting policies. This list, which is not to be considered exhaustive, is intended to identify those differences that are likely to be most significant at the time of transition to IFRS. Furthermore, the release of International Accounting Standards Board discussion papers, exposure drafts and new standards could change the preliminary findings.

<b>STANDARD</b>	<b>DIFFERENCES BETWEEN IFRS AND GAAP</b>	<b>CONCLUSIONS CURRENTLY UNDER REVIEW</b>
Property, plant and equipment	<p><b>IFRS:</b> Following their initial recognition, the Corporation may use the cost model or the revaluation model to account for its property, plant and equipment.</p> <p><b>GAAP:</b> The revaluation model is not permitted.</p> <p><b>IFRS:</b> Property, plant and equipment items must be depreciated by component and each component must be depreciated over its useful life.</p> <p><b>GAAP:</b> Component identification rules are less stringent.</p>	<p>To avoid changes in the fair value of property, plant and equipment in the balance sheet and the corresponding impacts on the statement of earnings, the Corporation will continue using the cost model.</p> <p>New components will be identified and amortized separately.</p>
Property, plant and equipment and intangible assets	<p><b>IFRS:</b> Three amortization methods are allowed under IFRS, namely the straight-line method, the diminishing balance method and the units of production method.</p> <p><b>GAAP:</b> In addition to these methods, GAAP allows an enterprise to use an increasing charge method when it can price its goods or services so as to obtain a constant rate of return on the investment in the asset.</p>	<p>IFRS do not recommend the use of a 3% compound interest rate to depreciate power stations with indexed long-term power sales contracts. Boralex will use straight-line amortization for these power stations in the future. The amortization expense will be different.</p>
Impairment of assets	<p><b>IFRS:</b> IAS 36, <i>Impairment of Assets</i>, uses a one-step approach to identify asset impairments, with asset carrying values being compared to the higher of value in use (determined using discounted future cash flows) and fair value less costs to sell. Moreover, according to this standard, previous impairment losses may be reversed under certain circumstances.</p> <p><b>GAAP:</b> GAAP uses a two-step approach for impairment tests. The first step consists in comparing the carrying values of assets and undiscounted future cash flows to assess whether there is an indication of impairment and the second step consists in measuring any impairment by comparing the carrying values of assets to their fair values. Under GAAP, previously recognized impairment values may not be reversed.</p>	<p>This difference in methods might result in the impairment of assets for which the carrying values were previously supported by undiscounted cash flows under GAAP but which may not be on a discounted cash flow basis. The Corporation has identified the Senneterre power station as a power station that will be affected by this standard and the impairment amount is currently under review. As at January 1, 2010, this adjustment will affect the value of the investment in the Fund.</p>
Share-based payment	<p><b>IFRS:</b> When stock option awards vest gradually, each tranche is to be considered as a separate grant.</p> <p><b>GAAP:</b> The gradually vested tranches could be considered as a single grant.</p>	<p>The compensation expense will have to be recognized over the expected term of each vested tranche. The impact is not material.</p>

## MAIN EXEMPTIONS POSSIBLE UNDER IFRS 1, FIRST-TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

IFRS1 generally requires new adopters to apply IFRS retrospectively to all the periods reported in their first IFRS financial statements. However, IFRS1 provides for certain elective exemptions to full retrospective application. The main elective exemptions the Corporation has decided to apply are discussed in the following table:

ELECTIVE EXEMPTIONS	CONCLUSIONS CURRENTLY UNDER REVIEW
Business combinations	This exemption allows an entity not to restate retrospectively the business combinations occurring prior to the date of transition. Boralex elected not to restate retrospectively any business combinations occurring before January 1, 2010.
Cumulative translation differences included under Accumulated other comprehensive income	Retrospective application of IFRS would require us to determine the amount of cumulative translation differences in accordance with IAS 21, <i>The Effects of Changes in Foreign Exchange Rates</i> , from the date at which a subsidiary or an entity subject to significant influence was formed or acquired. IFRS 1 allows cumulative translation differences for all foreign operations to be deemed zero at the date of transition to IFRS. Boralex elected to reset to zero all translation gains and losses in the opening balance of retained earnings at the date of transition.
Fair value as deemed cost	IFRS 1 allows an entity to measure each of its property, plant and equipment items using the fair value method and designate fair value as deemed cost as at the date of transition. An entity may also elect to recalculate original cost and amortization terms previously determined under GAAP retrospectively in accordance with IAS 16, Property, Plant and Equipment. The Corporation elected to continue recording property, plant and equipment at cost and to not restate property, plant and equipment at fair value under IFRS.
Decommissioning liabilities included in the cost of property, plant or equipment	Under IFRIC 1, <i>Changes in Existing Decommissioning, Restoration and Similar Liabilities</i> , an entity is required to determine its liabilities to decommission, remove or restore items of property, plant and equipment as of the acquisition date of such items. IFRS1 allows an entity to apply prospectively the requirements set out in IFRIC 1. The Corporation elected not to retrospectively recognize the changes in these liabilities under the terms of IFRIC 1, as said changes may have occurred prior to the date of transition.
An arrangement contains a lease	Under IFRS 1, an entity may determine whether an arrangement existing at the date of transition to IFRS contains a lease on the basis of facts and circumstances existing at that date. If an arrangement contains a lease at the transition date, the Corporation elected to account for it at that date and not retrospectively.
Borrowing costs	Under IFRS 1, an entity is permitted not to capitalize the borrowing costs related to qualifying assets prior to the date of conversion to IFRS. The borrowing costs are already capitalized.
Employee benefits	IFRS 1 allows entities to use the corridor method to recognize all cumulative actuarial gains and losses at the IFRS transition date. The Corporation has elected against using retrospective application.

As part of its IFRS conversion plan, Boralex is currently analyzing the contractual impacts of the selection of new accounting policy choices on its financing agreements and similar liabilities. The impacts on information and disclosure systems are also under review. The Corporation does not expect any major changes to be required during the transition. In addition, Boralex is analyzing internal control and for the time being, no significant impact is expected on internal control. However, specific controls will be implemented for the transition year. Lastly, Boralex is preparing preliminary financial statements under IFRS, in accordance with IAS 1, *Presentation of Financial Statements*. The differences attributable to IFRS may give rise to changes in presentation such as to allow for more detailed disclosures in the notes to financial statements.

At this time, the quantitative impact of these differences and elections on our future financial position and results of operations is currently under review.

**INTERNAL CONTROLS AND PROCEDURES**

In accordance with National Instrument 52-109, *Certification of Disclosure in Issuers' Annual and Interim Filings*, disclosure controls and procedures have been designed to provide reasonable assurance that the information that must be presented in Boralex's interim and annual reports is accumulated and communicated to management on a timely basis, including the Chief Executive Officer and the Chief Financial Officer, so that appropriate decisions can be made regarding disclosure. Internal control over financial reporting has also been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with Canadian GAAP.

The Chief Executive Officer and the Chief Financial Officer have evaluated the effectiveness of Boralex's disclosure controls and procedures as of December 31, 2009 as well as the effectiveness of Boralex's internal control over financial reporting as of the same date and have concluded that they are adequate and effective.

During the third quarter ended September 30, 2010, no changes were made to internal control over financial reporting or disclosure controls and procedures that materially affected, or are reasonably likely to materially affect, internal controls and procedures.

**ADDITIONAL INFORMATION**

Additional information about the Corporation, including its previous annual reports, annual information form, interim reports and press releases, is available on the SEDAR website ([www.sedar.com](http://www.sedar.com)). Readers can also review information about the Fund, including its previous annual reports, annual information forms, interim reports and press releases, on SEDAR.

