unable to comply with applicable restrictive covenants or service its debt, TGF may lose control of its business and be forced to reduce or delay planned capital expenditures, sell assets, restructure its indebtedness or submit to foreclosure proceedings, all of which could result in a material adverse effect upon TGF's business, results of operations and financial condition. TGF's future debt arrangements may also include subordinated debt, which may contain even more restrictions and be on less favourable terms than TGF's existing senior debt and subordinated debt.

TGF may secure its debt financing directly or through wholly-owned subsidiary entities. Regardless of the structure, TGF's debt financing arrangements will contain various covenants and agreements and may contain cross-acceleration and cross-default provisions. Under these provisions, a default or acceleration of one debt agreement will result in the default and acceleration of TGF's other debt agreements (regardless of whether TGF is in compliance with the terms of such other debt agreements), providing the lenders under such other debt agreements the right to accelerate the obligations due under such other debt agreements. Accordingly, a default, whether by TGF or any of its subsidiaries, could result in all of TGF's outstanding debt becoming immediately due and payable. The application of cross-acceleration or cross-default provisions means that TGF's compliance, and its subsidiaries' compliance, with applicable debt covenants and agreements will be interdependent and one default (including a default by one of TGF's subsidiaries) could have a material adverse effect on TGF's business, results of operations and financial condition. For a description of TGF's existing debt arrangements, see "Principal Agreements – Principal Agreements of TGF".

*Reliance on Intellectual Property Rights and Proprietary Technology*

The success and ability of TGF to operate Belle Plaine Facility and for it to be economically viable will depend to a significant extent on the intellectual property and proprietary technology of Delta-T. The Belle Plaine Facility will rely on proprietary and confidential technology of Delta-T for which certain rights have been provided to TGF pursuant to the Licence Agreement. TGF and Delta-T currently rely on intellectual property rights and other contractual or proprietary rights, including (without limitation) copyright, trade-mark laws, trade secrets, confidentiality procedures, contractual provisions and licences, to protect the proprietary technology. Delta-T or TGF may have to engage in litigation in order to protect their proprietary technology or other intellectual property rights, or to determine the validity or scope of the proprietary rights of others. This type of litigation can be time-consuming and expensive, regardless of whether or not TGF or Delta-T is successful. To the knowledge of TGF, Delta-T currently has no patents or patent applications and protects its technology as a trade secret. Furthermore, others may develop technologies that are similar or superior to the technology of Delta-T or disclosure of Delta-T's technology may occur. Despite the efforts of TGF or Delta-T, the intellectual property rights, particularly the proprietary technology, of TGF or Delta-T may be circumvented, misappropriated, disclosed, infringed or required to be licensed to others. It cannot be assured that any steps TGF or Delta-T may take to protect their intellectual property rights and other rights to such proprietary technology that are central to TGF's operations will prevent misappropriation or the termination of licences from Delta-T. Delta-T has the right to use or licence others to use the proprietary technology and accordingly may conduct, or may license the proprietary technology to a third party to conduct, an ethanol production business similar to that of TGF.

*Risk of Third Party Claims for Infringement*

A third party may claim that the use of the Delta-T proprietary technology has infringed such third party's rights or may challenge the right of Delta-T to its intellectual property. In such event, Delta-T and/or TGF will undertake a review to determine what, if any, action should be taken with respect to such claim. Any claim, whether or not with merit, could be time consuming to evaluate, result in costly litigation, cause delays in the operations of TGF or require Delta-T or TGF to enter into licensing arrangements that may require the payment of a licence fee or royalties to the owner of the intellectual property. Such royalty or licensing arrangements, if required, may not be available on terms acceptable to TGF.

*Dependence on Commodity Prices*

TGF's results of operations, financial position and business outlook will be substantially dependent on commodity prices, especially prices for wheat, natural gas, ethanol and distillers grains. Prices for these commodities are generally subject to significant volatility and uncertainty. As a result, TGF's results may fluctuate substantially, and TGF may experience periods of declining prices for TGF's products and increasing costs for

TGF's raw materials, which could result in operating losses. TGF may attempt to offset a portion of the effects of such fluctuations by entering into forward contracts to supply ethanol or to purchase wheat, natural gas or other items or by engaging in other hedging transactions, however, the amount and duration of these hedging and other risk mitigation activities may vary substantially over time. In addition, these activities involve substantial costs and substantial risks and may be ineffective to mitigate these fluctuations.

*Sensitivity to Gasoline Prices and Demand*

Ethanol is marketed both as a fuel additive to reduce vehicle emissions from gasoline and as an octane enhancer to improve the octane rating of gasoline with which it is blended. As a result, ethanol prices are influenced by the supply and demand for gasoline (which is itself influenced by the supply and demand for crude oil), and TGF's business, future results of operations and financial condition may be materially adversely affected if gasoline (or crude oil) demand or price decreases.

*Sensitivity to Wheat Prices and Supply*

Wheat is the principal raw material TGF will use to produce ethanol and distillers grains. As a result, changes in the price of wheat can significantly affect TGF's business. At certain levels, wheat prices would make ethanol uneconomical to use in fuel markets. The price of wheat is influenced by local and international weather conditions (including droughts) and other factors affecting crop yields, farmer planting decisions and general economic, market and regulatory factors, including government policies and subsidies with respect to agriculture and international trade, and global and local supply and demand. The significance and relative affect of these factors on the price of wheat is difficult to predict. Any event that tends to negatively affect the supply of wheat, such as adverse weather or crop disease, could increase wheat prices and potentially harm TGF's business. The price of wheat has fluctuated significantly in the past and may fluctuate significantly in the future. For information respecting the volatility of wheat prices during the period from August 1, 1993 to November 1, 2006, see "Overview of the Ethanol Industry – Supply of Wheat".

TGF may also have difficulty from time to time in purchasing wheat on economic terms due to supply shortages. Any supply shortage could require TGF to suspend operations until wheat became available on economic terms. Suspension of operations could have a material adverse effect on TGF's business, results of operations and financial condition.

*Sensitivity to Natural Gas Prices and Supply*

TGF will rely upon third-parties for TGF's supply of natural gas, which is consumed in the manufacture of ethanol. The prices for and availability of natural gas are subject to volatile market conditions. These market conditions are affected by factors beyond TGF's control such as weather conditions (including hurricanes), overall economic conditions and foreign and domestic governmental regulation and relations. Significant disruptions in the supply of natural gas could impair TGF's ability to manufacture ethanol for TGF's customers. Further, increases in natural gas prices could have a material adverse effect on TGF's business, results of operations and financial condition.

