No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.

*This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. These securities have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "**U.S. Securities Act**") or any state securities law, and may not be offered, sold or delivered, directly or indirectly, within the United States of America, its possessions and other areas subject to its jurisdiction or to, or for the account or for the benefit of, a U.S. person without registration or the availability of an exemption from registration. Terms used in this paragraph have the meanings given to them by Regulation S under the U.S. Securities Act. See "Plan of Distribution".*

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. *Copies of the documents incorporated herein by reference may be obtained on request without charge from the Corporate Secretary of Capital Power Corporation, at TD Tower, 5th Floor, 10088 – 102 Avenue, Edmonton, Alberta T5J 2Z1, (telephone 1-866-896-4636), and are also available electronically at www.sedar.com.*

SHORT FORM PROSPECTUS

New Issue December 8, 2010

$125,000,000
5,000,000 Cumulative Rate Reset Preference Shares, Series 1

This short form prospectus qualifies the distribution (the "**Offering**") of 5,000,000 Cumulative Rate Reset Preference Shares, Series 1 (the "**Series 1 Shares**") of Capital Power Corporation (the "**Corporation**" and together with its subsidiaries, "**Capital Power**") at a price of $25.00 per Series 1 Share. See "*Details of the Offering*" and "*Plan of Distribution*".

The holders of the Series 1 Shares will be entitled to receive fixed cumulative preferential cash dividends, if, as and when declared by the board of directors of the Corporation (the "**Board of Directors**"), payable quarterly on the last business day of each of March, June, September and December at an annual rate of $1.15 per Series 1 Share for the initial period from and including the Closing Date (as defined herein) to but excluding December 31, 2015 (the "**Initial Fixed Rate Period**"). The initial dividend, if declared, will be payable on March 31, 2011 and will be $0.3308 per Series 1 Share, based on the anticipated closing of this Offering on December 16, 2010.

For each five-year period after the Initial Fixed Rate Period (each, a "**Subsequent Fixed Rate Period**"), the holders of the Series 1 Shares will be entitled to receive fixed cumulative preferential cash dividends, if, as and when declared by the Board of Directors, payable quarterly on the last business day of each of March, June, September and December at the Annual Fixed Dividend Rate (as defined herein). The Corporation will determine on the 30th day prior to the first day of a Subsequent Fixed Rate Period, the annual fixed dividend rate applicable to that Subsequent Fixed Rate Period (the "**Annual Fixed Dividend Rate**"). Written notice of the Annual Fixed Dividend Rate for the upcoming Subsequent Fixed Rate Period will be provided by the Corporation to the registered holders on the 30th day prior to the first day of a Subsequent Fixed Rate Period. The Annual Fixed Dividend Rate will be equal to the sum of the 5-Year Government of Canada Bond Yield (as defined herein) on the 30th day prior to the first day of a Subsequent Fixed Rate Period plus 2.17%. See "*Details of the Offering*".

Option to Convert into Cumulative Floating Rate Preference Shares, Series 2

Holders of the Series 1 Shares will have the right, at their option, to convert their Series 1 Shares into Cumulative Floating Rate Preference Shares, Series 2 (the "**Series 2 Shares**") on the basis of one Series 2 Share for each Series 1 Share, subject to certain conditions, on December 31, 2015 and on December 31 every five years thereafter. Series 2 Shares will be entitled to floating rate cumulative preferential cash dividends, if, as and when declared by the Board of Directors, payable quarterly on the last business day of each of March, June, September and December in an amount per Series 2 Share determined by multiplying the applicable Floating Quarterly Dividend Rate (as defined herein) by $25.00. The Floating Quarterly Dividend Rate for any Quarterly Floating Rate Period (as defined herein) will be equal to the sum of the T-Bill Rate (as defined herein) plus 2.17% per annum (calculated on the basis of the actual number of days in the applicable Quarterly Floating Rate Period divided by 365) determined on the Floating Rate Calculation Date (as defined herein). See "*Details of the Offering*".

The Series 1 Shares will not be redeemable by the Corporation prior to December 31, 2015. On December 31, 2015 and on December 31 every five years thereafter, subject to certain other restrictions set out in "*Details of the Offering - Provisions Common to the Series 1 Shares and the Series 2 Shares - Restrictions on Dividends and Retirement of Shares*", the Corporation may, at its option, upon not less than 30 days and not more than 60 days prior written notice to the holders of the Series 1 Shares, redeem all or any number of the outstanding Series 1 Shares by the payment of $25.00 in cash per Series 1 Share together with all declared and unpaid dividends to but excluding the date fixed for redemption (less any tax required to be deducted and withheld by the Corporation). See "*Details of the Offering*".

The Series 1 Shares and the Series 2 Shares do not have a fixed maturity date and are not redeemable at the option of the holders thereof. See "*Risk Factors*". The Series 1 Shares and the Series 2 Shares do not carry voting rights (except under limited circumstances), but rank senior to the common shares ("**Common Shares**"), special voting shares (the "**Special Voting Shares**") and the special limited voting share (the "**Special Limited Voting Share**") of the Corporation and rank *pari passu* with each other and all other series of cumulative redeemable preference shares of the Corporation (the "**Preference Shares**") with respect to the payment of dividends and the distribution of the assets of the Corporation on the liquidation, dissolution or winding up of the Corporation. As at December 8, 2010, after giving effect to the issue of the Series 1 Shares offered hereunder, the issued and outstanding capital of the Corporation will consist of 5,000,000 Series 1 Shares, 21,771,500 Common Shares, 56,625,000 Special Voting Shares and one Special Limited Voting Share. Certain provisions relating to the Preference Shares as a class, the Series 1 Shares and the Series 2 Shares are summarized under "*Details of the Offering*" and certain provisions of the Common Shares, Special Voting Shares and Special Limited Voting Share are summarized under "*Description of Share Capital and Exchangeable LP Units*".

The Toronto Stock Exchange (the "**TSX**") has conditionally approved the listing of the Series 1 Shares and Series 2 Shares. Listing is subject to the Corporation fulfilling all of the listing requirements of the TSX on or before March 1, 2011.

Standard & Poor's Ratings Services, a division of the The McGraw-Hill Companies (Canada) Corporation ("**S&P**") has assigned a preliminary rating of P-3 (high) for the Series 1 Shares and DBRS Limited ("**DBRS**") has assigned a rating of Pfd-3 (low) with a stable trend for the Series 1 Shares. See "*Preferred Share Ratings*".

Price: $25.00 per Series 1 Share to yield initially 4.60% per annum

	Price to Public	Underwriters' Fee[(1)]	Net Proceeds to the Corporation[(1) (2)]
Per Series 1 Share	$25.00	$0.75	$24.25
Total	$125,000,000	$3,750,000	$121,250,000

Notes:

(1) The Underwriters' fee is $0.25 for each Series 1 Share sold to certain institutions and $0.75 for all other Series 1 Shares sold. The Underwriters' fee set forth in the table assumes that no Series 1 Shares are sold to such institutions.

(2) Before deducting expenses of the Offering, estimated to be $500,000 which, together with the Underwriters' fee, will be paid from the proceeds of the Offering.

There is currently no market through which the Series 1 Shares or the Series 2 Shares may be sold and purchasers may not be able to resell the Series 1 Shares purchased under this short form prospectus or the Series 2 Shares. This may affect the pricing of the Series 1 Shares or the Series 2 Shares in the secondary market, the transparency and availability of trading prices, the liquidity of the Series 1 Shares or the Series 2 Shares, and the extent of issuer regulation. Investing in the Series 1 Shares or the Series 2 Shares involves risks which potential investors should carefully consider. See "*Risk Factors*".