## Consolidated Balance Sheets

(in thousands of dollars) (unaudited)	Note	AS AT SEPTEMBER 30, 2010	AS AT DECEMBER 31, 2009
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		140,732	37,821
Restricted cash		35,022	-
Accounts receivable		42,278	39,632
Future income taxes		387	422
Inventories		10,722	8,726
Prepaid expenses		3,906	2,537
Fair value of derivative financial instruments	10	4,424	-
		<b>237,471</b>	<b>89,138</b>
Investment	4,14	-	55,446
Property, plant and equipment	5	808,238	413,539
Power and steam sales contracts	6	98,550	49,023
Goodwill	4	88,589	-
Other long-term assets	7	48,894	56,621
		<b>1,281,742</b>	<b>663,767</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Bank loans and advances	8	-	12,291
Accounts payable and accrued liabilities		55,903	28,913
Income taxes payable		172	283
Current portion of long-term debt	8	35,763	24,273
Distributions payable to unitholders of the Fund		1,025	-
		<b>92,863</b>	<b>65,760</b>
Long-term debt	8	494,362	206,116
Convertible debentures	9	173,435	-
Long-term lease accruals		2,995	-
Future income taxes		43,174	37,185
Fair value of derivative financial instruments	10	15,611	7,645
		<b>822,440</b>	<b>316,706</b>
<b>EQUITY ATTRIBUTABLE TO SHAREHOLDERS</b>			
Capital stock		222,694	222,694
Equity component of convertible debentures	9	17,883	-
Contributed surplus		5,260	4,295
Retained earnings		184,232	159,900
Accumulated other comprehensive loss	11	(60,769)	(46,859)
		<b>369,300</b>	<b>340,030</b>
Non-controlling interests		90,002	7,031
<b>Total equity</b>		<b>459,302</b>	<b>347,061</b>
		<b>1,281,742</b>	<b>663,767</b>

See accompanying notes.

## Consolidated Statements of Earnings

(in thousands of dollars, except per share amounts and number of shares) (unaudited)	Note	FOR THE THREE-MONTH PERIODS ENDED SEPTEMBER 30,		FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30,	
		2010	2009	2010	2009
Revenues from energy sales		42,096	39,676	129,828	138,631
Renewable energy tax credits		-	3,473	-	10,449
Operating costs		27,289	28,339	80,751	97,193
		14,807	14,810	49,077	51,887
Share in earnings of the Fund	14	(1,991)	146	(3,251)	2,998
Management revenues from the Fund		1,158	1,338	4,437	4,087
Other income		144	117	598	1,773
		14,118	16,411	50,861	60,745
<b>OTHER EXPENSES</b>					
Management and operation of the Fund		1,176	1,104	3,995	3,441
Administrative		2,091	3,862	13,141	11,964
		3,267	4,966	17,136	15,405
<b>OPERATING INCOME</b>		10,851	11,445	33,725	45,340
Amortization		8,761	6,434	24,512	19,382
Foreign exchange loss		532	236	1,562	202
Net loss (gain) on financial instruments		214	398	(125)	(6)
Financing costs		4,195	3,362	13,078	10,228
Net gain on deemed disposal of investment in the Fund	4	(16,078)	-	(16,078)	-
Gain on sale of subsidiary	12	-	-	(774)	-
		(2,376)	10,430	22,175	29,806
<b>EARNINGS BEFORE INCOME TAXES</b>		13,227	1,015	11,550	15,534
Income taxes (recovery)	16	(13,495)	316	(10,815)	5,751
Net earnings including non-controlling interests		26,722	699	22,365	9,783
Non-controlling interests		370	(1)	277	(56)
<b>NET EARNINGS ATTRIBUTABLE TO SHAREHOLDERS</b>		27,092	698	22,642	9,727
Net earnings per Class A share (basic)	17	0.72	0.02	0.60	0.26
Net earnings per Class A share (diluted)	17	0.69	0.02	0.60	0.26
Weighted average number of Class A shares outstanding (basic)		37,740,921	37,740,921	37,740,921	37,740,921

See accompanying notes.



## Consolidated Statements of Retained Earnings

(in thousands of dollars) (unaudited)	Note	FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30,	
		2010	2009
Balance – beginning of period		159,900	135,461
Net earnings for the period		22,642	9,727
Excess of purchase price paid for acquisition of non-controlling interests	15	(1,725)	-
Excess of proceeds from partial sale of a subsidiary	15	3,415	-
<b>Balance – end of period</b>		<b>184,232</b>	<b>145,188</b>

See accompanying notes.

## Consolidated Statements of Comprehensive Income (Loss)

(in thousands of dollars) (unaudited)	Note	FOR THE THREE-MONTH PERIODS ENDED SEPTEMBER 30,		FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30,	
		2010	2009	2010	2009
<b>Net earnings for the period including non-controlling interests</b>		<b>26,722</b>	<b>699</b>	<b>22,365</b>	<b>9,783</b>
<b>Other comprehensive income (loss)</b>	11				
<b>TRANSLATION ADJUSTMENTS</b>					
Unrealized foreign exchange loss on translation of financial statements of self-sustaining foreign operations		(209)	(15,215)	(6,581)	(26,333)
Reclassification to net earnings of a realized foreign exchange loss (gain) related to the reduction of net investment in self-sustaining foreign operations		171	-	1,631	(65)
Share of cumulative translation adjustments of the Fund		(216)	(1,036)	-	(2,073)
Taxes		(123)	258	37	548
<b>CASH FLOW HEDGES</b>					
Change in fair value of financial instruments		228	(2,099)	(13,849)	7,101
Hedging items realized and recognized in net earnings		(1,076)	(5,857)	(4,454)	(18,617)
Hedging items realized and recognized in balance sheet		2,711	(1,352)	4,848	(3,613)
Taxes		545	2,495	4,458	3,732
		<b>2,031</b>	<b>(22,806)</b>	<b>(13,910)</b>	<b>(39,320)</b>
<b>Comprehensive income (loss) including non-controlling interests</b>		<b>28,753</b>	<b>(22,107)</b>	<b>8,455</b>	<b>(29,537)</b>
<b>Less: Comprehensive income (loss) for the period attributable to non-controlling interests</b>		<b>370</b>	<b>(1)</b>	<b>277</b>	<b>(56)</b>
<b>Comprehensive income (loss) for the period attributable to shareholders</b>		<b>29,123</b>	<b>(22,108)</b>	<b>8,732</b>	<b>(29,593)</b>

See accompanying notes.

## Consolidated Statements of Cash Flows

(in thousands of dollars) (unaudited)	Note	FOR THE THREE-MONTH PERIODS		FOR THE NINE-MONTH PERIODS	
		ENDED SEPTEMBER 30, 2010	2009	ENDED SEPTEMBER 30, 2010	2009
<b>OPERATING ACTIVITIES</b>					
Net earnings		27,092	698	22,642	9,727
Distributions received from the Fund		1,377	2,409	4,475	7,228
Adjustments for non-cash items					
Net loss (gain) on financial instruments		214	535	(125)	534
Share in earnings of the Fund		1,991	(146)	3,251	(2,998)
Amortization		8,761	6,434	24,512	19,382
Amortization of financing costs and monetization program expenses	8	154	667	3,285	2,174
Renewable energy tax credits		-	(2,231)	988	(3,948)
Gain on sale of subsidiary	12	-	-	(774)	-
Gain on deemed disposal of investment in the Fund	4	(21,260)	-	(21,260)	-
Future income taxes		(14,201)	402	(14,753)	3,053
Other		224	415	1,531	931
		4,352	9,183	23,772	36,083
Change in non-cash working capital items		(1,650)	(13,286)	(581)	110
		2,702	(4,103)	23,191	36,193
<b>INVESTING ACTIVITIES</b>					
Additions to property, plant and equipment					
– projects under construction		(71,978)	(23,986)	(130,303)	(53,770)
– power stations in operation		(1,563)	(1,399)	(7,519)	(6,363)
Change in restricted cash		38,663	-	(35,022)	-
Business acquisition – the Fund	4	(38,811)	-	(38,811)	-
Business acquisition – other		(2,142)	(1,706)	(2,142)	(6,475)
Proceeds from sale of a subsidiary	12	-	-	878	-
Change in restricted funds		-	300	882	(1,241)
Development projects		(335)	(943)	(730)	(6,980)
Purchase of non-controlling interest	15	-	-	(1,751)	(968)
Contribution of non-controlling interest	15	5,662	-	5,662	-
Other		703	(1,212)	2,207	(7,035)
		(69,801)	(28,946)	(206,649)	(82,832)
<b>FINANCING ACTIVITIES</b>					
Increase (decrease) in bank loans and advances		-	(1,109)	(12,291)	13,217
Net increase in long-term debt		54,405	33,776	263,271	33,557
Payments on long-term debt		(6,983)	(9,795)	(67,757)	(20,751)
Net increase in convertible debentures	9	103,945	-	103,945	-
		151,367	22,872	287,168	26,023
<b>TRANSLATION ADJUSTMENT ON CASH AND CASH EQUIVALENTS</b>					
		6,709	(4,101)	(799)	(10,941)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>					
		90,977	(14,278)	102,911	(31,557)
<b>CASH AND CASH EQUIVALENTS – BEGINNING OF PERIOD</b>					
		49,755	51,916	37,821	69,195
<b>CASH AND CASH EQUIVALENTS – END OF PERIOD</b>					
		140,732	37,638	140,732	37,638
<b>SUPPLEMENTAL INFORMATION</b>					
Cash and cash equivalents paid for:					
Interest		5,094	2,387	13,697	6,604
Income taxes		683	535	3,109	1,736

See accompanying notes.