*Sensitivity of Distillers Grain Prices to the Price of Other Commodity Products*

Distillers grains compete with other protein-based animal feed products. The price of distillers grains may decrease when the price of competing feed products decrease. The prices of competing animal feed products are based in part on the prices of the commodities from which they are derived. Downward pressure on commodity prices, such as soybeans, will generally cause the price of competing animal feed products to decline, resulting in downward pressure on the price of distillers grains. Because the price of distillers grains is not tied to production costs, decreases in the price of distillers grains will result in TGF generating less revenue and lower profit margins.

***Hedging Transactions and Other Risk Management Strategies***

In an attempt to offset some of the effects of the volatility of ethanol, wheat and natural gas prices, TGF intends (to the extent possible) to hedge against changes in prices of key inputs (such as wheat and natural gas) and key outputs (such as ethanol and distillers grains). TGF will seek to hedge its primary commodity risks directly through a combination of futures contracts, derivatives (including options) and fixed price contracts. TGF may also enter into hedging transactions in respect of commodities whose prices are correlated with TGF's key inputs and outputs. For example, TGF may hedge against changes in crude oil prices because of the positive correlation between the price of crude oil and the price of gasoline and the positive correlation between the price of gasoline and the price of ethanol. The impact of these activities depends upon, among other things, the prices involved and TGF's ability to sell sufficient products to use all of the wheat and natural gas for which TGF may have futures contracts. Hedging arrangements also expose TGF to the risk of financial loss in situations where the other party to the hedging contract defaults on its contract or, in the case of exchange-traded contracts, where there is a change in the expected differential between the underlying price in the hedging agreement and the actual prices paid or received by TGF. Hedging activities can themselves result in losses when a position is purchased in a declining market or a position is sold in a rising market. A hedge position is settled in the same time frame as the physical commodity is either purchased (wheat and natural gas) or sold (ethanol). TGF may experience hedging losses in the future. TGF may also vary the amount of hedging or other price mitigation strategies TGF undertakes, and TGF may choose not to engage in hedging transactions at all. As a result, TGF's business, results of operations and financial condition may be materially adversely affected by increases in the price of wheat or natural gas or decreases in the price of ethanol.

*Reliance on Third Party Service Providers*

From time to time, TGF may depend on third parties for some or all of its wheat handling services relating to both its feedstock supply and the marketing of its distillers grains outputs, including wheat purchases, wheat hedging and wheat transportation. If TGF retains wheat handlers and they are not able to complete the wheat handling services or default on their agreement to provide TGF with wheat handling services, TGF would be materially adversely affected.

If third parties do not perform under TGF's existing or future contractual arrangements, it may be forced to buy wheat at undesirable or uneconomic rates, or it may not have access to wheat at all. Additionally, TGF may have difficulty selling its distillers grains if third parties with whom TGF contracts in the future do not perform. These conditions may cause TGF's operating results to suffer.

*Dependence on Federal and Provincial Legislation and Regulation*

Various laws, regulations and programs of the United States federal government and certain provincial and state governments have led to increased use of ethanol in gasoline. In addition, various proposed federal and provincial laws, regulations and programs are expected by management to lead to a further increase in the use of ethanol in gasoline in Canada. For example, certain existing and proposed laws, regulations and programs provide (or if implemented will provide) economic incentives to ethanol producers and users, however, existing and proposed laws may be influenced by those who believe that the use of ethanol does not create the benefits suggested by proponents of increased ethanol usage. Further, tariffs apply to the import of ethanol from non-NAFTA countries. These existing and proposed laws, regulations and programs are constantly changing. In both the U.S. and Canada legislators and environmental regulators could adopt or modify existing or proposed laws, regulations or programs that could adversely affect the use of ethanol. There can be no assurance that existing laws, regulations or programs will continue in the future, or that proposed laws, regulations or programs will be adopted or implemented as currently anticipated or at all. In addition, certain jurisdictional governments may oppose the use of ethanol because those jurisdictions might have to acquire ethanol from other jurisdictions, which could increase gasoline prices in those jurisdictions.

*Competition*

TGF faces competition in every aspect of its business from established producers of ethanol and from other companies that are seeking to develop large-scale ethanol plants and alliances. If TGF sells ethanol in the United States, it will compete with Archer Daniels Midland Company, which is the single largest producer in the ethanol industry, as well as other large producers such as VeraSun Energy Corp., Hawkeye Holdings Inc., Aventine Renewable Energy Holdings Inc. and Cargill, Inc. As of October 2006, the top ten producers in the U.S. accounted for over 50% of the ethanol production capacity in the U.S. according to the RFA. As of September 2006, the top three producers in Canada accounted for approximately 90% of the ethanol production capacity in Canada.

TGF may also face competition from international ethanol suppliers in the future. Currently, international suppliers produce ethanol primarily from sugar cane and have cost structures that may be substantially lower than TGF's cost structure. However, ethanol imported into Canada from non-NAFTA countries (such as Brazil) is currently subject to a duty of $0.0492 per litre. If this duty were to be reduced or eliminated, international suppliers of ethanol might be able to sell ethanol at more competitive prices than TGF. In addition, there are no duties on the import of ethanol into Canada from NAFTA countries, such as the U.S.

Any increase in domestic or foreign competition could cause TGF to reduce its prices and take other steps to compete effectively, which could materially adversely affect TGF's business, results of operations and financial condition.

*Environmental, Health and Safety Laws, Regulations and Liabilities*

TGF will become subject to various federal, provincial and local environmental laws and regulations, including those relating to the discharge of materials into the air, water and ground, the generation, storage, handling, use, transportation and disposal of hazardous materials, and the health and safety of TGF's employees. These laws and regulations require TGF to maintain and comply with numerous environmental permits to construct and operate its Belle Plaine Facility. These laws, regulations and permits can often require expensive pollution control equipment or operational changes to limit actual or potential impacts on the environment. A violation of these laws, regulations or permit conditions can result in substantial fines, natural resource damages, criminal sanctions, permit revocations and/or facility shutdowns.

Environmental issues, such as contamination and compliance with applicable environmental standards could arise at any time during the operation of the Belle Plaine Facility. If this occurs, it could require TGF to spend significant resources to remedy the issues and may delay or prevent construction or operation of the Belle Plaine Facility. This could significantly increase the cost of this project.