The offering price of the Series 1 Shares was determined by negotiation between the Corporation and TD Securities Inc. and RBC Dominion Securities Inc. on their own behalf and on behalf of BMO Nesbitt Burns Inc., CIBC World Markets Inc., Scotia Capital Inc., HSBC Securities (Canada) Inc., National Bank Financial Inc., Canaccord Genuity Corp. and UBS Securities Canada Inc. (collectively, the "**Underwriters**"). **The Underwriters may offer the Series 1 Shares at a price lower than that stated above. See "*Plan of Distribution*".**

Subject to applicable laws, the Underwriters may, in connection with the Offering, effect transactions which stabilize or maintain the market price of the Series 1 Shares at levels other than those which might otherwise prevail on the open market. Such transactions, if commenced, may be discontinued at any time. See "*Plan of Distribution*".

The Underwriters, as principals, conditionally offer the Series 1 Shares, subject to prior sale, if, as and when issued by the Corporation and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement referred to under "*Plan of Distribution*" and subject to approval of certain legal matters on behalf of the Corporation by Fraser Milner Casgrain LLP, and on behalf of the Underwriters by Osler, Hoskin & Harcourt LLP.

Each of TD Securities Inc., RBC Dominion Securities Inc., BMO Nesbitt Burns Inc., CIBC World Markets Inc., Scotia Capital Inc., HSBC Securities (Canada) Inc. and National Bank Financial Inc. is, directly or indirectly, a wholly-owned subsidiary or an affiliate of a Canadian chartered bank or other financial institution that is a lender to Capital Power L.P. (the "Partnership"). In addition, RBC Dominion Securities Inc. is, directly or indirectly, a wholly-owned subsidiary or an affiliate of a Canadian chartered bank that is a lender to the Corporation. Also, two directors of the Corporation and Capital Power GP Holdings Inc. (the general partner of the Partnership, the "General Partner") are also directors of one of such banks. Consequently, the Corporation may be considered to be a connected issuer of the Underwriters for the purposes of securities regulations in certain provinces of Canada. See "*Relationship Between the Corporation's Lenders and the Underwriters*".

Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. The Series 1 Shares and Series 2 Shares will be represented by global certificates registered in the name of CDS Clearing and Depository Services Inc. ("**CDS**") or its nominee under the book-entry only system administered by CDS (the "**Book-Entry Only System**"). A purchaser of Series 1 Shares will only receive a customer confirmation from the registered dealer that is a participant in CDS (a "**CDS Participant**") and from or through whom the Series 1 Shares are purchased.

Closing of the Offering is expected to occur on or about December 16, 2010 but in any event not later than December 31, 2010 (the date on which closing of the Offering occurs being referred to herein as the "**Closing Date**").

All dollar amounts set forth in this short form prospectus are expressed in Canadian dollars unless otherwise indicated.

The head office and registered office of the Corporation is located at TD Tower, 5th Floor, 10088 – 102 Avenue, Edmonton, Alberta T5J 2Z1.

TABLE OF CONTENTS

FORWARD-LOOKING INFORMATION

Certain information in this short form prospectus and the documents incorporated by reference herein is forward-looking within the meaning of Canadian securities laws as it relates to anticipated financial performance, events or strategies. When used in this context, words such as "expects", "anticipates", "plans", "believes", "estimates", "seeks", "intends", "targets", "projects", "forecasts", "indicates" or negative versions thereof and other similar expressions, or future or conditional verbs such as "may", "will", "should", "would", and "could" or similar words suggest future outcomes. By their nature, such statements are subject to significant risks, assumptions and uncertainties, which could cause the Corporation's actual results and experience to be materially different than the anticipated results.

In particular, forward-looking information and statements include, among other things, information and statements relating to: (i) EPCOR Utilities Inc.'s ("**EPCOR**") intentions respecting its interest in Capital Power; (ii) EPCOR's intention to act only as an investor in and not as a manager of Capital Power; (iii) the operation, business, financial condition, expected financial results, cash flow, need for and terms of additional financing, performance, prospects, opportunities, priorities, targets, goals, ongoing objectives, strategies, growth and outlook of Capital Power; (iv) future financings, as well as the outlook for the markets in which Capital Power operates; (v) North American economies, for the current fiscal year and subsequent periods; (vi) expected timing of commercial operation and expected project costs of the Port Dover & Nanticoke Wind project; (vii) expected contracted price for power under the Ontario Power Authority's Feed-in Tariff Program for the Port Dover & Nanticoke Wind project; (viii) expectations for the Corporation's and Capital Power Income L.P.'s ("**CPILP**") sources of capital and use and availability of committed bank credit facilities and potential future borrowings; (ix) the Corporation's and CPILP's cash requirements for 2010, including capital expenditures, distributions and dividends; (x) expected funding of the Quality Wind and Port Dover & Nanticoke Wind projects during construction and once completed while maintaining a leverage in the range of 40%-50%; (xi) expectations regarding future financial strength and access to and terms of future financings; (xii) expectations regarding the timing of filing and settlement of the business interruption claim for the outage of Clover Bar Energy Centre Unit 2; (xiii) expectations regarding the amount and the ability to fully recover the lost income through the business interruption claim as a result of the inability to dispatch Unit 2 during the outage; (xiv) expectations regarding timing of spending on Keephills 3; (xv) expected total capital project costs and expected project completion dates; (xvi) expectations regarding the amount of recoverable coal reserves that Capital Power has rights to and the sufficiency of such reserves to supply the requirements of the Genesee facilities; (xvii) expected timing and maintenance cost impact of the Genesee 3 scheduled maintenance outage and the Corporation's ability to rely on the Clover Bar Energy Centre units during the outage; (xviii) expectations regarding ability to meet the availability target in 2010 in light of issues with Clover Bar Energy Centre units; (xix) expectations about future income and future CPILP distributions; (xx) expected impact of transition to international financial reporting standards ("**IFRS**"), including potential early adoption of new accounting standards and expected IFRS project review completion dates and timing of presenting quantification of impacts to the Audit Committee; (xxi) expectations regarding the impact of delays in the finalization of new power purchase agreements ("**PPAs**") for the North Carolina facilities on CPILP's earnings and cash flows, and the timing of the NCUC's decision following arbitration relating to new PPAs; (xxii) expectations regarding the Corporation's obligation and amount of the costs for ongoing operations and maintenance of EPCOR's Rossdale plant and assets; (xxiii) expectations regarding the impact on Capital Power of the plan for a new greenhouse gas ("**GHG**") emission regulation as announced by the Canadian Environment Minister in June 2010 and expectations with respect to additional charges for GHG emissions; (xxiv) expectations regarding the economic life of, and new performance standards for, coal-fired electricity generation units pursuant to the proposed new GHG regulation, and regarding the applicability of exemptions from the proposed new GHG regulation; (xxv) expectations regarding the timing of the draft and final GHG regulations and the GHG regulations being brought into force; (xxvi) impact of proposed federal GHG emission regulations on the Alberta Specified Gas Emitters Regulations ("**SGER**") and consequential impact on the Corporation's Alberta facilities; (xxvii) expectations regarding the expiry or extension of the SGER; (xxviii) expectations regarding BC Hydro's responsibility for the fuel supply to the Island Generation Facility; (xxix) expectations regarding financing of the Island Generation acquisition; (xxx) expectations regarding the review of strategic alternatives for CPILP, its potential outcome, and the intention of the Corporation to support the review of strategic alternatives but not participate as a prospective buyer if a sale were to occur; (xxxi) expectations regarding the timing of the CPILP strategic review process and that during the review process CPILP will continue its business as usual, provide the same amount of monthly distributions to its unitholders and maintain the same proposition it offers today; (xxxii) the Corporation's intention to continue managing CPILP assets, identify acquisition

opportunities that fit CPILP's strategy, and to deliver on business plan priorities; (xxxiii) expectations regarding amount and timing of operating margin and cash provided by operating activities from Island Generation; (xxxvi) expectations that Island Generation will be immediately accretive to earnings and cash flow; and (xxxvii) expectations with respect to the closing of the Secondary Offering (as defined under "*Recent Developments*").