# Notes to Interim Consolidated Financial Statements

As at September 30, 2010

(Tabular amounts are in thousands of dollars, unless otherwise specified.) (unaudited)

## Note 1.

### ACCOUNTING POLICIES

These unaudited interim consolidated financial statements and accompanying notes have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”) with the exception that they do not comply, in all material respects, with the requirements of GAAP for annual financial statements.

These financial statements should be read in conjunction with the most recent annual consolidated financial statements of Boralex Inc. (“Boralex” or the “Corporation”) which have been prepared in accordance with the same accounting policies except as described in note 2.

## Note 2.

### CHANGES IN ACCOUNTING POLICIES

#### BUSINESS COMBINATIONS, CONSOLIDATED FINANCIAL STATEMENTS AND NON-CONTROLLING INTERESTS

In January 2009, the Canadian Institute of Chartered Accountants (“CICA”) issued three new accounting standards: Section 1582, *Business Combinations*, Section 1601, *Consolidated Financial Statements*, and Section 1602, *Non-controlling Interests*. These new standards will be effective for financial statements for fiscal years beginning on or after January 1, 2011, but early adoption is permitted. Boralex adopted these standards on January 1, 2010.

Section 1582 replaces former Section 1581, *Business Combinations*, and establishes standards for the accounting of business combinations. The new standard requires that the acquiring entity in a business combination recognize most of the assets acquired and liabilities assumed in the transaction at fair value, including contingent assets and liabilities, and recognize and measure the goodwill acquired in the business combination or a gain resulting from an acquisition. Acquisition-related costs are also to be expensed. The adoption of Section 1582 did not materially impact financial statements but it will affect the accounting for acquisitions after the effective date. The Section is the Canadian equivalent of International Financial Reporting Standard IFRS 3, *Business Combinations*.

Sections 1601 and 1602 supersede former Section 1600, *Consolidated Financial Statements*. Section 1601, *Consolidated Financial Statements*, carries forward guidance from Section 1600 with the exception of non-controlling interests which are addressed in a separate section. Section 1602 requires that the Corporation report non-controlling interests within equity separately from the parent owners’ equity, and transactions between an entity and non-controlling interests as capital transactions. As a result of this adoption, the Corporation reclassified non-controlling interests in the amount of \$7,031,000 from *Liabilities to Equity* in the December 31, 2009 consolidated balance sheet. Additionally, net earnings are to be reported with separate disclosure of the amounts attributable to the shareholders of the Corporation and to the non-controlling interests in the consolidated statement of earnings. This Section is the equivalent of International Accounting Standard IAS 27, *Consolidated and Separate Financial Statements*.

## Note 3.

### USE OF ESTIMATES AND MEASUREMENT UNCERTAINTY

The preparation of financial statements in conformity with GAAP requires management to make estimates that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the balance sheet dates, as well as the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from these estimates. These estimates are reviewed periodically and adjustments, as they become necessary, are recorded in the period in which they become known.

The key estimates used by the Corporation relate mainly to the assumptions made with respect to the impairment tests of long-lived assets and the recoverability of renewable energy tax credits. The key assumptions are: the future price of electricity and its associated products, the price of other energy sources, particularly those of oil and natural gas, the future costs of wood-residue procurement and the remaining useful life of the energy producing assets, considering planned maintenance over the period.

### Note 3. Use of estimates and measurement uncertainty (Cont'd)

Over a three-year horizon, there is some liquidity in the electricity market, making it possible to establish forward selling price curves. Beyond that horizon, prices can be negotiated, but often at a significant discount in light of a lack of liquidity in that market. Therefore, the assumption used for pricing beyond the third year consists in adding a reasonable inflation rate to the third year price. Assumptions related to the other sources of energy are made using a similar method since there is a correlation between their price and that of electricity.

With regard to wood-residue costs, this raw material is not traded in an organized open market. Purchases are made based on specific agreements negotiated with each supplier. As most agreements are renewable annually, prices are subject to change. The assumption regarding wood-residue costs is based on the following year's negotiated contract prices, adjusted for the estimated Consumer Price Index ("CPI") in subsequent years.

Finally, the remaining useful life of the assets will vary with the amount of maintenance work realized each year. When the power stations are sufficiently well maintained, their useful life can be very long and limited only by changes in technology which could make their production method less competitive. Consequently, the forecasts consider sufficient maintenance expenses to ensure that the useful life of the power stations will be, at a minimum, as long as the forecast period.

## **Note 4.**

### **BUSINESS ACQUISITION**

#### **DESCRIPTION OF TRANSACTION**

On September 15, 2010, Boralex announced that 26,428,340 trust units of the Fund (the "Fund") had been deposited pursuant to its previously announced offer as amended on July 12, 2010 and August 25, 2010 to acquire all the issued and outstanding units of the Fund (the "Offer"). Boralex took up all of the deposited units which, together with the 13,767,990 exchangeable Class B units held by Boralex, represented approximately 68% of the issued units. Accordingly, the minimum tender conditions set out in the Offer were satisfied. On September 28, 2010, Boralex announced that its Offer had expired and that an additional 4.5% of units had been deposited between September 16 and September 28, 2010 under the Offer. Boralex took up the deposited units which, together with the 13,767,990 exchangeable Class B units already held by Boralex and the units previously taken up and paid for on September 16, 2010, represented approximately 73% of the outstanding units of the Fund. On September 16 and 29, 2010, Boralex paid for all the trust units of the Fund that had been deposited before September 28 under the Offer, partly in cash totalling \$58,179,000 and partly with the issue of convertible debentures of a value of \$87,268,000.

Following the rejection by the Superior Court on October 28, 2010 of the motion for the issue of a safeguard order filed by O'Leary Funds Management L.P. to block any actions affecting its Fund units, Boralex proceeded to acquire all the units of the Fund. On November 1, 2010, Boralex and the Fund executed the business combination agreement approved by the special meeting of unitholders of the Fund held on October 21, 2010. On November 2, 2010, Boralex proceeded with the payment for all the units of the Fund still outstanding at the time of the business combination. Boralex intends to complete the privatization of the Fund by applying to have the Fund's status as a reporting issuer revoked and to have the units delisted from the Toronto Stock Exchange.

## Note 4. Business acquisitions (Cont'd)

**RECOGNITION OF TRANSACTION**

The Corporation accounted for the acquisition using the acquisition method set out in CICA Handbook Section 1582, *Business Combinations*. As of September 15, 2010, the Fund's earnings (losses) are consolidated with a share of non-controlling interests of 32%. The balance sheet of the Fund is consolidated as at September 30, 2010 with a share of non-controlling interest of 27%. The acquisition of the Fund is carried out in two steps: (1) deemed disposal of the Corporation's interest in the Fund and calculation of the gain on the disposal, and (2) acquisition of all the units of the Fund at fair value including the applicable share of non-controlling interests.

(1) Deemed disposal of investment and calculation of corresponding gain:

The \$21,260,000 gain on the disposal of the 23% investment in the Fund is calculated as follows:

Carrying amount of investment in the Fund as at September 15, 2010	47,574
Fair value of investment (13,767,990 units at \$5 per unit)	68,840
	21,266
Realized cumulative translation adjustments of the Fund	(6)
<b>Gain on deemed disposal of investment</b>	<b>21,260</b>

The gain on disposal of investment, net of acquisition-related costs, was recognized in the statement of earnings as a net amount of \$16,078,000.

(2) Acquisition of the Fund:

The fair value of all the units issued is \$295,340,000 (\$5 per unit) and this amount was allocated to the net identifiable assets as follows:

Working capital	19,887
Property, plant and equipment	277,740
Power and steam sales contracts	49,164
Other long-term assets	5,347
Long-term debt	(117,867)
Long-term lease accruals	(2,995)
Future income taxes	(25,128)
Net assets	206,148
Goodwill	89,192
Fair value	295,340
Less:	
Cash and cash equivalents at the time of acquisition	(19,368)
Issue of convertible debentures	(87,268)
Value of units already held by Boralex	(68,840)
Share of non-controlling interests	(81,041)
Other	(12)
<b>Cash consideration paid for the acquisition and reported in the consolidated statement of cash flows</b>	<b>38,811</b>

The purchase price allocation was based mainly on the carrying amounts at the acquisition date with the balance allocated to goodwill. This purchase price allocation is temporary and should be finalized by the end of 2010.