There is a risk of liability for the investigation and cleanup of environmental contamination at each of the properties that TGF will own or operate. If hazardous substances have been or are disposed of or released at sites that undergo investigation and/or remediation by regulatory agencies, TGF may be responsible under environmental laws for all or part of the costs of investigation and/or remediation, and for damages to natural resources. TGF may also be subject to related claims by private parties, including TGF's employees and property owners or residents near the Belle Plaine Facility, alleging property damage and personal injury due to exposure to hazardous or other materials at or from its Belle Plaine Facility. Additionally, employees, property owners or residents near the Belle Plaine Facility could object to the air emissions or water discharges from the Belle Plaine Facility. Ethanol production has been known to produce an unpleasant odour. Environmental and public nuisance claims or toxic tort claims could be brought against TGF as a result of this odour or TGF's other releases to the air or water. Some of these matters may require TGF to expend significant resources for investigation, cleanup, installation of control technologies or other compliance-related items, or other costs.

In addition, new laws, new interpretations of existing laws, increased governmental enforcement of environmental laws or other developments could require TGF to make additional significant expenditures. Continued government and public emphasis on environmental issues may result in increased future investments for environmental controls at the Belle Plaine Facility. For example, federal and state environmental authorities have recently been investigating alleged excess volatile organic compounds and other air emissions from certain U.S. ethanol plants, which could also occur in Canada. Present and future environmental laws and regulations (and interpretations thereof) applicable to TGF's operations, more vigorous enforcement policies and discovery of currently unknown conditions may require substantial capital and other expenditures that could have a material adverse effect on TGF's business, results of operations and financial condition. For example, TGF had to submit its project proposal for screening by Saskatchewan Environment – Environmental Assessment Branch under *The Environmental Assessment Act* (Saskatchewan) in order to carry out the construction and operation of the Belle Plaine Facility and TGF will need to comply with all applicable regulatory requirements during the operation of the Belle Plaine Facility, including, without limitation, *The Clean Air Act* (Saskatchewan), *The Environmental Management and Protection Act, 2002* (Saskatchewan), *The Occupational Health and Safety Act, 1993* (Saskatchewan) and *The Dangerous Goods Transportation Act* (Saskatchewan). In addition to costs for achieving and maintaining compliance with these laws, more stringent standards may also limit our operating flexibility.

The hazards and risks associated with producing and transporting TGF's products (such as fires, natural disasters, explosions, and abnormal pressures and blowouts) may also result in personal injury claims by third-parties or damage to property owned by TGF or by third-parties. As protection against operating hazards, TGF intends to maintain insurance coverage against some, but not all, potential losses. However, TGF could sustain losses for uninsurable or uninsured events, or in amounts in excess of existing insurance coverage. Events that result in significant personal injury to third-parties or damage to property owned by TGF or third-parties or other losses that are not fully covered by insurance could have a material adverse effect on TGF's business, results of operations and financial condition.

***Disruptions to Infrastructure, or in the Supply of Fuel or Natural Gas***

TGF's business depends on the continuing availability of rail, road, storage and distribution infrastructure. Any disruptions in this infrastructure network, whether caused by rail car shortages, earthquakes, storms, other natural disasters or human error or malfeasance, could have a material adverse effect on TGF's business. TGF will rely upon third-parties to maintain the rail lines from the Belle Plaine Facility to the national rail network, and any failure on their part to provide rail cars or maintain the lines could impede TGF's delivery of products, impose additional costs on TGF and could have a material adverse effect on TGF's business, results of operations and financial condition.

TGF's business also depends on the continuing availability of raw materials, including fuel and natural gas. The production of ethanol, from the planting of wheat to the distribution of ethanol to refiners, is highly energy-intensive. Significant amounts of fuel and natural gas are required for the growing, fertilizing and harvesting of wheat, as well as for the fermentation, distillation and transportation of ethanol and the drying of distillers grains. A serious disruption in supplies of fuel or natural gas, or significant increases in the prices of fuel or natural gas, could significantly reduce the availability of raw materials at the Belle Plaine Facility, increase TGF's production costs and could have a material adverse effect on TGF's business, results of operations and financial condition.

***Dependence on Personnel***

TGF has hired personnel to fill senior roles in the company. The continued success of TGF will be dependent upon its ability to retain the services of its President and its ability to recruit and retain other key operational employees for its business.. Any loss of the services of TGF's President or consulting personnel could have a material adverse affect on the business and operations of TGF. Currently, neither the Company nor TGF carries "key man" insurance that would compensate it for a loss of its President.

If TGF is unable to hire and retain productive and competent personnel TGF may not be able to efficiently operate the Belle Plaine Facility and execute its business strategy.

***Technological Advances***

TGF expects that technological advances in the processes and procedures for processing ethanol will continue to occur. It is possible that those advances could make the processes and procedures that TGF intends to utilize at the Belle Plaine Facility less efficient or obsolete, or cause the ethanol TGF intends to produce to be of a lesser quality. These advances could also allow TGF's competitors to produce ethanol at a lower cost than TGF. If TGF is unable to adopt or incorporate technological advances, TGF's ethanol production methods and processes could be less efficient than those of its competitors, which could cause the Belle Plaine Facility to become less competitive.

Ethanol production methods are also constantly advancing. A current trend in ethanol production research is to develop an efficient method of producing ethanol from cellulose-based biomass such as agricultural waste, forest residue and municipal solid waste. Another trend in ethanol production research is to produce ethanol through a chemical process rather than a fermentation process, thereby significantly increasing the ethanol yield per pound of feedstock. Although current technology does not allow these production methods to be competitive, new technologies may develop that would allow these methods to become viable means of ethanol production in the future. If TGF is unable to adopt or incorporate these advances into its operations, TGF's cost of producing ethanol could be significantly higher than those of its competitors, which could make the Belle Plaine Facility less competitive.

In addition, alternative fuels, additives and oxygenates are continually under development. Alternative fuel additives that can replace ethanol may be developed, which may decrease the demand for ethanol. It is also possible that technological advances in engine and exhaust system design and performance could reduce the use of oxygenates, which would lower the demand for ethanol, in which case TGF's business, results of operations and financial condition may be materially adversely affected.

*Debt Service and Variations in Interest Rates*

The TGF Credit Facility will be used to finance a portion of the capital costs of the Belle Plaine Facility. Variations in interest rates could result in significant changes in the amount required to be applied to debt service and would affect the financial results of operations of TGF. If TGF is unable to meet its debt service obligations, the lenders may be able to realize on the assets of TGF.