These statements are based on certain assumptions and analyses made by the Corporation in light of its experience and perception of historical trends, current conditions and expected future developments and other factors it believes are appropriate. The material factors and assumptions used to develop these forward-looking statements include, but are not limited to: (i) the operation of the Corporation's facilities; (ii) power plant availability and dispatch, including Sundance which is subject to an acquired PPA; (iii) the Corporation's financial position and credit facilities and sources of funding; (iv) the Corporation's assessment of commodity and power markets; (v) the Corporation's assessment of the markets and regulatory environments in which it operates; (vi) the Corporation's assessment of economic conditions; (vii) weather; (viii) availability and cost of labour and management resources; (ix) performance of contractors and suppliers; (x) availability and cost of financing; (xi) foreign exchange rates; (xii) management's analysis of applicable tax legislation; (xiii) the currently applicable and proposed tax laws will not change and will be implemented; (xiv) currently applicable and proposed environmental regulations will be implemented; (xv) counterparties will perform their obligations; (xvi) renewal and terms of PPAs; (xvii) ability to successfully integrate and realize benefits of its acquisitions including Island Generation; (xviii) ability to implement strategic initiatives which will yield the expected benefits; (xix) ability to obtain necessary regulatory approvals for development projects; (xx) the Corporation's assessment of capital markets and ability to complete future share and debt offerings; (xxi) locations of projects and the areas of which they will be developed, including the availability and use of certain optioned lands; (xxii) costs of construction and development; and (xxiii) accounting treatment for Island Generation.

Whether actual results, performance or achievements will conform to the Corporation's expectations and predictions is subject to a number of known and unknown risks and uncertainties which could cause actual results and experience to differ materially from the Corporation's expectations, including those discussed in the Corporation's materials filed with the Canadian securities regulatory authorities from time to time. Such risks and uncertainties include, but are not limited to, risks relating to: (i) operation of the Corporation's facilities; (ii) power plant availability and performance; (iii) unanticipated maintenance and other expenditures; (iv) availability and price of energy commodities; (v) electricity load settlement; (vi) regulatory and government decisions including changes to environmental, financial reporting and tax legislation; (vii) weather and economic conditions; (viii) competitive pressures; (ix) economic and market conditions, including in the markets served by Capital Power's facilities; (xx) construction; (xi) availability and cost of financing; (xii) foreign exchange rates; (xiii) availability and cost of labour, equipment and management resources; (xiv) performance of counterparties, partners, contractors and suppliers in fulfilling their obligations to the Corporation, (xv) developments in the North American capital markets; (xvi) compliance with financial covenants; (xvii) ability to successfully realize the benefits of acquisitions and investments including Island Generation; and (xviii) the tax attributes of and implications of any acquisitions. If any such risks actually occur, they could materially adversely affect the Corporation's business, financial condition or results of operations. In that case the trading price of the Corporation's common shares could decline, perhaps materially.

Readers are cautioned not to place undue reliance on any such forward-looking statements, which speak only as of the date made. Forward-looking statements are provided for the purpose of providing information about management's current expectations, and plans relating to the future. Readers are cautioned that such information may not be appropriate for other purposes. The Corporation does not undertake or accept any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements to reflect any change in the Corporation's expectations or any change in events, conditions or circumstances on which any such statement is based, except as required by law.

EXEMPTIVE RELIEF

Pursuant to Item 6.1(a) of Form 44-101F1 under National Instrument 44-101 – Short Form Prospectus Distributions, the Corporation is required to calculate and disclose its earnings coverage ratio for the 12-month period ending as of the end of its most recently completed fiscal year (the "**Earnings Coverage Requirement**"). However, the Corporation was incorporated on May 1, 2009 and did not carry on business prior to July 1, 2009, the

effective date of the reorganization involving the transfer of power generation assets by EPCOR and its subsidiary entities to the Corporation and its subsidiary entities. The Corporation's available consolidated financial statements are limited to those for the six-month period from July 1, 2009 to its fiscal year end on December 31, 2009 and for the nine-month period ended September 30, 2010. The supplemented PREP prospectus of the Corporation dated June 25, 2009 contained combined and consolidated financial statements ("**carve-out financial statements**") of the EPCOR Power Group (as defined herein), being the combination of certain subsidiaries and interests of EPCOR comprising its power generation business, that were derived from the consolidated financial statements and accounting records of EPCOR. While the carve-out financial statements reflect the historical results of operations of the business now conducted by the Corporation, the reorganization involving the transfer of EPCOR's power generation assets to the Corporation resulted in a material variation in the capital structure of the business. In particular, the extent of debt used in the capital structure of the Corporation is significantly less than the amount of debt utilized by EPCOR within its structure for the funding of the EPCOR Power Group, with the result that there are significant differences between the financial statements of the Corporation and the carve-out financial statements. As a result, the calculation of the earnings coverage ratios of the Corporation using the carve-out financial statements would not be considered comparable to that calculated using the financial statements of the Corporation. Accordingly, the earnings coverage ratios for the Corporation contained herein are calculated on a consolidated basis for (i) the period from July 1, 2009 through December 31, 2009 using the audited consolidated financial statements of the Corporation as at and for the six months ended December 31, 2009 incorporated by reference in this short form prospectus; and (ii) the 12 month period ended September 30, 2010. The grant of a receipt for this short form prospectus will evidence the grant of exemptive relief from the Earnings Coverage Requirement in respect of the 12-month period ended on December 31, 2009 (the "**Earnings Coverage Ratio Relief**"). See "**Earnings Coverage Ratios of the Corporation**".

DOCUMENTS INCORPORATED BY REFERENCE

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Corporate Secretary of the Corporation, at TD Tower, 5th Floor, 10088 – 102 Avenue, Edmonton, Alberta T5J 2Z1, (telephone 1-866-896-4636) and are also available electronically at www.sedar.com.

The following documents filed with securities commissions or similar authorities in each of the provinces and territories of Canada, are specifically incorporated by reference into and form an integral part of this short form prospectus:

(a) the annual information form of the Corporation dated March 15, 2010 (the "**AIF**");

(b) the management information circular of the Corporation dated April 2, 2010;

(c) the audited consolidated financial statements of the Corporation as at and for the period ended December 31, 2009, together with the auditors' report thereon;

(d) the management's discussion and analysis ("**MD&A**") of the Corporation for the period ended December 31, 2009;

(e) the unaudited consolidated financial statements of the Corporation as at and for the nine month period ended September 30, 2010;

(f) the MD&A of the Corporation for the nine month period ended September 30, 2010; and

(g) the business acquisition report of the Corporation dated September 16, 2009 relating to the acquisition by the Partnership of substantially all of the assets of the power generation business of EPCOR conducted by certain subsidiaries and interests of EPCOR (the "**EPCOR Power Group**").

Any documents of the type referred to above (excluding confidential material change reports), any interim or annual MD&A, any interim or annual consolidated financial statements, including comparative interim consolidated financial statements and comparative consolidated financial statements for the Corporation's most recently completed financial year, together with the accompanying report of the Corporation's auditors and any exhibits to interim and annual consolidated financial statements containing updated earnings coverage information filed by the Corporation with the various securities commissions or similar authorities in Canada after the date of this short form prospectus and prior to the completion or withdrawal of any offering hereunder, shall be deemed to be incorporated by reference into this short form prospectus.