For the three-month period ended September 30, 2010 the Fund contributed revenues from energy sales of \$2,721,000 and a net loss of \$410,000 to the consolidated statement of earnings, which represents amounts from September 15, 2010, the acquisition date. Had the acquisition occurred on January 1, 2010, management estimates that consolidated revenues from energy sales and consolidated net earnings would have been \$192,132,000 and \$9,537,000, respectively, for the nine-month period ended September 30, 2010. These estimates are based on the assumption that the fair value adjustments that arose on the date of acquisition would have been the same had the acquisition occurred on January 1, 2010.

## Note 5.

### PROPERTY, PLANT AND EQUIPMENT

	AS AT SEPTEMBER 30, 2010		
	<i>Cost</i>	<i>Accumulated amortization</i>	<i>Net amount</i>
Wind farms	468,679	57,068	411,611
Hydroelectric power stations	208,259	4,828	203,431
Wood-residue thermal power stations	215,739	52,478	163,261
Natural gas thermal power stations	32,288	8,819	23,469
Corporate and other	9,720	3,254	6,466
	<b>934,685</b>	<b>126,447</b>	<b>808,238</b>

	AS AT DECEMBER 31, 2009		
	<i>Cost</i>	<i>Accumulated amortization</i>	<i>Net amount</i>
Wind farms	338,723	50,498	288,225
Hydroelectric power stations	29,759	4,001	25,758
Wood-residue thermal power stations	132,440	47,780	84,660
Natural gas thermal power stations	15,749	8,599	7,150
Corporate and other	10,566	2,820	7,746
	<b>527,237</b>	<b>113,698</b>	<b>413,539</b>

Amortization of property, plant and equipment for the three- and nine-month periods ended September 30, 2010 amounted to \$7,882,000 and \$21,704,000 (\$5,836,000 and \$17,724,000 for the comparable three- and nine-month periods of 2009). Those amounts are presented under *Amortization*. Cost and accumulated amortization of assets under capital leases as at September 30, 2010 totalled \$29,813,000 and \$15,577,000, respectively (\$32,130,000 and \$15,168,000 as at December 31, 2009).

Assets include replacement parts amounting to \$4,062,000 (\$2,502,000 as at December 31, 2009) and power stations under construction amounting to \$196,515,000 (\$91,201,000 as at December 31, 2009). These assets are not amortized until site commissioning.

As at September 30, 2010, \$8,271,000 in interest was capitalized to the cost of property, plant and equipment (\$4,393,000 as at December 31, 2009).

## Note 6.

### POWER AND STEAM SALES CONTRACTS

	AS AT SEPTEMBER 30, 2010	AS AT DECEMBER 31, 2009
Cost	153,712	55,250
Accumulated amortization	55,162	6,227
	<b>98,550</b>	<b>49,023</b>

Amortization of long-term power sales contracts amounted to \$700,000 and \$1,803,000 for the three- and nine-month periods ended September 30, 2010 (\$497,000 and \$1,459,000 for the comparable three- and nine-month periods of 2009). Those amounts are presented under *Amortization*.

## Note 7.

### OTHER LONG-TERM ASSETS

	Note	AS AT SEPTEMBER 30, 2010	AS AT DECEMBER 31, 2009
Renewable energy tax credits	(a)	17,600	19,022
Restricted funds and other funds held in trust	(b)	3,283	2,647
Net investments in finance leases	(c)	12,729	15,146
Fair value of derivative financial instruments	10	-	7,297
CO <sub>2</sub> quota		905	382
Development projects	(d)	11,204	7,863
Other intangible assets	(e)	3,173	4,264
		<b>48,894</b>	<b>56,621</b>

Amortization of other intangible assets amounted to \$179,000 and \$1,005,000 for the three- and nine-month periods ended September 30, 2010 (\$101,000 and \$201,000 for the comparable three- and nine-month periods of 2009). Those amounts are presented under *Amortization*.

#### Notes:

- Renewable energy tax credits* represent tax credits earned by the Corporation before it set up the monetization program, as well as tax credits attributable to subsequently acquired power stations that are not part of the monetization program. Tax credits earned will be used against income taxes payable in the future. Financial projections indicate that the amount recorded may be realized in the next five to six years.
- Restricted funds for long-term debt servicing guarantee financings in France and Canada and represent three to six months of debt servicing, depending on the project. These funds amount to \$2,733,000 (€1,142,000 or US\$1,100,000). A fund to finance capital expenditures amounts to \$309,000 (US\$300,000).
- Finance leases for equipment used in the wood-residue segment are entered into with U.S. and Canadian suppliers. As at September 30, 2010, foreign currency receivables amounted to \$11,397,000 (US\$11,067,000) and \$1,332,000, respectively.
- Development projects* primarily consist of one hydroelectric project and one wind power project in Québec, one wind power project in Ontario, one wind power project in Italy and one solar power project in Spain.
- Other intangible assets* consist mainly of the value assigned to water rights held by the Ocean Falls power station and licences and rights held by the Forces Motrices Saint-François power station.

## Note 8.

### LONG-TERM DEBT

Long-term debt includes the following:

	Note	Maturity	Rate <sup>(1)</sup>	AS AT SEPTEMBER 30, 2010	AS AT DECEMBER 31, 2009
Master agreement – wind power projects (France)	(a)	2017-2022	4.95	201,984	140,327
Term loan payable – Nibas wind farm	(b)	2016	5.00	8,272	9,790
Term loan payable – Stratton power station	(c)	2011	3.03	4,943	1,985
Capital leases (France)	(d)	2012-2015	4.31	8,068	10,585
Term loan payable – Ocean Falls power station	(e)	2011	6.00	9,000	14,000
Term loan payable – Thames River wind farms	(f)	2031	7.05	185,338	47,700
Term loan payable – Bel Air wind farm	12	-	-	-	8,986
Canadian senior secured notes	(g)	2014	6.60	38,618	-
U.S. senior secured notes	(g)	2013	6.20	79,536	-
Other debts		-	-	3,387	2,814
				<b>539,146</b>	<b>236,187</b>
Current portion				<b>(35,763)</b>	<b>(24,273)</b>
Financing costs, net of accumulated amortization				<b>(9,021)</b>	<b>(5,798)</b>
				<b>494,362</b>	<b>206,116</b>

(1) Weighted average annual rates, adjusted to reflect the impact of interest rate swaps.

## Note 8. Long-term debt (Cont'd)

- (a) This master agreement includes a maximum senior credit facility of €250,000,000 and a maximum junior credit facility of €15,000,000. The amounts can be drawn down until December 31, 2010 subject to certain suspensive conditions. As at September 30, 2010, €167,735,000 (\$234,930,000) (€108,850,000 as at December 31, 2009) had been drawn down and the Corporation had an unused balance of €97,265,000 (\$136,229,000). To cover potential temporary working capital requirements for debt servicing, the lenders also granted two lines of credit for \$25,911,000 (€18,500,000) and \$2,101,000 (€1,500,000), respectively. As at September 30, 2010, these lines of credit were undrawn. Financing issued under the master agreement is secured by the projects' assets. However, the junior facility is subordinated to the senior facility. The variable interest rate is based on the EURIBOR rate plus a margin, but the Corporation used interest rate swaps to reduce its exposure to rate fluctuations as discussed below. Repayments are made on a semi-annual basis. The balance payable as at September 30, 2010 is €144,212,000.