*Contractor's Claim*

An award of damages to the Contractor as contemplated in the Section "Legal Proceedings and Regulatory Actions", could have a material adverse effect on TGF's business, results of operations and financial condition.

*Foreign Exchange Risk*

TGF may sell some or all of its ethanol and distillers grains into the U.S. market. Net income from sales into the U.S. market may be denominated in United States dollars, such that fluctuations of the currency exchange rate between the Canadian dollar and the United States dollar may have an impact on the Canadian dollar amount of net income realized from U.S. sales.

**Risks Related to our Home Services Business**

*Billing Arrangements*

As a result of the billing agreements, NHS is reliant on the personnel, expertise, technical resources, proprietary information and judgment of Enbridge Gas Distribution Inc. ("EGD") in providing the billing and collection services to NHS. NHS is therefore exposed to adverse developments in the business and affairs of EGD and to its management and financial strength. Although EGD is required, under the Open Bill Agreement ("OBA"), to make the payment to NHS, thereby effectively guaranteeing NHS's collection of 99.5% of the amount invoiced by NHS on the EGD bill, there can be no assurance that EGD will have the financial capability to honour such obligation.

The OBA and New Receivables Trust Agreement are scheduled to expire on June 30, 2009. Unless alternative arrangements are put in place on or before that date, consolidated billing with EGD would cease on that date.

The regulatory basis on which the OBA and New Receivables Trust Agreement have been entered into is interim and falls under EGD's comprehensive "Open Bill" solution as proposed by EGD and approved by the OEB in 2007. EGD will be making further representations to the OEB with respect to confirming this billing solution before the end of 2008. Despite EGD's regulatory commitment to do so, there can be no assurance that the long-term solution to be put forth by EGD will include open bill access and/or that the OEB will approve any long-term solution.

In the event that the long-term solution to be put forth by EGD either does not contemplate continued billing and collection services being provided to NHS, or the proposal is rejected by the OEB, NHS will have to perform the billing and collection services and issue stand-alone bills in the EGD billing territory, either itself or through contracts with other third parties. There can be no assurance that the customer services delivered by NHS, or other third parties, will be of the same standard as those delivered under the OBA and stand-alone billing may result in increased levels of bad debt. Bad debt experience may also increase if any arrangement relating to stand-alone billing and collection services does not include a collection guarantee. It is also possible that transitional issues may arise following a termination of the interim or any comprehensive consolidated billing solution and associated arrangements, and those issues may have a material adverse impact on the profitability of NHS.

*Regulatory Changes*

Changes to any of the laws, rules, regulations or policies respecting the installation, servicing or billing practices in relation to water heaters could have a significant impact on NHS' business. There can be no assurance that NHS will be able to comply with any future laws, rules, regulations and policies. Failure by NHS to comply with applicable laws, rules, regulations and policies may be subject to civil or regulatory proceedings, including fines, injunctions, recalls or seizures, which may have a material adverse effect on the profitability of the operations.

New regulatory requirements have resulted in water heater design changes in order to incorporate flammable vapour ignition resistant ("FVIR") technology. This technology is intended to prevent the ignition of flammable vapours introduced from external sources in proximity to the water heater. Certain household items, such as gasoline, paint thinner, aerosol cans, floor treatments and lighter fluid can emit invisible vapours which can catch fire if they come in contact with a flame. This is not a current design flaw with water heaters as this risk applies equally to other sources of ignition such as furnaces, fireplaces and light switches. FVIR technology also applies equally whether the water heater is rented or owned. FVIR product design modifications have now been approved for conventional water heaters. FVIR technology is required on all conventional water heaters of up to 50 U.S. gallons manufactured after July 1, 2004. FVIR technology is required for power vented water heaters of up to 50 U.S. gallons effective on July 1, 2005. Effective August 2007, all newly installed power vented water heaters in Ontario, including replacements, must be installed with plastic piping that meets the ULC S636 piping standard, NHS is in compliance with the new standard.

*Competition*

NHS operates in a competitive environment and hence its growth and sustainability may be negatively impacted by loss of market share to new competition or due to change in consumers' behaviour.

*Buy-outs and Returns of Water Heaters*

Customers are permitted to purchase their installed water heaters at a price discounted based on the age of the water heater, determined with reference to the price of the water heater at the time of installation of the water heater or may terminate their rental agreement with NHS at any time. If customers choose to buy their installed water heaters or terminate their rental agreement, the number of installed water heaters and the composition of the portfolio of installed water heaters could change. Any loss of customers could have a material adverse effect on the profitability of NHS.

*Social or Technological Changes*

Within Canada, the Province of Ontario marketplace is unique in that the vast majority of homeowners rent their water heaters. There can be no assurance that homeowners will continue to rent their water heaters for an indefinite period. It is also possible that more economical or efficient water heating technology than that which is currently used by customers will be developed or that the economic conditions in which the current technology is applied will change resulting in a reduction in the number of installed water heaters. Any material change in homeowners' rental practices or in technology may have a material adverse effect on the profitability of NHS.

*Useful Life of Water Heaters*

Past experience indicates that the average useful life of a water heater is approximately 16 years. However, there can be no assurance that water heaters will continue to have a useful life of that length.

*Concentration of Suppliers and Product Faults*

Although there are a number of manufacturers of water heaters outside Canada, NHS relies principally on GSW Inc. for its supply of water heaters. Should this supplier fail to deliver in a timely manner, delays or disruptions in the supply and installation of water heaters could result. In addition, as many of the installed water heaters are of the same or similar type manufactured by this manufacturer, defects or product recalls relating to a particular production model or type of water heater could affect a material portion of the portfolio of water heater assets. Furthermore, different water heater manufacturers may, from time to time, source components from the same manufacturers for use in their water heaters. As a result, a parts defect relating to a commonly sourced component could affect water heaters produced by more than one manufacturer. NHS does not insure against this risk of product defects or product recalls. All water heaters manufactured by GSW Inc. that are purchased by NHS are currently made in Canada. If GSW Inc. moved production out of Canada, the capital cost of their water heaters may increase. NHS' business will expose it to potential product liability and product defect risks that are inherent in the ownership of water heaters. While NHS currently maintains what it believes to be suitable product liability insurance, there can be no assurance that NHS will be able to maintain such insurance on acceptable terms or that any such insurance will provide adequate protection against potential liabilities. In the event of a successful claim against NHS, a lack of sufficient insurance coverage could have a material adverse effect on the profitability of NHS. Moreover, even if NHS maintains adequate insurance, any successful claim could have a material adverse effect on the profitability of NHS. NHS does not insure against the risk of product defects or product recalls.