Any statement contained in this short form prospectus or in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded, for the purposes of this short form prospectus, to the extent that a statement contained herein or in any other subsequently filed document which is also or is deemed to be incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed to constitute a part of this short form prospectus, except as so modified or superseded.

CAPITAL POWER CORPORATION

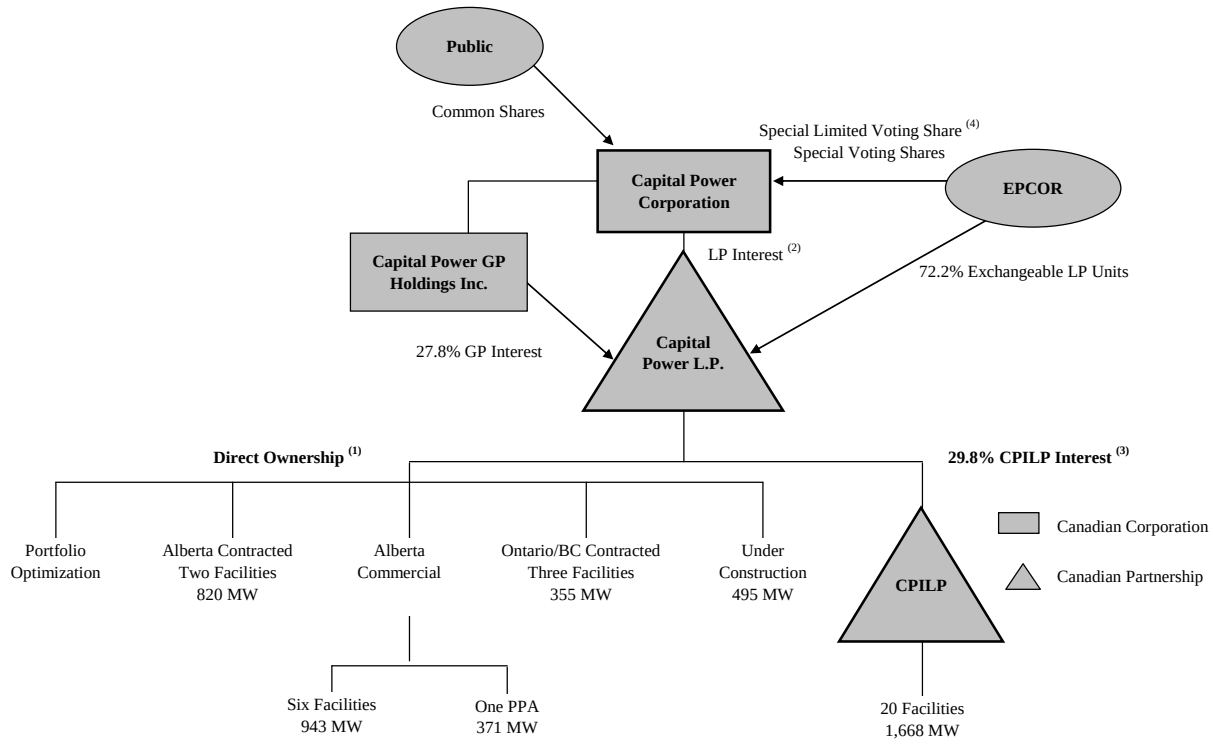
Capital Power Corporation was incorporated under the *Canada Business Corporations Act* on May 1, 2009. The Corporation's name was changed to "Capital Power Corporation" pursuant to articles of amendment dated May 6, 2009. The Corporation's articles were further amended (i) on June 16, 2009 to, among other things, create an unlimited number of Special Voting Shares and one Special Limited Voting Share, and (ii) on July 7, 2009 to amend the redemption provisions in respect of the Special Voting Shares. See "*Description of Share Capital and Exchangeable LP Units*".

Headquartered in Edmonton, Alberta, Capital Power owns or operates approximately 3,800 megawatts ("**MW**") of power generating capacity in North America. Capital Power's asset portfolio includes direct ownership in operating facilities, ownership of a power purchase agreement where Capital Power is entitled to 371 MW of electricity output from the facility but does not own the facility itself and indirect ownership of a 29.8% interest (as at September 30, 2010) in CPILP, a publicly traded limited partnership. Capital Power's facilities consist of 32 power plants with geographic, fuel source and counterparty diversification. Capital Power is currently constructing 495 MW of additional generation capacity at Keephills, Alberta which is a 50% joint venture with TransAlta Corporation, and has other projects in various stages of development which represent approximately 650 MW of future capacity.

On July 9, 2009, the Corporation issued 21,750,000 Common Shares at $23.00 per share pursuant to its initial public offering (the "**IPO**"). The net proceeds from the IPO were used as partial consideration in connection with the spin-off of the business of the EPCOR Power Group by EPCOR and the acquisition of an approximate 27.8% equity interest in the Partnership. The Partnership purchased assets of the EPCOR Power Group from EPCOR through a series of transactions in connection with which 56.625 million exchangeable common limited partnership units ("**Exchangeable LP Units**") of the Partnership, representing approximately a 72.2% equity interest in the Partnership, and 56.625 million accompanying Special Voting Shares were issued to EPCOR. See "*Recent Developments – Secondary Offering of Common Shares*" and "*Relationship to EPCOR*".

CORPORATE STRUCTURE

The following organizational chart indicates the intercorporate relationships of the Corporation, its material subsidiary entities and its shareholders:



Notes:

(1) Stated capacity represents owned and/or operated capacity.

(2) Held through Capital Power LP Holdings Inc., a wholly-owned subsidiary of the Corporation.

(3) The Partnership has a 49% voting interest and a 100% economic interest in CPI Investments Inc., a holding company that owns approximately 29.8% of the limited partnership units (as at September 30, 2010) of CPILP and 100% of the shares of the general partner of CPILP. EPCOR owns the other 51% voting interest in CPI Investments Inc. CPILP facilities are managed by indirect subsidiaries of Capital Power.

(4) As at the date of this short form prospectus, EPCOR holds 56.625 million Special Voting Shares of the Corporation, the one Special Limited Voting Share of the Corporation, and the one special limited voting GP share of the General Partner. See "*Recent Developments – Secondary Offering of Common Shares*".

RECENT DEVELOPMENTS

Secondary Offering of Common Shares

On December 2, 2010, the Corporation and EPCOR announced that EPCOR had entered into an agreement with a syndicate of underwriters for a secondary offering (the "**Secondary Offering**") by a subsidiary of EPCOR, on a bought deal basis, of 8,334,000 Common Shares at an offering price of $24.00 per Common Share and up to an additional 1,250,000 Common Shares at the same price pursuant to an over-allotment option granted to such underwriters. The Corporation will not receive any of the proceeds from the sale of Common Shares by EPCOR's subsidiary.

Following completion of the Secondary Offering, assuming the over-allotment option is not exercised, EPCOR will beneficially own 48.291 million Exchangeable LP Units, representing 61.6% of the equity of the Partnership and approximately 61.6% of the total number of outstanding Common Shares after giving effect to the exchange of the Exchangeable LP Units, and 48.291 million accompanying Special Voting Shares of the Corporation. If the Underwriters exercise their over-allotment option in full, following completion of the Secondary Offering, EPCOR will beneficially own 47.041 million Exchangeable LP Units, representing 60.0% of the equity of the Partnership and approximately 60.0% of the total number of outstanding Common Shares after giving effect to the exchange of the Exchangeable LP Units, and 47.041 million accompanying Special Voting Shares of the Corporation. See "*Description of Share Capital and Exchangeable LP Units – Exchangeable LP Units of Capital Power L.P.*" and "*Relationship to EPCOR*".