As at September 30, 2010, the following funds were available under the master credit agreement:

(in thousands of euros)	<i>Credit limits</i>	<i>Amounts drawn</i>	<i>Amounts committed</i>	<i>Available</i>
Senior credit	250,000	155,385	17,002	77,613
Junior credit	15,000	12,350	992	1,658
	265,000	167,735	17,994	79,271

- (b) This loan payable bears interest at a fixed rate of 5.00% and repayments are quarterly. As at September 30, 2010, the balance stood at €5,906,000 (€6,527,000 as at December 31, 2009). All Nibas wind farm assets were pledged as collateral for this loan.
- (c) This loan payable bears interest at a variable rate based on U.S. prime rate or money market rates, plus a margin. The loan matured on July 31, 2010 and was renewed for a year with quarterly repayments, with an additional amount granted to bring the loan amount to US\$5,000,000. As at September 30, 2010, the balance stood at US\$4,800,000 (US\$1,896,000 as at December 31, 2009). All assets of the Stratton power station were pledged as collateral.
- (d) The capital leases relate to assets located in France. The balance of the leases as at September 30, 2010 was €5,760,000 (€7,056,000 as at December 31, 2009). The leases bear interest at fixed and variable rates and are repayable on a quarterly basis. The net carrying amount of associated capital assets was €10,164,000 (\$14,236,000) as at September 30, 2010 (€11,309,000 as at December 31, 2009).
- (e) This loan represents the balance of the purchase price of the Ocean Falls power station and bears interest at a fixed rate of 6.00% per annum. The \$9,000,000 balance is payable on April 1, 2011. Under the terms of the arrangement, if Boralex arranges financing for the project before April 1, 2011, the net proceeds of that financing, up to the balance of the purchase price, are payable to the seller.
- (f) On March 15, 2010, Boralex finalized a new financing arrangement for its Thames River wind farm project in Ontario (the "Project"). This private placement of a total amount of \$194,500,000 is made up of a tranche of \$186,000,000 earmarked for Project construction costs and a second tranche of \$8,500,000 under a letter of credit facility. On March 12, 2010, the total amount of the first tranche was paid into an escrow account in the name of the Project and the term loan issued in September 2009 was repaid in full using these amounts. Under the credit agreement, the escrowed amounts are released as and when Boralex incurs construction costs. The escrowed amount totalled \$34,113,000 as at September 30, 2010. For the operating facilities, Boralex makes quarterly repayments of principal and interest. For the construction sites, the repayments are monthly but only interest is payable until the facilities are commissioned. The interest rate is fixed at 7.05% and the debt matures on January 2, 2031. The letter of credit facility is renewable in three years, at the lenders' option. Any amounts drawn bear interest at Canadian Bankers Acceptance rate ("BA") +2%. If the facility is undrawn, Boralex pays a standby fee of a fraction of the 2% margin.
- (g) As part of the acquisition of the Fund, Boralex assumed the Fund's existing debts, including Canadian and U.S. notes totalling \$38,618,000 and US\$77,234,000, respectively. The Canadian notes are secured by all existing Canadian assets of the Fund and the U.S. notes are secured by all of the Fund's existing U.S. assets. Under these agreements, the Fund is subject to a number of covenants, including the maintenance of certain financial ratios. For the U.S. notes, the loan agreement requires the Fund to maintain two reserve accounts at all times. The first account, amounting to at least US\$300,000 (\$309,000), serves to fund capital expenditures. The second account is a debt service reserve that must meet a minimum of three months of interest payment requirements on this debt, which amounts to US\$1,100,000 (\$1,133,000). As at September 30, 2010, deposits in trust totalled US\$1,574,000 (\$1,622,000).



#### Note 8. Long-term debt (Cont'd)

Amortization of financing costs amounted to \$275,000 and \$3,406,000 for the three- and nine-month periods ended September 30, 2010 (\$667,000 and \$2,174,000 for the comparable three- and nine-month periods of 2009). Amortization for the first nine months of 2010 includes an amount \$2,735,000 for the amortization of the balance of deferred financing costs under the former financing of the Thames River site.

#### REVOLVING CREDIT FACILITY

Boralex has a revolving credit facility with an authorized maximum amount of \$55,000,000, bearing interest at a variable rate based on Canada's prime rates or money market rates, plus a margin. This credit facility is secured by Boralex's investment in the Fund, based on the following formula: amounts advanced may not exceed 60% of the investment's market value. If the market value of the investment were to drop below this limit, creditors would be entitled to demand repayment of a portion of the amounts advanced in order to re-establish the coverage ratio. As at September 30, 2010, the Corporation had issued letters of credit totalling \$8,549,000 and no cash drawdown had been made under this credit facility. Lastly, the market value of one Fund unit was \$5.05 on September 30, 2010 and the repayment threshold was \$0.33 (including all outstanding letters of credit issued against the operating credit facility), given the acquisition of a total of 28,089,369 Class A units of the Fund as at September 30, 2010. The current expiry date of the revolving period is January 27, 2011.

The Fund also has a \$15,000,000 revolving operating credit facility, renewable annually, which was renewed on October 5, 2010. It bears interest at a variable rate based on the Canadian prime rate plus a margin or on money market rates plus stamping fees, which vary according to certain financial ratios. As at September 30, 2010, no drawdowns had been made under this facility (\$3,100,000 in 2009). This revolving credit facility provides for a number of covenants, including the maintenance of certain financial ratios. As at September 30, 2010, all such ratio requirements were met. The rotating credit facility is guaranteed by all Canadian assets. This guarantee is ranked on a pari passu basis with senior secured notes. This credit facility was terminated on November 1, 2010 when the Fund was privatized following its full takeover. It was replaced by another credit facility held by Boralex for an amount of \$40,000,000 with a three-year term.

#### INTEREST RATE SWAPS

The revolving credit, master agreement, term loan for the Stratton power station, together with a portion of certain leases, bear interest at a variable rate. To mitigate interest rate risk, the Corporation has entered into interest rate swaps to obtain a fixed interest expense on approximately 85% of the corresponding variable rate debt. These agreements involve the periodic exchange of interest payments without any exchange of the notional amount on which payments are calculated. Under these agreements, the Corporation receives a variable amount based on the EURIBOR rate and pays fixed amounts based on rates ranging from 3.29% to 5.16%.

Since the credit is drawn progressively and the loans are periodically repaid when sites are commissioned, the swaps have been structured to mirror the terms of the underlying credit arrangements and to always cover a significant portion of these arrangements. By using these instruments, the Corporation has reduced the proportion of its variable rate debt from 50% to 9% and from 39% to 7% including the assumed debts of the Fund.

## Note 8. Long-term debt (Cont'd)

**FINANCIAL RATIOS AND GUARANTEES**

The debt agreements include certain restrictions governing the use of cash resources of the Corporation's subsidiaries. As well, certain financial ratios, such as debt service ratios, must meet designated levels on a quarterly, semi-annual or annual basis.

The senior and junior secured debt, senior secured notes and certain other debts or interest rate swaps include requirements to establish and maintain reserve accounts to cover short-term debt service, equipment maintenance, and income taxes at various times during the terms of the agreements. As at September 30, 2010, an amount of \$3,283,000 (\$2,647,000 as at December 31, 2009) was kept in restricted fund accounts for this purpose. These amounts are included in *Other assets* on the Corporation's consolidated balance sheet.

In addition to assets under capital leases, the senior secured notes and the Corporation's investment in the Fund pledged as collateral for the revolving credit facility, the property, plant and equipment of the Stratton power station, the Forces Motrices St-François power station, and French power stations, with a net carrying amount totalling \$239,320,000 as at September 30, 2010 (\$186,469,000 as at December 31, 2009), together with the related working capital items, have been pledged as collateral.

The Thames River wind farm private placement is secured by the total assets of the Project and without recourse to Boralex, except for Boralex's shares in the projects which were provided as collateral to the lenders. The credit agreement contains certain covenants typical for wind power project financing. For instance, the Project must meet a minimum debt service ratio to be authorized to pay distributions to its shareholder Boralex. During the construction period, total operating cash flows must be used for the construction of the remaining sites.

For the senior secured notes, if certain ratios fall below preset levels, Boralex will be required to deposit an additional US\$400,000 (\$412,000) each month until such time as this reserve covers a maximum of 12 months of interest payments. If the financial ratios subsequently rise above the set threshold for more than two consecutive quarters, Boralex will be able to recover the excess of deposits over the required minimum. Throughout the quarter ended September 30, 2010, Boralex was in compliance with all of its financial ratio requirements. The senior secured notes and the term loan for the Thames River wind farm project may be repaid early subject to the payment of a premium, which is calculated by discounting the expected future payments using the risk-free rate plus a margin of between 45 and 50 basis points, depending on the debt. Under current market conditions, this would result in a significant premium.

The debts assumed as part of the acquisition of the Fund do not provide for any recourse against the Corporation's assets.

**MINIMUM FUTURE PAYMENTS**

The estimated aggregate amount of repayments on long-term debt in each of the next five years and thereafter is as follows:

2011	35,763
2012	22,762
2013	102,025
2014	62,675
2015	24,406
Thereafter	291,515

## Note 9.

### CONVERTIBLE DEBENTURES

On September 15, 2010, the Corporation closed its bought deal financing of extendible convertible unsecured subordinated debentures with a syndicate of underwriters for gross proceeds of \$95,000,000. The underwriting agreement also included an option allowing the underwriters to acquire additional debentures for \$14,250,000 under the same terms and conditions. On September 29, 2010, the underwriters exercised their option and Boralex issued the full stipulated amount of \$14,250,000.