*Geographic Concentration*

All of NHS' assets are located in the province of Ontario. In addition, the Canadian water heater rental market is primarily limited to the province of Ontario. A prolonged downturn in the Ontario economy and a corresponding slowdown in new home construction could have an adverse effect on the demand for additional water heaters. Consequently, NHS will be particularly reliant on the economy of the province of Ontario to maintain and to grow the portfolio of water heater assets.

**General Risks**

***Compliance with Financial Reporting and Other Requirements; Risks Associated with Internal Controls***

The Company is subject to reporting and other obligations under applicable Canadian securities laws and TSX rules, including Multilateral Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings ("**MI 52-109**"). MI 52-109 will soon be amended to require annual management assessment of the effectiveness of the Company's internal controls over financial reporting. Effective internal controls, including financial reporting and disclosure controls and procedures, are necessary for the Company to provide reliable financial reports, to effectively reduce the risk of fraud and to operate successfully as a public company. These reporting and other obligations will place significant demands on the Company's management, administrative, operational and accounting resources. The Company does not have an internal audit function. If the Company is unable to accomplish these objectives in a timely and effective fashion, the Company's ability to comply with its financial reporting requirements and other rules that apply to reporting issuers could be impaired. Moreover, any failure to maintain effective internal controls, including a failure to implement new or improved controls in response to identified weaknesses in its system of internal controls, could cause the Company to fail to meet its reporting obligations or result in material misstatements in its financial statements. If the Company cannot provide reliable financial reports or prevent fraud, its reputation and operating results could be materially harmed which could also cause investors to lose confidence in its reported financial information, which could result in a lower trading price of its Common Shares.

The process of designing and implementing an effective system of internal controls is a continuous effort that requires management to anticipate and react to changes in the business and the economic and regulatory environments. As part of its requirement to design, implement and test internal controls, the Company may discover weaknesses in its system of internal controls.

*Availability of Future Financing*

Management expects that Universal's principal source of funds will be cash generated from its operating activities. Management expects that TGF's principal sources of funds will be the cash raised from its share offerings, the issuance of TGF Debentures and borrowing capacity under the TGF Credit Facility. Management expects that NEC's principal source of funds will be intercompany borrowings from the Company and cash generated from its operating activities. Management expects that the Company's principal source of funds (on a consolidated basis) will be existing working capital, the cash retained by the Company for working capital purposes out of the gross proceeds of the IPO Offering, borrowing capacity under the TGF Credit Facility and proceeds from the issuance of the TGF Debentures. Management believes that funds from these sources will provide each of the Company, Universal, TGF and NEC with sufficient liquidity and capital resources to meet their respective current and future financial obligations at existing business levels. Despite management's expectations, however, one or more of the Company, Universal, TGF or NEC may require additional equity or debt financing to meet its financial requirements. There can be no assurance that this financing will be available when required or available on commercially favourable terms or on terms that are otherwise satisfactory to the Company, in which event the financial condition of the Company may be materially adversely affected.

*Conflicts of Interest*

Certain of the directors and officers serve as directors and/or officers of other public companies which may be involved in the industries in which the Company participates and therefore it is possible that a conflict may arise between their duties as a director or officer of the Company and their duties as a director and/or officer of such other companies. In accordance with the CBCA, directors who have a material interest in any person who is a party to a material contract or a proposed material contract with the Company are required, subject to certain exceptions, to disclose that interest and abstain from voting on any resolution to approve that contract. In addition, the directors are required to act honestly and in good faith with a view to the best interests of the Company. See "Executive Compensation – Conflicts of Interest" and "Interest of Management and Others in Material Transactions".

*Income Tax Matters*

The securities of Universal and TGF acquired pursuant to the Acquisitions were transferred to the Company on a fully or partially tax-deferred basis. The cost to the Company of such securities is less than fair market value, such that the Company may realize taxable income on the future disposition of such securities.

*Dependence on Subsidiaries*

The Company's ability to pay dividends (if any) and, should it obtain debt financing in the future, meet its debt obligations, will be dependent on cash flows from its subsidiaries and, in the short term, its ability to raise capital from external sources. Cash flows from its subsidiaries will be dependent, in the long term, on the ability of its subsidiaries to generate operating cash flows in excess of their own capital expenditures. Specifically, the Company's decision to pay dividends will be effected by any amendments to TGF's senior and subordinated debt arrangements and changes to the credit requirements demanded by suppliers in the Company's retail energy operations. In addition, the subsidiaries are separate and distinct legal entities that could be precluded from making such distributions under certain circumstances, including as a result of legislation or regulation or in times of financial distress. See "Dividend Policy".

*Operating Costs*

The operating costs of TGF's and Universal's businesses, which have the potential to vary considerably, are in part subject to TGF's and Universal's ability to negotiate acceptable commercial arrangements with third parties such as for utilities and other services. TGF's and/or Universal's earnings may be reduced if significant increases in operating costs are incurred.

*Potential Unknown Liabilities*

In connection with the Acquisitions, there may be unknown liabilities assumed by the Company, as well as taxation and environmental issues, for which the Company may not be indemnified pursuant to the indemnities provided under the Acquisition Agreements. In particular, to the extent that either Universal or TGF has failed to comply with or otherwise violated applicable laws, including environmental or health and safety laws, the Company may be legally and financially responsible for these violations. The discovery of any material liabilities could have a material adverse affect on the financial condition and results of operations of the Company. Certain of the Existing Shareholders provided certain representations and warranties to the Company under the Acquisition Agreements with respect to TGF, Universal and the Company's initial public offering prospectus. Other Existing Shareholders' representations were more limited in nature, relating primarily to the ownership of the securities owned by them. Each of the Existing Shareholders agreed to indemnify the Company for breaches of representations and warranties, although the total maximum liability of each Existing Shareholder under the Acquisition Agreements in respect of an untrue representation or warranty is limited, without duplication, to the aggregate net after tax proceeds received by such Existing Shareholder from the sale of its securities (including any Common Shares received by such Existing Shareholder, but in such case recourse is limited to the period of time that such Common Shares remain in escrow pursuant to the Escrow Agreement). Further, there can be no assurance that all or any of the Existing Shareholders will have sufficient assets and financial resources to satisfy any indemnification obligations that might arise, with the result that these indemnities may have a nominal value.