Declaration of Dividend on Common Shares

On November 24, 2010, the Board of Directors of the Corporation declared a dividend of $0.315 per share on the outstanding Common Shares for the quarter ending December 31, 2010. The dividend is payable on January 31, 2011 to holders of Common Shares of record at the close of business on December 31, 2010.

Medium Term Note Offering

On November 16, 2010, the Partnership issued $300,000,000 principal amount 5.276% senior unsecured medium term notes due November 16, 2020 (the "**MTN Offering**"). The net proceeds of the MTN Offering were used by the Partnership to repay amounts owing under its credit facilities and for general corporate purposes. Approximately $202 million of the amounts owing under the Partnership's credit facilities was incurred in connection with the Partnership's acquisition of the Island Generation Facility (as defined herein).

Acquisition of Island Generation Facility

On October 19, 2010, the Corporation, through the Partnership, acquired the island generation facility (the "**Island Generation Facility**"), a 275 Megawatt, gas-fired combined cycle power plant located at Campbell River, British Columbia, from Kelson Canada Inc. for a purchase price of approximately $207 million, after closing adjustments. The Island Generation Facility is fully-contracted from April 2010 to April 2022 under a tolling arrangement with BC Hydro. Payments under the electricity purchase agreement with BC Hydro are based on facility availability. BC Hydro supplies and delivers all fuel required to operate the facility. The facility is operated and maintained under a contract with NAES Canada, Ltd.

Ontario Regulatory Developments

On September 20, 2010, the Ontario Minister of Energy announced a revised process regarding the development of the Integrated Power System Plan ("**IPSP**"). On November 23, 2010, the Ontario Ministry of Energy issued its "Long-Term Energy Plan" ("**LTEP**") and a proposed new supply mix directive. Subject to a 45 day posting of the proposed supply mix directive on the Environmental Registry, the Ontario Power Authority ("**OPA**") will prepare a detailed IPSP, hold consultations, and submit a revised IPSP to the Ontario Energy Board by mid 2011 with review by the Ontario Energy Board to take place between 2011 and 2012. Once reviewed and approved by the Ontario Energy Board, the IPSP will be updated every three years as required by regulation.

On October 7, 2010, the Ontario government announced that the 900 MW Oakville Generating Station selected by the OPA for the southwest Greater Toronto Area was no longer required and would be cancelled. The LTEP issued on November 23, 2010 referenced this cancellation but noted that natural gas would continue to play a strategic role in Ontario's supply mix by complementing intermittent supply from renewable energy projects, meeting local and system requirements, and ensuring that adequate capacity is available as nuclear plants are modernized, and that the OPA will continue to plan on natural gas usage for those strategic purposes. The LTEP specifically noted that the procurement of a natural gas-fired plant in the Kitchener-Waterloo-Cambridge area, as was originally envisaged in the original IPSP submitted to the Ontario Energy Board in 2007, is still necessary to ensure adequate regional electricity supply.

USE OF PROCEEDS

The net proceeds to the Corporation from the sale of the Series 1 Shares offered hereby are estimated to be $120,750,000, after deducting the Underwriters' fee of $3,750,000 and the estimated expenses of the Offering of $500,000 and assuming no Series 1 Shares are sold to certain institutions as described under "Plan of Distribution". The Underwriters' fee and the expenses of this Offering will be paid out of the proceeds of this Offering.

Upon closing of the Offering, the Corporation will loan an amount equivalent to the net proceeds raised under the Offering to the Partnership pursuant to a subordinated debt agreement (the "**Subordinated Debt Agreement**") to be entered into between the Corporation and the Partnership. The Partnership will use the funds received from the Corporation to repay a portion of the outstanding balance under its credit facilities, which were used to fund the acquisition of the Island Generation Facility, and for general corporate purposes. Pursuant to the Subordinated Debt Agreement, the Partnership will be permitted to defer payment of all or part of the interest owing to the Corporation under the Subordinated Debt Agreement for one or more periods of up to five consecutive years. In addition, the Partnership will covenant and agree in the Subordinated Debt Agreement that it shall not pay or declare distributions on any of its outstanding limited partnership units at any time when interest owing under the Subordinated Debt Agreement is being deferred by it. See "*Recent Developments – Acquisition of Island Generation Facility*", "*Consolidated Capitalization of the Corporation*", "*Relationship Between the Corporation's Lenders and the Underwriters*" and "*Risk Factors – Subordinated Debt Agreement Restrictions*". EPCOR will not, directly or indirectly, receive any proceeds from the offering of Series 1 Shares by the Corporation under this short form prospectus.

CONSOLIDATED CAPITALIZATION OF THE CORPORATION

The following table sets forth the consolidated capitalization of the Corporation as at September 30, 2010 and the pro forma consolidated capitalization of the Corporation as at September 30, 2010, (i) after giving effect to drawings under the Partnership's credit facilities to fund the acquisition of the Island Generation Facility, the MTN Offering and the use of proceeds thereof and the Secondary Offering; and (ii) after giving effect to drawings under the Partnership's credit facilities to fund the acquisition of the Island Generation Facility, the MTN Offering and the use of proceeds thereof, the Secondary Offering and the Offering and the use of proceeds thereof. See "*Recent Developments – Secondary Offering*", "*Recent Developments – Medium Term Note Offering*", "*Recent Developments – Acquisition of Island Generation Facility*" and "*Use of Proceeds*". Other than as set out below, there have been no material changes in the share capital or indebtedness of the Corporation, on a consolidated basis, since September 30, 2010.

	As at September 30, 2010 ($ million) (unaudited)	As at September 30, 2010, after giving effect to drawings under the Partnership's credit facilities, the MTN Offering and the Secondary Offering[(1)(2)(3)] ($ million) (unaudited)	As at September 30, 2010, after giving effect to drawings under the Partnership's credit facilities, the MTN Offering, the Secondary Offering and the Offering[(1)(2)(4)] ($ million) (unaudited)
Long-term debt (including current portion)	1,773	1,975	1,854
Non-controlling interests	2,020	1,798	1,798
Preferred shares	-	-	121
Shareholders' equity	479	701	701
Special Limited Voting Shareholder's equity	0	0	0
Special Voting Shareholder's equity	0	0	0
Total shareholders' equity	479	701	822
Total Capitalization	4,272	4,474	4,474

Notes:

(1) Approximately $202 million was drawn under the Partnership's credit facilities to fund the Partnership's acquisition of the Island Generation Facility. The net proceeds from the MTN Offering were used by the Partnership to repay amounts owing under its credit facilities and for general corporate purposes. See "*Recent Developments*".

(2) Upon closing of the Offering, the Corporation will loan an amount equivalent to the net proceeds raised under the Offering to the Partnership pursuant to the Subordinated Debt Agreement. The Partnership will use the funds received from the Corporation to repay a portion of the outstanding balance under its credit facilities, which were used to fund the acquisition of the Island Generation Facility, and for general corporate purposes. See "*Use of Proceeds*".

(3) Assuming no exercise of the over-allotment option in the Secondary Offering. If the underwriters in the Secondary Offering exercise their over-allotment option in full, the "Non-controlling interests", "Shareholders' equity" and "Total shareholders' equity" as at September 30, 2010, after giving effect to drawings under the Partnership's credit facilities to fund the acquisition of the Island Generation Facility, the MTN Offering and the Secondary Offering, will be $1,764 million, $735 million and $735 million, respectively.

(4) Assuming no exercise of the over-allotment option in the Secondary Offering. If the underwriters in the Secondary Offering exercise their over-allotment option in full, the "Non-controlling interests", "Shareholders' equity" and "Total shareholders' equity" as at September 30, 2010, after giving effect to drawings under the Partnership's credit facilities to fund the acquisition of the Island Generation Facility, the MTN Offering, the Secondary Offering and the Offering, will be $1,764 million, $735 million and $856 million, respectively.