The debentures mature on June 30, 2017. The convertible debentures bear interest at the annual rate of 6.75% payable semi-annually, in arrears, on June 30 and December 31 each year commencing on December 31, 2010.

Each debenture is convertible into Class A shares of Boralex at the option of the holder at any time prior to the close of business on the earlier of the final maturity date and the business day immediately preceding the date fixed for redemption of the debentures at a conversion price of \$12.50 per common share, being a conversion rate of approximately 8.0 common shares for each \$100 principal amount of debentures, subject to adjustments in accordance with the trust indenture. Holders converting their debentures will receive accrued and unpaid interest thereon for the period from the last interest payment date on their debentures, to, but not including, the date of conversion.

On September 16 and 29, 2010, Boralex paid for all the trust units of the Fund that had been deposited between September 15 and 28, 2010 under the Offer (see note 4), partly with the issue of convertible debentures in the amount of \$87,268,000 under the same terms and conditions as for the debentures issued on September 15, 2010.

Using acceptable pricing models and by using the interest prevailing at the date of issuance for instruments of similar term and risk of 8.50%, the debentures have been segregated based on the respective fair values of their debt and equity components on the date the debentures were issued. As at September, 2010, the total value of issued debentures amounted to \$196,518,000, of which \$17,883,000 was allocated to the equity component of the convertible debentures.

The debt component, representing the value allocated to the liability at inception, is recorded as a long-term liability. The remaining component, representing the value ascribed to the holder's option to convert the principal amount into common shares, is classified in shareholders' equity as equity component of convertible debentures. Over the term of the debt obligation (which is deemed to be seven years), the debt component is accreted to the face value of the debentures by the recording of additional interest expense.

As at September 30, 2010, the value of convertible debentures is determined as follows:

Convertible debentures issued	196,518
Equity component of convertible debentures	(17,883)
Costs related to the issue of convertible debentures, net of the accumulated amortization of \$19	(5,286)
Imputed interest on convertible debentures of 8.50%	86
	173,435

## Note 10.

### FINANCIAL INSTRUMENTS

The fair value of the derivative financial instruments designated as cash flow hedges as at September 30, 2010 and December 31, 2009 are detailed as follows:

	AS AT SEPTEMBER 30, 2010	AS AT DECEMBER 31, 2009
<b>FINANCIAL ASSETS</b>		
Foreign exchange forward contracts	357	422
Interest rate forward contracts	-	1,092
Financial swaps – electricity prices	4,067	5,783
	<b>4,424</b>	<b>7,297</b>
<b>FINANCIAL LIABILITIES</b>		
Foreign exchange forward contracts	-	896
Financial swaps – interest rates	15,611	6,749
	<b>15,611</b>	<b>7,645</b>

## Note 11.

### ACCUMULATED OTHER COMPREHENSIVE LOSS

	AS AT SEPTEMBER 30, 2010				
	<i>Translation adjustments</i>	<i>Hedge Electricity price</i>	<i>Hedge Interest rate</i>	<i>Hedge Foreign currency</i>	<i>Total</i>
Balance as at December 31, 2009	(44,515)	5,019	(6,720)	(643)	(46,859)
Change in fair value	(6,581)	4,546	(13,663)	(4,732)	(20,430)
Reclassification to net earnings (loss)	1,631	(6,369)	2,288	(373)	(2,823)
Balance sheet reclassification	-	-	-	4,848	4,848
Taxes	37	729	3,658	71	4,495
Balance as at September 30, 2010	(49,428)	3,925	(14,437)	(829)	(60,769)

	AS AT SEPTEMBER 30, 2009				
	<i>Translation adjustments</i>	<i>Hedge Electricity price</i>	<i>Hedge Interest rate</i>	<i>Hedge Foreign currency</i>	<i>Total</i>
Balance as at December 31, 2008	(11,609)	12,451	(5,510)	5,684	1,016
Change in fair value	(26,333)	13,574	(3,889)	(2,584)	(19,232)
Share of cumulative translation adjustments of the Fund	(2,073)	-	-	-	(2,073)
Reclassification to net earnings (loss)	(65)	(19,750)	1,162	(29)	(18,682)
Balance sheet reclassification	-	-	-	(3,613)	(3,613)
Taxes	548	1,976	845	911	4,280
Balance as at September 30, 2009	(39,532)	8,251	(7,392)	369	(38,304)

## Note 12.

### SALE OF SUBSIDIARY

On March 31, 2010, the Corporation sold a subsidiary that owned the Bel Air, France wind farm for net proceeds of \$878,000 (€639,000). This disposal is detailed as follows:

Working capital	(1,182)
Property, plant and equipment	9,611
Long-term debt	(8,325)
Net value of subsidiary sold	104
Net consideration	878
Gain on sale of subsidiary	774

## Note 13.

### SEASONAL FACTORS

Operations and results for some of the Corporation's power stations are subject to seasonal cycles that vary by segment. However, the impact of seasonal variations differs, depending on whether the power stations have power sales contracts or not.

For the 22 Boralex facilities and the ten facilities of the Fund that have long-term fixed-price power sales contracts, seasonal cycles mainly affect the volume of power generated. The nine Boralex power stations that do not have long-term contracts and that sell their power on the open market in the Northeastern U.S. are more vulnerable to seasonal fluctuations which, in addition to influencing power generation volumes, also have an impact on prices obtained. The price of natural gas, which is highly volatile, has a significant influence on electricity selling prices in the Northeastern U.S. Generally, electricity consumption increases in the winter and summer, which corresponds to Boralex's first and third quarters. Historically, this means that, for those two periods, the power stations that do not have long-term power sales contracts obtain generally higher average prices. In addition, the Corporation uses financial instruments for periods of up to three years for hedging purposes to fix part of the prices of power stations without long-term power sales contracts, which partially offsets the seasonal impact on prices. As the wood-residue power stations that Boralex operates in the United States can also regulate their output level, they usually generate more power during such peak periods. Whether or not power stations benefit from sales contracts, their output level is subject to following seasonal cycles, depending on their power generation method.

*Wind:* For the Corporation's 16 wind farms with long-term power sales contracts, wind conditions are usually more favourable in the winter, which falls during Boralex's first and fourth quarters, both in France and Canada. However, in winter there is a greater risk of lower output caused by weather conditions, such as icing. In general, in view of weather conditions described above, management estimates that approximately 60% of annual output in its wind power segment is generated in the first and fourth quarters and 40% in the second and third quarters.

*Hydroelectric:* For the eight Boralex facilities and the seven power stations of the Fund, power output depends on water flow, which in Canada and the Northeastern U.S. tends to be at a maximum in spring and generally good in the fall, which represents Boralex's second and fourth quarters. Historically, water flow tends to decrease in winter and summer. Note that apart from the three hydroelectric power stations of the Fund whose water flow is regulated upstream, Boralex's hydroelectric facilities and the Fund's other power stations do not have reservoirs that would permit water flow regulation during the year.

*Wood residue:* Because the wood-residue power stations comprising six Boralex facilities and two facilities of the Fund can regulate their output level as mentioned previously, they usually generate more power during such peak periods. For this reason, these power stations perform shutdowns for regular maintenance in spring or fall, which impacts their operating results for those periods.

*Natural gas:* Steam output of natural gas power stations, of which one is owned by Boralex and the other by the Fund, is generally more stable from quarter to quarter, as it is based on client demand, which is more predictable and steady. On the downside, steam revenues are quite volatile since prices for steam generated by the Fund's power station in Québec are partially indexed to oil prices while prices at the Boralex facility in France are partially indexed to natural gas prices. The natural gas cogeneration power station's long-term power sales contract with Électricité de France ("EDF") contains a clause that caps electricity prices from April to October. When the cost of natural gas is high, the profit margin for this period is not sufficient to offset the ceiling on electricity prices. The cogeneration equipment may therefore be shut down, in which case the Corporation supplies its steam client from an auxiliary boiler. Accordingly, since 2005, the power station operates its cogeneration equipment only during the five winter months.