*Absence of Operating History as a Public Company*

To operate effectively, the Company will be required to continue to implement changes in certain aspects of its business, improve and expand its management information systems and develop, manage and train management level and other employees to comply with ongoing public company requirements. Failure to take such actions, or delay in the implementation thereof, could adversely affect the Company's business, financial condition, liquidity and results of operations.

*Future Sales of Common Shares by the Existing Shareholders*

The Existing Shareholders collectively hold approximately 64% of the outstanding Common Shares. If one or more of the Existing Shareholders sells a substantial number of its Common Shares in the public market, the market price of the Common Shares could fall. In addition, the perception among the public that such sales may occur could also result in a reduction in the market price of the Common Shares.

*Dilution and Future Sales of Common Shares*

The Company may issue additional Common Shares in the future, which may dilute a shareholder's holdings in the Company. The Company's articles permit the issuance of an unlimited number of Common Shares, an unlimited number of first preferred shares, issuable in series, and an unlimited number of second preferred shares, issuable in series, and shareholders will have no pre-emptive rights in connection with such further issuances. The directors of the Company have the discretion to determine the provisions attaching to any series of first preferred shares and second preferred shares and the price and the terms of issue of further issuances of Common Shares. Also, additional Common Shares will be issued by the Company on the exercise of options to acquire Common Shares under the Company's share option plan and upon the vesting of restricted share units granted under the Company's restricted share unit plan.

*Limited Ability to Recover From the Existing Shareholders for Breaches of Acquisition Agreements*

Certain Existing Shareholders provided representations, warranties and related indemnities regarding Universal and TGF. Representations of the other Existing Shareholders are limited to themselves and title to the securities held by them. The liability of each of the Existing Shareholders under the Acquisition Agreements is limited to the amount of cash proceeds received by them pursuant to such agreements. One or more of the Existing Shareholders may have sold a large portion of its assets and may distribute all or a substantial portion of the proceeds that it receives from such sale to third parties, such as security holders (in the case of an Existing Shareholder that is not a natural person). In the event that the Company suffers any loss as a result of a breach of the representations and warranties or any other term of the Acquisition Agreements by one or more of the Existing Shareholders, the ability of the Company to recover the amount of its loss will be limited.

*Unpredictability and Volatility of Common Share Price*

The market price of the Common Shares could fluctuate significantly as a result of many factors, including the following: economic and stock market conditions generally, and specifically as they may impact participants in the retail natural gas industry, the retail electricity industry and the ethanol industry; the Company's earnings and results of operations and other developments affecting the Company's businesses; sales of Common Shares into the market by one or more Existing Shareholders and/or insiders; changes in financial estimates and recommendations by securities analysts following the Common Shares; earnings and other announcements by, and changes in market evaluations of, participants in the retail natural gas industry, the retail electricity industry and the ethanol industry; changes in business or regulatory conditions affecting participants in the retail natural gas industry, the retail electricity industry and the ethanol industry; trading volume of the Common Shares; additions or departures of key personnel; and competitive pricing pressures in the retail natural gas industry, the retail electricity industry and the ethanol industry.

In addition, the financial markets have experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of companies and that have often been unrelated to the operating performance of such companies. Accordingly, the market price of the Common Shares may decline even if the Company's operating results or prospects have not changed.

## MATERIAL CONTRACTS

The only material contracts which the Company or a subsidiary of the Company has entered into in the past two years, other than contracts entered into in the ordinary course of business, are as follows:

(a) the Electricity Swap Agreement;

(b) the Gas Purchase Agreement;

(c) the Universal U.S. Gas Purchase Agreement;

(d) the EPC Contract;

(e) the Licence Agreement;

(f) the TGF Credit Facility;

(g) the TGF Debenture Purchase Agreement;

(h) the Escrow Agreement;

(i) the Acquisition Agreements; and

(j) the Debenture Indenture.

## PROMOTERS

Gary Drummond, the Chairman and a director of the Company, and Mark Silver, the Chief Executive Officer and a director of the Company, took the initiative in founding and organizing the Company and may therefore be considered to be promoters of the Company for the purposes of applicable securities legislation. Mr. Drummond, directly or indirectly, owns or controls 6,298,099 Common Shares representing approximately 17.4 % of the issued and outstanding Common Shares and Mr. Silver, directly or indirectly, owns or controls 6,862,867 Common Shares, representing approximately 18.9% of the issued and outstanding Common Shares. Mr. Drummond received, directly or indirectly, 6,438,846 Common Shares and Mr. Silver received, directly or indirectly, 6,862,867 Common Shares in connection with the sale of shares of Universal and TGF to the Company as part of the Acquisitions. See "Directors and Officers" and "Interest of Management and Others in Material Transactions".

Mr. Drummond resides outside of Canada. Although Mr. Drummond has appointed MacLean Keith, Barristers & Solicitors as his agent for service of process in Ontario it may not be possible for investors to collect from Mr. Drummond judgments obtained in courts in Canada predicated on the civil liability provisions of securities legislation.

## LEGAL PROCEEDINGS AND REGULATORY ACTIONS

There are no legal proceedings material to the Company, to which the Company or any of its respective subsidiaries is a party, or of which any of their respective property is the subject matter, nor are any such proceedings known to the Company to be contemplated except for the following:

1. In early November, TGF received a formal request from the Contractor for a scope change to the Fixed Price contract for the design and construction of the Belle Plaine Facility. The claim is for approximately $30M. The Contractor subsequently filed a lien against title to the plant of approximately $41M. The claim relates primarily to process piping that exceeded the quantity of piping which the Contractor estimated would be required to build an ethanol plant having the capacity projected of the TGF Facility. Management believes that the Contractor believes that it was entitled to rely on TGF and its consultants to provide information on the quantity of piping that would be required to complete the ethanol facility and that accordingly, TGF is responsible for additional costs related to the extra piping. It is TGF's view, supported by its legal counsel that the contract was for a fixed price and accordingly the Contractor and its consultants were responsible for estimating the quantity of piping and for the cost of any overruns resulting from their inaccurate estimation. To date, TGF is unaware of a legal action having been commenced by the Contractor but expects that one will be commenced in the near future. TGF believes that it has a claim against the Contractor for damages caused by the Contractor's failure to deliver the facility in a timely manner, and that claim will be asserted in any legal proceedings between the parties. While the Company, based on advice from its counsel, is confident in its position, there can be no guaranty of success should the issues be litigated.