EARNINGS COVERAGE RATIOS OF THE CORPORATION

In accordance with the Earnings Coverage Ratio Relief, the following earnings coverage ratios are calculated on a consolidated basis for the 6-month period ended December 31, 2009 and the 12-month period ended September 30, 2010, in each case after giving effect to the issuance of 5,000,000 Series 1 Shares as if this transaction had occurred on July 1, 2009 and October 1, 2009, respectively. See "*Exemptive Relief*".

After giving effect to drawings under the Partnership's credit facilities to fund the acquisition of the Island Generation Facility, the MTN Offering and the issuance of 5,000,000 Series 1 Shares and assuming the declaration

of dividends, the interest requirements and dividend obligations for the Corporation, adjusted to a before-tax equivalent using an effective income tax rate of 29%, amounted to $60 million and $4 million, respectively, for the 6-month period ended December 31, 2009 and $114 million and $8 million, respectively, for the 12-month period ended September 30, 2010. The consolidated earnings of the Corporation for the 6-month period ended December 31, 2009 before interest on long-term debt and income taxes and non-controlling interests amounted to $162 million, which is 2.5 times the Corporation's consolidated interest requirements and dividend obligations. The consolidated earnings of the Corporation for the 12-month period ended September 30, 2010 before interest on long-term debt, income taxes and non-controlling interests amounted to $236 million, which is 1.9 times the Corporation's consolidated interest requirements and dividend obligations.

PREFERRED SHARE RATINGS

The Series 1 Shares have been given a Canadian scale preliminary rating of P-3 (high) by S&P. Such P-3 (high) rating is the ninth highest of twenty ratings used by S&P in its Canadian preferred share rating scale. According to S&P, a P-3 (high) rating indicates that, although the obligation is less vulnerable to non-payment than other speculative issues, it faces major ongoing uncertainties or exposure to adverse business, financial, or economic conditions, which could lead to the obligor's inadequate capacity to meet its financial commitment on the obligation.

The Series 1 Shares have been given a rating of Pfd-3 (low) with a stable trend by DBRS. The Pfd-3 (low) rating is the third highest of six rating categories used by DBRS for preferred shares. According to DBRS, preferred shares rated Pfd-3 (low) are of adequate credit quality. While protection of dividends and principal is still considered acceptable, the issuing entity is more susceptible to adverse changes in financial and economic conditions, and there may be other adverse conditions present which detract from debt protection. DBRS further subcategorizes each rating by the designation of "high" and "low" to indicate where an entity falls within the rating category. The absence of either a "high" or "low" designation indicates the rating is in the middle of the category. The rating trend indicates the direction in which DBRS considers the rating is headed should present tendencies continue, or in some cases, unless challenges are addressed.

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

DESCRIPTION OF SHARE CAPITAL AND EXCHANGEABLE LP UNITS

The Corporation's authorized share capital consists of an unlimited number of Common Shares, an unlimited number of preference shares issuable in series, an unlimited number of Special Voting Shares and one Special Limited Voting Share, of which, as at December 8, 2010, 21,771,500 Common Shares, no preference shares, 56,625,000 Special Voting Shares and one Special Limited Voting Share are outstanding. See "*Recent Developments – Secondary Offering of Common Shares*".

A summary description of the share capital of the Corporation and the Exchangeable LP Units of the Partnership is set forth below. For a more detailed description of the share capital of the Corporation and the capital of the Partnership, see the AIF of the Corporation incorporated by reference into this short form prospectus.

Common Shares of the Corporation

Holders of Common Shares are entitled to one vote for each Common Share held on a ballot vote at all meetings of shareholders of the Corporation except meetings at which or in respect of matters on which only holders of another class of shares are entitled to vote separately as a class. Except as otherwise provided by the articles of the Corporation or required by law, the holders of Common Shares will vote together with the holders of Special Voting Shares (as described below) as a single class. Holders of Common Shares are entitled to receive, subject to the rights of the holders of another class of shares, any dividend declared by the Corporation and the remaining

property of the Corporation on the liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary.

The Board of Directors of the Corporation has authorized the declaration and payment of dividends at an annual rate of $1.26 per Common Share, to be paid to holders of Common Shares on a quarterly basis. The payment of dividends is not guaranteed, however, and the amount and timing of any future dividends will be at the discretion of the Board of Directors of the Corporation after taking into account such factors as the Corporation's financial condition, results of operations, distributions from the Partnership current and anticipated cash needs, the requirements of any future financing agreements, the satisfaction of solvency tests imposed by corporate law for the declaration and payment of dividends and other factors that the Corporation's Board of Directors may deem relevant. See "*Recent Developments – Declaration of Dividend on Common Shares*" and "*Risk Factors*".

Exchangeable LP Units of the Partnership

The Exchangeable LP Units are exchangeable for Common Shares at the option of the holder on a one-for-one basis (subject to customary anti-dilution protections) at any time, subject to the restriction that the maximum number of Common Shares for which Exchangeable LP Units may be exchanged at any time is the largest whole number of Common Shares that, when added to the aggregate number of Common Shares (the "**LP Common Shares**") outstanding at that time owned or whose voting rights are controlled by persons that own Exchangeable LP Units or persons who, for purposes of the *Income Tax Act* (Canada) (the "**Tax Act**") do not deal at arm's length with an owner of Exchangeable LP Units, does not exceed 49% of the aggregate number of Common Shares that would be outstanding immediately following such exchange.

Special Voting Shares of the Corporation

Each Exchangeable LP Unit is accompanied by a Special Voting Share that entitles the holder to vote at meetings of shareholders of the Corporation, subject to the restriction that the aggregate number of votes attached to the outstanding Special Voting Shares, when added to the aggregate number of votes attached to the outstanding LP Common Shares, may not exceed 49% of the aggregate number of votes attached to all of the outstanding Common Shares and Special Voting Shares. EPCOR indirectly holds 100% of the outstanding Special Voting Shares. The Corporation and EPCOR have agreed that for so long as EPCOR beneficially holds not less than a 20% interest in the Common Shares, the number of directors of the Corporation will be not less than nine. Holders of Special Voting Shares have the right, voting separately as a class at any meeting of shareholders of the Corporation at which directors are to be elected, to nominate and elect the number of directors to the board of directors of the Corporation as set forth below provided that, as at the record date established for the purpose of determining shareholders entitled to vote at the meeting, the holders of Special Voting Shares collectively beneficially own the requisite number of Exchangeable LP Units and Common Shares issuable upon exchange of outstanding Exchangeable LP Units as set forth below:

Proportion of outstanding Common Shares and Common Shares issuable upon exchange of outstanding Exchangeable LP Units represented by aggregate number of Exchangeable LP Units and Common Shares collectively beneficially owned by the holders of Special Voting Shares	**Number of Directors**
Not less than 20%	four
Less than 20% but not less than 10%	two

Special Limited Voting Share of the Corporation

On June 18, 2009, the Corporation issued to EPCOR, for a price of $1, one Special Limited Voting Share. The Special Limited Voting Share is non-voting except with respect to its right to vote separately as a class in connection with any proposal to amend the articles of the Corporation to provide that the "Head Office" of the Corporation (as defined in the articles) will be in a location other than Edmonton and certain related matters, and as required by law.

Preference Shares of the Corporation

The Corporation may issue preference shares from time to time in one or more series. For a more detailed description of preference shares of the Corporation, see "Details of the Offering – Description of the Preference Shares as a Class". As of the date of this short form prospectus, no preference shares are outstanding.