### Note 13. Seasonal factors (Cont'd)

Boralex's acquisition of the Fund is expected to have a stabilizing and therefore beneficial impact on seasonal changes that could affect the Corporation's performance as all of the Fund's power stations have long-term power sales contracts that shields them from seasonal price cycles. In the short term, this acquisition will also increase the hydroelectric segment's relative share of Boralex's output, thereby heightening its seasonal patterns. However, in the medium and long term, the wind sector is expected, under Boralex's strategic plan, to become its largest segment as well as a more geographically diversified segment. With the commissioning of the wind farms currently under development in Canada, the Corporation's wind power segment will represent over 250 MW of installed capacity by the end of fiscal 2010 and about 400 MW by the end of fiscal 2013.

In general, excluding potential foreign currency fluctuations, the addition of the Fund's power stations combined with wind power segment expansion should accentuate the Corporation's trend to generate more revenues and earnings during the first and fourth quarters.

To sum up, although Boralex's performance is affected by seasonal cycles, their impact is mitigated by the increasing proportion of revenues from fixed-price and price-indexed contracts, the growing diversification of its power generation sources and its geographic positioning. These factors will be strengthened significantly by the acquisition of the Fund and Boralex's wind power expansion strategy. To mitigate its vulnerability to seasonal cycles, the Corporation is also making partial use of hedging instruments to hedge prices and developing complementary revenue streams in order to increase and secure revenues or to reduce costs. For example, Boralex participates in the Renewable Energy Certificates ("RECs") market in the U.S., and the Forward Capacity Market and in the carbon dioxide ("CO<sub>2</sub>") quota trading and green certificate markets in France.

## Note 14.

### INVESTMENT

In calculating the value of the investment in the Fund and the share of the Fund's earnings (loss) preceeding the transaction described in note 4, Boralex recognized its share of the impairment of property, plant and equipment at the Dolbeau thermal power station in Québec owned by the Fund, arising from changes in this power station's operating environment. Accordingly, amounts of \$3,721,000 (\$2,739,000 net of taxes) and \$1,899,000 (\$1,398,000 net of taxes) were recognized in the first and third quarters, respectively.

## Note 15.

### CHANGE IN NON-CONTROLLING INTERESTS

On June 4, 2010, a European subsidiary of the Corporation acquired 49% of the shares of Boralex Cham Longe II S.A.S. ("Cham Longe II") it did not own. The purchase price was set at €1,380,000 (\$1,751,000). The excess of the purchase price for the shares of Cham Longe II over their carrying amount was €1,360,000 (\$1,725,000) and was recognized under *Retained earnings*.

On July 6, 2010, the Corporation completed a €4,265,000 (\$5,662,000) capital subscription by its European partner. The percentage of European operations held by this partner increased by 3.71% to 20.01%. Under the initial agreement entered into in December 2009, the partner had the option of subscribing a maximum amount of 30% to a capital increase of up to €33,000,000, of which €19,265,000 has been contributed to date. The excess of proceeds from the partial sale of a subsidiary exceeded was \$3,415,000 and was recognized under *Retained earnings*.

## Note 16.

### INCOME TAXES

The provision for income taxes was affected by reversal of future income taxes of \$12,750,000 recognized by Boralex in the investment in the Fund before the takeover. In addition, the \$16,078,000 gain on deemed disposal of investment in the Fund is not taxable, resulting in an other-than-temporary change for tax purposes of \$4,821,000. Excluding these two factors, the tax rate reported in the financial statements would have been 31%.

## Note 17.

### NET EARNINGS PER SHARE

Net earnings per share (basic and diluted) are detailed as follows:

	FOR THE THREE-MONTH PERIODS		FOR THE NINE-MONTH PERIODS	
	ENDED SEPTEMBER 30,		ENDED SEPTEMBER 30,	
	2010	2009	2010	2009
Net earnings available to common shareholders	27,092	698	22,642	9,727
Net diluted earnings available to common shareholders	27,585	698	23,135	9,727
Weighted average number of common shares	37,740,921	37,740,921	37,740,921	37,740,921
Dilutive effect of stock options	95,389	125,313	133,643	74,842
Dilutive effect of convertible debentures	2,350,659	-	783,553	-
<b>Adjusted weighted average number of common shares</b>	<b>40,186,969</b>	<b>37,866,234</b>	<b>38,658,117</b>	<b>37,815,763</b>
Net earnings per common share (basic)	0.72	0.02	0.60	0.26
Net earnings per common share (diluted)	0.69	0.02	0.60	0.26
Stock options excluded from the net diluted earnings per share calculation due to their anti-dilutive effect	831,722	581,445	813,701	599,466

## Note 18.

### SEGMENTED INFORMATION

The Corporation's power stations are grouped into four distinct segments: wind power, hydroelectric power, wood-residue thermal power and natural gas thermal power, and are engaged mainly in power generation. The classification of these segments is based on the different cost structures relating to each of the four types of power stations. The main accounting policies that apply to the operating segments are the same as those described in note 2 in Boralex's 2009 Annual Report.

The Corporation analyzes the performance of its operating segments based on the earnings before interest, taxes, depreciation and amortization ("EBITDA"). EBITDA is not a measure of performance under Canadian GAAP; however, management uses this measure to assess the operating performance of its segments. EBITDA corresponds to *Operating income*. Results for each segment are presented on the same basis as those of the Corporation.

The following table reconciles EBITDA with net earnings:

	FOR THE THREE-MONTH PERIODS		FOR THE NINE-MONTH PERIODS	
	ENDED SEPTEMBER 30,		ENDED SEPTEMBER 30,	
	2010	2009	2010	2009
Net earnings attributable to shareholders	27,092	698	22,642	9,727
Non-controlling interests	(370)	1	(277)	56
Income taxes (recovery)	(13,495)	316	(10,815)	5,751
Gain on sale of subsidiary	-	-	(774)	-
Net gain on deemed disposal of investment in the Fund	(16,078)	-	(16,078)	-
Financing costs	4,195	3,362	13,078	10,228
Net loss (gain) on financial instruments	214	398	(125)	(6)
Foreign exchange loss	532	236	1,562	202
Amortization	8,761	6,434	24,512	19,382
<b>EBITDA</b>	<b>10,851</b>	<b>11,445</b>	<b>33,725</b>	<b>45,340</b>

## Note 18. Segmented information (Cont'd)

## INFORMATION BY SEGMENT

	FOR THE THREE-MONTH PERIODS ENDED SEPTEMBER 30,		FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30,	
	2010	2009	2010	2009
<b>Power generation (MWh)</b>				
Wind farms	66,722	39,758	234,013	155,677
Hydroelectric power stations	33,300	27,554	107,910	104,286
Wood-residue thermal power stations	339,903	297,851	925,429	852,253
Natural gas thermal power stations	7,953	-	30,460	22,642
	<b>447,878</b>	<b>365,163</b>	<b>1,297,812</b>	<b>1,134,858</b>
<b>Revenues from energy sales</b>				
Wind farms	7,802	5,797	28,446	22,898
Hydroelectric power stations	2,784	1,779	8,161	7,381
Wood-residue thermal power stations	28,072	29,841	81,184	96,360
Natural gas thermal power stations	3,438	2,259	12,037	11,992
	<b>42,096</b>	<b>39,676</b>	<b>129,828</b>	<b>138,631</b>
<b>EBITDA</b>				
Wind farms	5,628	4,247	22,159	17,704
Hydroelectric power stations	1,473	301	4,528	3,795
Wood-residue thermal power stations	7,135	10,685	21,587	30,636
Natural gas thermal power stations	254	(126)	2,186	1,240
Corporate and eliminations	(3,639)	(3,662)	(16,735)	(8,035)
	<b>10,851</b>	<b>11,445</b>	<b>33,725</b>	<b>45,340</b>
<b>Additions to property, plant and equipment</b>				
Wind farms	72,250	24,024	133,592	53,877
Hydroelectric power stations	1,835	312	2,250	1,031
Wood-residue thermal power stations	334	431	2,392	4,181
Natural gas thermal power stations	1	-	10	28
Corporate and eliminations	(879)	618	(422)	1,016
	<b>73,541</b>	<b>25,385</b>	<b>137,822</b>	<b>60,133</b>
			<b>AS AT SEPTEMBER 30, 2010</b>	<b>AS AT DECEMBER 31, 2009</b>
<b>Total assets</b>				
Wind farms			537,908	363,644
Hydroelectric power stations			286,213	34,622
Wood-residue thermal power stations			213,851	138,014
Natural gas thermal power stations			38,129	13,600
Corporate and eliminations			205,641	113,887
			<b>1,281,742</b>	<b>663,767</b>
<b>Property, plant and equipment</b>				
Wind farms			411,611	288,225
Hydroelectric power stations			203,431	25,758
Wood-residue thermal power stations			163,261	84,660
Natural gas thermal power stations			23,469	7,150
Corporate and eliminations			6,466	7,746
			<b>808,238</b>	<b>413,539</b>