2. There is an ongoing investigation into Universal US which was initiated by the Michigan Public Service Commission in 2008. Written and oral discoveries are now taking place and a formal hearing before the Public Service Commission is likely to be held in May, 2009. If Universal US is found guilty, the sanctions against it could include financial penalties and/or suspension or revocation of its licence to market natural gas in Michigan. Based on counsel's advice, Management believes that suspension or revocation of Universal US's licence is unlikely. The main issues that will be considered in the proceedings are:

(a) the "complaint" ratio experience of Universal US compared to other Alternative Gas Suppliers in Michigan;

(b) whether Staff has the mandate to restrict the terms upon which Universal US markets natural gas in Michigan including those relating to the length of contract and termination fees where the customer wishes to terminate prior to maturity; and

(c) a possible tariff violation based on Public Service Commission Staff's interpretation of tariff because Universal US did not send out written confirmation to customers of their enrolment with Universal US in a timely manner; Universal US disputes Staff's interpretation of the relevant tariff provisions.

## INTERESTS OF EXPERTS

**Name of Experts**

The only person or company who is named as having prepared or certified a statement, report or valuation described or included in a filing, or referred to in a filing, made under National Instrument 51-102 by us during, or relating to, our most recently completed financial year, and whose profession or business gives authority to the statement, report or valuation made by the person or company, is KPMG LLP, Chartered Accountants, our independent auditors. KPMG LLP, Chartered Accountants, have performed the external audit of our consolidated financial statements for the fiscal year ended September 30, 2008.

**Interests of Experts**

KPMG LLP are independent of our company within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario. Neither KPMG LLP nor any "designated professional" of KPMG LLP (including any director, officer or employee) is or is expected to be elected, appointed or employed as a director, officer or employee of the Company or of any associate or affiliate of the Company.

## TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Common Shares and the Convertible Debentures is Computershare Investor Services Inc. at its principal offices located in Toronto, Ontario.

## ADDITIONAL INFORMATION

Additional information, including our directors' and officers' remuneration and indebtedness, principal holders of our securities and our securities authorized for issuance under equity compensation plans is contained in our information circular for our annual meeting of shareholders. Additional financial information is also provided in our consolidated financial statements and management's discussion and analysis for the financial year ended September 30, 2008.

Additional information relating to us including the materials listed in the preceding paragraph may be found on SEDAR at www.sedar.com or through our website at www.universalenergygroup.ca.

**SCHEDULE "A"**
**UNIVERSAL ENERGY GROUP**
**AMENDED AUDIT COMMITTEE**
**MANDATE AND TERMS OF REFERENCE**

The board of directors (**Board**) of Universal Energy Group Ltd. (**Company**) is responsible to supervise the management of the business and affairs of the Company. Senior management is responsible to manage the business and affairs of the Company within the strategic direction approved by the Board.

The Audit Committee (**Committee**) of the Board has the oversight responsibility and specific duties described below and shall comply with the requirements of applicable laws.

## COMPOSITION

The Committee will be comprised of at least three directors. All Committee members will be independent for Audit Committee service under the Standards for Director Independence (**Independence Standards**) adopted by the Board and applicable law.

All Committee members will be "financially literate" under the definition set out in applicable law.

Committee members will be appointed and removed by the Board. The Committee Chair will be appointed by the Board.

## RESPONSIBILITIES

The Committee's primary purpose is to assist the Board in fulfilling its oversight responsibilities with respect to (i) the integrity of annual and quarterly financial statements to be provided to the Company's shareholders and regulatory bodies; (ii) compliance with accounting and finance based legal and regulatory requirements; (iii) the external auditor's qualifications, independence and compensation, and communicating with the external auditor; (iv) the system of internal accounting and financial reporting controls that Management has established; (v) performance of the external audit process and of the external auditor.

## SPECIFIC DUTIES

The Committee will:

### Audit Leadership

1. Have a clear understanding with the external auditor that it must maintain an open and transparent relationship with the Committee, and that the ultimate accountability of the external auditor is to the Committee, as representatives of the shareholders of the Company.

2. Provide an avenue for communication between each of the external auditor, financial and senior Management and the Board, and the Committee has the authority to communicate directly with the external auditors.

### Auditor Qualifications and Selection

3. Subject to required shareholder approval of the appointment of auditors of the Company, be solely responsible for recommending to the Board: (i) the external auditor of the Company for the purpose of preparing or issuing an auditor's report or performing other audit review or attest services for the Company; and, (ii) the compensation of the external auditor of the Company. The Committee is directly responsible for overseeing the work of the external auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit review or attest services for the Company, including the resolution of disagreements between Management and the external auditor regarding financial reporting. In all circumstances the external auditor reports directly to the Committee. The external auditor will be a "Public Accounting Firm" and a "Participating Audit Firm" as defined under applicable law, must be in compliance with any restrictions or sanctions imposed by the Canadian Public Accountability Board or its successor. The Committee is entitled to adequate funding to compensate the external auditor for completing an audit and audit report or performing other audit, review or attest services.

4. Evaluate the external auditor's qualifications, performance and independence. As part of that evaluation, at least annually, review a report by the external auditor describing: the firm's (auditor's) internal quality-control procedures; any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more external audits carried out by the firm, and any steps taken to deal with any such issues; and, (to assess the auditor's independence) all relationships between the external auditor and the Company. Take all reasonable steps to ensure that the external auditor does not provide non-audit services that would disqualify it as independent under applicable law.

5. Review the experience and qualifications of the senior members of the external audit team and the quality control procedures of the external auditor. Ensure that the lead audit partner of the external auditor is replaced periodically, according to applicable law. Take all reasonable steps to ensure continuing independence of the external audit firm. Present the Committee's conclusions on auditor independence to the Board.

6. Review and approve policies for the Company's hiring of senior employees and former employees of the external auditor who were engaged on the Company's account to the Board for consideration.

**Process**

7. Pre-approve all audit services (which may include consent and comfort letters in connection with securities offerings). Pre-approve and disclose, as required, the retention of the external auditor for non-audit services to be provided to the Company or any of its subsidiaries permitted under applicable law. In the discretion of the Committee, annually delegate to one or more of its members the authority to grant pre-approvals *provided that* those pre-approvals are presented in writing to the Committee at the next regularly scheduled meeting.

8. Meet with the external auditor prior to the audit to review the scope and general extent of the external auditor's annual audit including (i) the planning and staffing of the audit; and, (ii) an explanation from the external auditor of the factors considered in determining the audit scope, including the major risk factors.

9. Require the external auditor to provide a timely report setting out (i) all critical accounting policies, significant accounting judgments and practices to be used; (ii) alternative treatments of financial information within Generally Accepted Accounting Principles (**GAAP**) that have been discussed with Management; and, (iii) other material written communications between the external auditor and Management.