DETAILS OF THE OFFERING

The following is a summary of the material rights, privileges, restrictions and conditions of the Series 1 Shares and the Series 2 Shares that will be set forth in the articles of incorporation of the Corporation once amended to create the Series 1 Shares and the Series 2 Shares. Copies of the articles of amendment of the Corporation pursuant to which the Series 1 Shares and the Series 2 Shares will be created will be filed by the Corporation with the Canadian provincial securities regulatory authorities and available at www.sedar.com.

Description of the Preference Shares as a Class

Issuance in Series

The Board of Directors may at any time and from time to time issue Preference Shares in one or more series. Prior to issuing Preference Shares of any series, the Board of Directors is required to fix the number of shares in the series and determine the designation of, and the rights, privileges, restrictions and conditions attached to, that series of Preference Shares.

Priority

With respect to the payment of dividends and the distribution of the assets of the Corporation in the event of the liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, or any other distribution of the assets of the Corporation for the purpose of winding up its affairs, the Preference Shares of each series (including the Series 1 Shares and the Series 2 Shares) rank on a parity with the Preference Shares of every other series and in priority to the Common Shares and the shares of any other class ranking junior to the Preference Shares.

Voting Rights

The holders of Preference Shares do not have the right to receive notice of, attend, or vote at any meeting of shareholders of the Corporation except (i) as required by the *Canada Business Corporations Act* (the "**CBCA**"), by law or as may be required by an order of a court of competent jurisdiction, or (ii) to the extent that voting rights may be attached to any series of Preference Shares. Under the CBCA, the holders of Preference Shares are entitled to receive notice of, attend and vote at any meeting (i) called for the purpose of authorizing the dissolution of the Corporation or the sale, lease or exchange of all or substantially all of its property, other than in the ordinary course of business of the Corporation, (ii) in respect of certain amendments to the articles of the Corporation as provided in the CBCA, and (iii) for a meeting called for the purpose of approving an amalgamation of the Corporation, other than an amalgamation of the Corporation with a wholly-owned subsidiary. In connection with any matter requiring the approval of the Preference Shares as a class, the holders of existing series of Preference Shares which are outstanding are entitled to one vote in respect of each Preferred Share held. In addition, the rights, privileges, restrictions and conditions attached to a series of Preference Shares may limit the voting entitlements of holders of such shares and may provide the Corporation with a right to redeem or exchange such shares.

Modification

The rights, privileges, restrictions and conditions attached to the Preference Shares as a class may only be amended with the prior approval of the holders of the Preference Shares in addition to any other approvals required by law or court order. The approval of the holders of the Preference Shares to any matter referred to in the Preferred Share class provisions may be given by a resolution passed by an affirmative vote of at least two-thirds of the votes cast at a meeting of the holders of the Preference Shares duly called and held for that purpose at which the holders of

at least 10% of the outstanding Preference Shares are present in person or represented by proxy or, if no quorum is present at such meeting, at an adjourned meeting at which the holders of Preference Shares then present would form the necessary quorum.

Provisions Unique to the Series 1 Shares as a Series

Defined Terms

The following definitions are relevant to the Series 1 Shares.

"***Annual Fixed Dividend Rate***" means, for any Subsequent Fixed Rate Period, the annual rate (expressed as a percentage rounded down to the nearest one hundred–thousandth of one percent (with 0.000005% being rounded up)) equal to the Government of Canada Bond Yield on the applicable Fixed Rate Calculation Date plus 2.17%.

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

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

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

"***Initial Fixed Rate Period***" means the period from and including the closing date of this Offering to, but excluding, December 31, 2015.

"***Subsequent Fixed Rate Period***" means the period from and including December 31, 2015 to, but excluding, December 31, 2020 and each five year period thereafter from and including the day immediately following the end of the immediately preceding Subsequent Fixed Rate Period to, but excluding, December 31 in the fifth year thereafter.

Issue Price

The issue price per Series 1 Share is $25.00.

Dividends

During the Initial Fixed Rate Period, the holders of Series 1 Shares will be entitled to receive fixed, cumulative, preferential cash dividends, if, as and when declared by the Board of Directors, payable quarterly on the last business day of each of March, June, September and December in each year at a rate per annum of 4.60%, or $1.15 per Series 1 Share per annum. Assuming an issue date of December 16, 2010, the first such dividend, if declared, will be paid on March 31, 2011 in the amount of $0.3308 per share.

During each Subsequent Fixed Rate Period, the holders of the Series 1 Shares will be entitled to receive fixed cumulative preferential cash dividends if, as and when declared by the Board of Directors payable quarterly on the last business day of each of March, June, September and December in each year, in an amount per share per

annum determined by multiplying the Annual Fixed Dividend Rate applicable to such Subsequent Fixed Rate Period by $25.00.

The Corporation will determine the Annual Fixed Dividend Rate applicable to a Subsequent Fixed Rate Period on the Fixed Rate Calculation Date. Such determination will, in the absence of manifest error, be final and binding upon the Corporation and upon all holders of Series 1 Shares. The Corporation will, on the relevant Fixed Rate Calculation Date, give written notice of the Annual Fixed Dividend Rate for the ensuing Subsequent Fixed Rate Period to the registered holders of Series 1 Shares.

The dividends on Series 1 Shares will accrue on a daily basis. If, on any dividend payment date, the dividends accrued to such date are not paid in full on all of the Series 1 Shares then outstanding, such dividends, or the unpaid portion thereof, will be paid on a subsequent date or dates determined by the Board of Directors on which the Corporation will have sufficient funds properly applicable to the payment of such dividends.

Payments of dividends and other amounts in respect of the Series 1 Shares will be made by the Corporation to CDS, or its nominee, as the case may be, as registered holder of the Series 1 Shares. As long as CDS, or its nominee, is the registered holder of the Series 1 Shares, CDS, or its nominee, as the case may be, will be considered the sole owner of the Series 1 Shares for the purposes of receiving payment on the Series 1 Shares.

Redemption of Series 1 Shares

The Series 1 Shares will not be redeemable prior to December 31, 2015. Subject to the provisions described below under "*Provisions Common to the Series 1 Shares and the Series 2 Shares – Restrictions on Dividends and Retirement of Shares*", on December 31, 2015 and on each December 31 every fifth year thereafter, the Corporation may redeem all or any number of the outstanding Series 1 Shares, at the Corporation's option, by the payment in cash of $25.00 per share so redeemed together with all declared and unpaid dividends to, but excluding, the date fixed for redemption (less tax, if any, required to be deducted and withheld).

The Series 1 Shares do not have a fixed maturity date and are not redeemable at the option of the holders of Series 1 Shares. See "*Risk Factors*".

Notice and Pro Rata Redemption

The Corporation will give written notice of any redemption to registered holders not more than 60 days and not less than 30 days prior to the redemption date.

Where less than all of the outstanding Series 1 Shares are to be redeemed, the Series 1 Shares will be redeemed pro rata disregarding fractions, or, if such shares are at such time listed on such exchange, with the consent of the TSX, in such manner as the Board of Directors in its sole discretion may, by resolution, determine.

Conversion of Series 1 Shares into Series 2 Shares

Conversion at the Option of the Holder

Holders of Series 1 Shares will have the right, at their option, on December 31, 2015 (the "**Initial Series 1 Conversion Date**") and on December 31 every fifth year thereafter (each such date, together with the Initial Series 1 Conversion Date, a "**Series 1 Conversion Date**"), to convert, subject to the automatic conversion and restrictions on conversion described below and the payment or delivery to the Corporation of evidence of payment of the tax (if any) payable, all or any of their Series 1 Shares registered in their name into Series 2 Shares on the basis of one Series 2 Share for each Series 1 Share converted. Notice of a holder's election (each notice, an "**Election Notice**") to convert Series 1 Shares must be received by the Corporation not earlier than the 30th day and not later than 5:00 p.m. (Toronto time) on the 15th day preceding the applicable Series 1 Conversion Date. An Election Notice is irrevocable once received by the Corporation. If the Corporation does not receive an Election Notice within the specified time, the Series 1 Shares shall be deemed not to have been converted (subject to automatic conversion described below).