## Note 18. Segmented information (Cont'd)

## INFORMATION BY GEOGRAPHIC SEGMENT

	FOR THE THREE-MONTH PERIODS ENDED SEPTEMBER 30,		FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30,	
	2010	2009	2010	2009
<b>Power generation (MWh)</b>				
United States	353,021	319,186	996,127	938,613
France	50,741	39,758	187,513	178,319
Canada	44,116	6,219	114,172	17,926
	<b>447,878</b>	<b>365,163</b>	<b>1,297,812</b>	<b>1,134,858</b>
<b>Revenues from energy sales</b>				
United States	29,187	30,913	85,757	101,891
France	8,081	8,056	30,666	34,889
Canada	4,828	707	13,405	1,851
	<b>42,096</b>	<b>39,676</b>	<b>129,828</b>	<b>138,631</b>
<b>EBITDA</b>				
United States	7,689	10,735	23,642	33,152
France	3,752	3,406	14,152	16,162
Canada	(590)	(2,696)	(4,069)	(3,974)
	<b>10,851</b>	<b>11,445</b>	<b>33,725</b>	<b>45,340</b>
<b>Additions to property, plant and equipment</b>				
United States	683	431	3,120	4,072
France	42,366	2,526	62,456	3,145
Canada	30,492	22,428	72,246	52,916
	<b>73,541</b>	<b>25,385</b>	<b>137,822</b>	<b>60,133</b>
			<b>AS AT SEPTEMBER 30, 2010</b>	<b>AS AT DECEMBER 31, 2009</b>
<b>Total assets</b>				
United States			311,327	179,494
France			296,829	254,142
Canada			673,586	230,131
			<b>1,281,742</b>	<b>663,767</b>
<b>Property, plant and equipment</b>				
United States			182,405	89,889
France			229,999	190,797
Canada			395,834	132,853
			<b>808,238</b>	<b>413,539</b>

## Note 19.

### COMMITMENT AND CONTINGENCIES

#### BORALEX

With respect to wind power projects in Ontario, Canada and France, the Corporation entered into new equipment purchase agreements during the first nine months of 2010. As at September 30, 2010, the total cost of net commitments was \$39,805,000 (€18,890,000 and \$13,483,000) (\$127,789,000 as at December 31, 2009). Disbursements will take place mostly in 2010. A portion of the amount payable in euros was covered by foreign exchange forward contracts.

#### THE FUND

(a) For the Canadian power stations, the Fund is committed to sell all the electricity it generates (subject to certain minimums) under long-term contracts expiring from 2012 to 2027. These contracts allow for an annual indexation in accordance with the Consumer Price Index ("CPI"). However, under these long-term contracts, except for the contract expiring in 2022, the indexation rate should not be lower than 3% or higher than 6%.

For the U.S. power stations, the Fund is committed to sell the electricity it generates under long-term contracts expiring from 2034 to 2035. These contracts provide for a contract payment rate for most of the electricity it generates. The price structure is as follows:

	Hudson Falls US\$/MWh	South Glens Falls US\$/MWh
2010 - 2017	89.53 – 80.58	89.37 – 86.65
2018 - 2024	48.27	86.65
2025	48.27	121.79 or market <sup>(1)</sup>
2026 and thereafter	56.28 or market <sup>(1)</sup>	121.79 or market <sup>(1)</sup>

<sup>(1)</sup> The client has the option of replacing the contract price with the market price until the contract terminates in 2025 for the South Glens Falls facility and in 2026 for the Hudson Falls facility.

(b) The steam production from the Kingsey Falls power station is sold to Cascades Inc., a company with significant influence over Boralex, under long-term contracts expiring in 2012. This contract is renewable at the client's option for a four-year period and the selling prices are based on various factors including the average monthly price of heating oil. Certain factors affecting the selling prices are indexed annually, on January 1, based on the CPI.

(c) The Fund is committed to buy approximately 90% of its natural gas needs from the Kingsey Falls power station under a supply agreement signed in 1995 and expiring in 2012. The initial natural gas price set in 1995 was \$1.75 per gigajoule; this price is indexed annually until November 2011 based on the CPI, subject to a minimum increase of 3% and a maximum increase of 6% per annum. During the last year of the supply agreement, the price of the delivered natural gas will be equal to the market price, plus a 3% premium. Annual disbursements under this contract amount to approximately \$12,000,000 for the gas and its delivery to Kingsey Falls.

In July 2010, the Fund entered into a supply agreement covering the Kingsey Falls power station's natural gas needs from November 1, 2011 through November 30, 2012. This agreement covers the commodity price of natural gas for 13 months and its delivery for 12 months. Total disbursements under this agreement amount to close to \$17,073,000 for the gas and its delivery to Kingsey Falls.

(d) With respect to some of its hydroelectric power stations in Canada, the Fund is party to various lease agreements for the sites of the facilities and the hydroelectric power rights necessary for the operation of the facilities. Under the terms of these agreements, expiring from 2013 to 2020, the Fund pays rent based on the level of power generation.

The Fund leases the land on which its U.S. hydroelectric facilities are located from Niagara Mohawk Power Corporation ("NMPC"). The lease agreements terminate at the end of the power sales contracts with NMPC. Rent expense is recognized for non-contingent lease payments on a straight-line basis based on the average rental payment over the lease terms.

Note 19. Commitment and contingencies (Cont'd)

Total minimum future lease payments for the South Glens Falls power station in New York State do not include contingent rental expense for years 26 through 40 of the lease agreement because of uncertainty surrounding the amounts. Rental expense in those years is based on a percentage of gross revenues. In addition, the leases provide NMPC a right of first refusal to acquire the hydroelectric facilities at fair market value over the lease term. The leases also require the Fund to convey title to the hydroelectric facilities if abandoned during the lease term and require NMPC to acquire, and the Fund to sell, the hydroelectric facilities at the end of the lease term at the lower of fair market value or US\$10,000,000 (Hudson Falls power station) and US\$5,000,000 (South Glens Falls power station).

Total minimum future payments under these leases, excluding contingent rent for South Glens Falls, as of December 31, 2009 and substantially unchanged since then are as follows:

2010	274
2011	289
2012	304
2013	320
2014	338
Thereafter	10,707

- (e) The Fund is committed, under the terms of an administration agreement expiring in 2022 and renewable at the manager's option for additional five-year terms, to entrust the manager with certain administrative and support services, including those necessary to ensure compliance by the Fund with securities legislation and with its obligations toward unitholders. All reasonable expenses incurred by the manager in connection with the provision of these services will be reimbursed by the Fund. The contract was terminated on November 1, 2010, the date of the full takeover.
- (f) Hydroelectric power stations in Québec are subject to the *Dam Safety Act* and its regulation, which will gradually affect some of the Fund's hydroelectric facilities. The St-Lambert power station is in compliance with the Act as at December 31, 2009 but is not affected as it is located on St. Lawrence Seaway, which is not subject to this law. Depending on the region where the power stations are located, dams will have to comply with some criteria defined in this Act. Application of this Act should be phased in. Once the Fund's recommendations are accepted by the *Ministère du Développement durable, de l'Environnement et des Parcs*, an action plan will be prepared reflecting the relative urgency of the work required.

A preliminary report was released on the work required at the Buckingham power station to bring it into compliance with the Act, particularly to improve the dam's water discharge capacity, preserve the power station's integrity and the potential impacts on the local population in the event of a major flood. This study indicates that investments of approximately \$14,000,000 will be necessary. The Fund expects that investments totalling \$800,000 will be required for the facilities at other power stations to comply with the Act.

## Note 20.

### SUBSEQUENT EVENT

The revolving credit facility was automatically terminated as soon as the full takeover of the Fund was completed, as at November 1, 2010. Boralex negotiated a replacement revolving credit facility for an amount of \$40,000,000 with a three-year term. For drawdowns in US dollars, the interest rate is based on the LIBOR or the U.S prime rate plus a margin while interest on Canadian dollar drawdowns is calculated using the Canadian bankers acceptance rate or prime rate plus their respective margins. This facility is secured by the assets of the parent company and Boralex's investments in the Fund and in U.S. operations. This new facility was also subject to the repayment and cancellation of the term loan payable of the Stratton power station and the Fund's revolving operating credit facility.