10. Take reasonable steps to ensure that officers and directors or persons acting under their direction are aware that they are prohibited from coercing, manipulating, misleading or fraudulently influencing the external auditor when the person knew or should have known that the action could result in rendering the financial statements materially misleading.

11. Upon completion of the annual audit, review the following with Management and the external auditor:

    (a) The annual financial statements, including related notes and the Management's Discussion and Analysis of Financial Condition and Results of Operations (**MD&A**) of the Company for filing with applicable securities regulators and provision to the shareholders of the Company, as required, as well as all annual earnings press releases before their public disclosure.

    (b) The significant estimates and judgements and reporting principles, practices and procedures applied by the Company in preparing its financial statements, including any newly adopted accounting policies and the reasons for their adoption.

    (c) The results of the audit of the financial statements and whether any limitations were placed on the scope or nature of the audit procedures.

    (d) Significant changes to the audit plan, if any, and any serious disputes or difficulties with Management encountered during the audit, including any problems or disagreements with Management which, if not satisfactorily resolved, would have caused the external auditor to issue a non-standard report on the financial statements of the Company.

(e) The cooperation received by the external auditor during its audit, including access to all requested records, data and information.

(f) Any other matters not described above that are required to be communicated by the independent auditor to the Committee pursuant to CICA Handbook Section 5751 – "Communications With Those Having Oversight Responsibility For the Financial Reporting Process".

**Financial Statements and Disclosure**

12. At least annually, as part of the review of the annual financial statements, receive an oral report from the Company's counsel concerning legal and regulatory matters that may have a material impact on the financial statements.

13. Based on discussions with Management and the external auditor, in the Committee's discretion, recommend to the Board whether the annual financial statements and MD&A of the Company, together with any annual earnings press releases should be approved for filing with applicable securities regulators and provision to the Company's shareholders, as required, prior to their disclosure.

14. Review the general types and presentation format of information that it is appropriate for the Company to disclose in earnings news releases or other earnings guidance provided to analysts and rating agencies.

15. Review with Management and the external auditor the quarterly financial statements and MD&A and quarterly earnings releases prior to their release and recommend to the Board for consideration the quarterly results, financial statements, MD&A and news releases prior to filing them with or furnishing them to the applicable securities regulators and prior to any public announcement of financial results for the periods covered, including a written report of the results of the external auditor's reviews of the quarterly financial statements, significant adjustments, new accounting policies, any disagreements between the external auditor and Management and the impact on the financial statements of significant events, transactions or changes in accounting principles or estimates that potentially affect the quality of financial reporting.

**Internal Control Supervision**

16. As required by applicable law, review with Management and the external auditor the Company's internal controls over financial reporting, any significant deficiencies or material weaknesses in their design or operation, any proposed major changes to them and any fraud involving Management or other employees who have a significant role in the Company's internal controls over financial reporting.

17. Review with Management, the Chief Financial Officer and the external auditor the methods used to establish and monitor the Company's policies with respect to unethical or illegal activities by employees that may have a material impact on the financial statements.

18. Meet with Management and the external auditor to discuss any relevant significant recommendations that the external auditor may have, particularly those characterized as "material" or "serious". (Typically, such recommendations will be presented by the external auditor in the form of a Letter of Comments and Recommendations to the Committee.) Review responses of Management to the Letter of Comments and Recommendations from the external auditor and receive follow-up reports on action taken concerning the recommendations.

19. Review with Management and the external auditor any correspondence with regulators or government agencies and any employee complaints or published reports which raise material issues regarding the Company's financial statements or accounting policies of the Company (as required).

20. Review with Management and the external auditor any off-balance sheet financing mechanisms, transactions or obligations of the Company.

21. Review with Management and the external auditor any material related party transactions.

22. Review with the external auditor the quality of the Company's accounting personnel. Review with Management the responsiveness of the external auditor to the needs of the Company.

**Financial Management**

23. If applicable, periodically review and, in the Committee's discretion, recommend changes to the Company's dividend policy to the Board for consideration.

24. Review proposed dividend or other distributions to be declared and, in the Committee's discretion, make recommendations to the Board for consideration.

**Disclosure Controls and Procedures**

25. Periodically assess and be satisfied with the adequacy of procedures in place for the review of public disclosure of financial information extracted or derived from the applicable financial statements (other than the annual and quarterly required filings) for the Company.

**Financial Risk Management**

26. Establish procedures for (i) the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting and financial reporting controls, or auditing matters; and, (ii) the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.

**Committee Reporting**

27. Following each meeting of the Committee, report to the Board on the activities, findings and any recommendations of the Committee.

28. Report regularly to the Board and review with the Board any issues that arise with respect to the quality or integrity of the financial statements of the Company, compliance with applicable law and the performance and independence of the external auditor of the Company.

29. Annually review and approve the information regarding the Committee required to be disclosed in the Company's Annual Information Form and Committee's report for inclusion in the Proxy Circular.

30. Prepare any reports required to be prepared by the Committee under applicable law.

**Committee Meetings**

31. Meet at least four times annually and as many additional times as needed to carry out its duties effectively. The Committee may, on occasion and in appropriate circumstances, hold a meeting by telephone conference call.

32. Meet in separate, non-management, closed sessions with the external auditor at each regularly scheduled meeting.

33. Meet in separate, non-management, in camera sessions at each regularly scheduled meeting.

34. Meet in separate, non-management, closed sessions with any other internal personnel or outside advisors, as needed or appropriate.

**Committee Governance**

35. From time to time as the Compensation and Governance Committee (**CG Committee**) decides, receive for consideration that Committee's evaluation of this Mandate and any recommended changes. Review and assess the CG Committee's recommended changes and make recommendations to the Board for consideration.

**Advisors / Resources**

36. Have the sole authority to retain, oversee, compensate and terminate independent advisors to assist the Committee in its activities.

37. Receive adequate funding for independent advisors and ordinary administrative expenses that are needed or appropriate for the Committee to carry out its duties.

**Other**

38. With the CG Committee, the Board and the Board Chair, respond to potential conflict of interest situations, as required.

39. Carry out any other appropriate duties and responsibilities assigned by the Board.

40. To honour the spirit and intent of applicable law as it evolves, authority to make minor technical amendments to this Mandate is delegated to the Secretary, who will report any amendments to the CG Committee at its next meeting.

**Approved:** December 11, 2008