The Corporation will, not more than 60 and not less than 30 days prior to each Series 1 Conversion Date, give notice in writing to the then registered holders of the Series 1 Shares of the Series 1 Conversion Date and a form of Election Notice. On the 30th day prior to each Series 1 Conversion Date, the Corporation will give notice in writing to the then registered holders of the Series 1 Shares of the Annual Fixed Dividend Rate for the next Subsequent Fixed Rate Period and the Floating Quarterly Dividend Rate (as defined below) applicable to the Series 2 Shares for the next Quarterly Floating Rate Period (as defined below).

Upon exercise by a registered holder of its right to convert Series 1 Shares into Series 2 Shares (and upon an automatic conversion), the Corporation reserves the right not to deliver Series 2 Shares to any person whose address is in, or whom the Corporation or its transfer agent has reason to believe is a resident of, any jurisdiction outside Canada, to the extent that such issue would require the Corporation to take any action to comply with the securities or analogous laws of such jurisdiction.

Automatic Conversion and Restrictions on Conversion

If the Corporation determines that there would remain outstanding on a Series 1 Conversion Date, including the Initial Series 1 Conversion Date, less than 1,000,000 Series 1 Shares, after having taken into account all Election Notices in respect of Series 1 Shares tendered for conversion into Series 2 Shares and all Election Notices in respect of Series 2 Shares tendered for conversion into Series 1 Shares in each case received by the Corporation during the time fixed therefor, then, all, but not part, of the remaining outstanding Series 1 Shares will automatically be converted into Series 2 Shares on the basis of one Series 2 Share for each Series 1 Share on the applicable Series 1 Conversion Date. The Corporation will give notice in writing of the automatic conversion to all registered holders of the Series 1 Shares at least seven days prior to the Series 1 Conversion Date.

Furthermore, holders of Series 1 Shares will not be entitled to convert their shares into Series 2 Shares if the Corporation determines that there would remain outstanding on a Series 1 Conversion Date, including the Initial Series 1 Conversion Date, less than 1,000,000 Series 2 Shares after having taken into account all Election Notices in respect of Series 1 Shares tendered for conversion into Series 2 Shares and all Election Notices in respect of Series 2 Shares tendered for conversion into Series 1 Shares in each case received by the Corporation during the time fixed therefor. The Corporation will give notice in writing of the inability to convert Series 1 Shares to all registered holders of the Series 1 Shares at least seven days prior to the applicable Series 1 Conversion Date.

If the Corporation gives notice to registered holders of the Series 1 Shares of the redemption of all outstanding Series 1 Shares, the Corporation will not be required to give notice as provided hereunder to the registered holders of the Series 1 Shares of any dividend rates or of the conversion right of holders of Series 1 Shares and the right of any holder of Series 1 Shares to convert such shares will terminate.

Provisions Unique to the Series 2 Shares as a Series

Defined Terms

The following definitions are relevant to the Series 2 Shares.

"***Floating Quarterly Dividend Rate***" means, for any Quarterly Floating Rate Period, the rate (expressed as a percentage rounded down to the nearest one hundred-thousandth of one percent (with 0.000005% being rounded up)) equal to the sum of the T-Bill Rate on the applicable Floating Rate Calculation Date plus 2.17% per annum (calculated on the basis of the actual number of days in such Quarterly Floating Rate Period divided by 365).

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

"***Quarterly Commencement Date***" means the last day of March, June, September and December in each year, commencing December 31, 2015.

"***Quarterly Floating Rate Period***" means the period from and including December 31, 2015 to, but excluding, the next Quarterly Commencement Date, and thereafter the period from and including the day immediately following the end of the immediately preceding Quarterly Floating Rate Period to, but excluding, the next Quarterly Commencement Date.

"***T-Bill Rate***" means, for any Quarterly Floating Rate Period, the average yield expressed as a percentage per annum on 90-day Government of Canada Treasury Bills using the three month average results, as reported by the Bank of Canada, for the most recent treasury bills auction preceding the applicable Floating Rate Calculation Date. Auction results are quoted on the Bloomberg page "CA3MAY<INDEX>".

Issue Price

The Series 2 Shares will have an issue price of $25.00.

In the event of a conversion of a Series 1 Share to a Series 2 Share the amount to be deducted from the stated capital account maintained for the Series 1 Shares and added to the stated capital account maintained for the Series 2 Shares will be $25.00 per share so converted.

Dividends

The holders of Series 2 Shares will be entitled to receive quarterly floating rate, cumulative, preferential cash dividends, if, as and when declared by the Board of Directors, payable on the last business day of each of March, June, September and December in each year. Such quarterly cash dividends will be in an amount per share determined by multiplying the applicable Floating Quarterly Dividend Rate by $25.00.

The Floating Quarterly Dividend Rate for each Quarterly Floating Rate Period will be determined by the Corporation on the relevant Floating Rate Calculation Date. Such determination will, in the absence of manifest error, be final and binding upon the Corporation and upon all holders of Series 2 Shares.

The dividends on Series 2 Shares will accrue on a daily basis. If, on any dividend payment date, the dividends accrued to such date are not paid in full on all of the Series 2 Shares then outstanding, such dividends, or the unpaid portion thereof, will be paid on a subsequent date or dates determined by the Board of Directors on which the Corporation will have sufficient funds properly applicable to the payment of such dividends.

Payments of dividends and other amounts in respect of the Series 2 Shares will be made by the Corporation to CDS, or its nominee, as the case may be, as registered holder of the Series 2 Shares. As long as CDS, or its nominee, is the registered holder of the Series 2 Shares, CDS, or its nominee, as the case may be, will be considered the sole owner of the Series 2 Shares for the purposes of receiving payment on the Series 2 Shares.

Redemption of Series 2 Shares

Subject to the provisions described below under "*Provisions Common to the Series 1 Shares and the Series 2 Shares – Restrictions on Dividends and Retirement of Shares*", on December 31, 2020 and on each Series 2 Conversion Date (as defined below) thereafter, the Corporation may redeem all or any number of the outstanding Series 2 Shares, at the Corporation's option, by the payment of an amount in cash of $25.00 per share together with all declared and unpaid dividends to, but excluding, the date fixed for redemption (less tax, if any, required to be deducted and withheld).

On any date after December 31, 2015 that is not a Series 2 Conversion Date, the Corporation may redeem all or any number of the outstanding Series 2 Shares, at the Corporation's option, by the payment of an amount in cash of $25.50 per share together with all declared and unpaid dividends to, but excluding, the date fixed for redemption (less tax, if any, required to be deducted and withheld).

The Series 2 Shares do not have a fixed maturity date and are not redeemable at the option of the holders of Series 2 Shares. See "*Risk Factors*".

Notice and Pro Rata Redemption

The Corporation will give notice of any redemption to registered holders not more than 60 days and not less than 30 days prior to the redemption date.

Where a part only of the outstanding Series 2 Shares is at any time to be redeemed, the Series 2 Shares will be redeemed pro rata disregarding fractions, or, if such shares are at such time listed on such exchange, with the consent of the TSX, in such manner as the Board of Directors in its sole discretion may, by resolution, determine.

Conversion of Series 2 Shares into Series 1 Shares

Conversion at the Option of the Holder

Holders of Series 2 Shares will have the right, at their option, on December 31, 2020 and on December 31 every fifth year thereafter (each such date a "**Series 2 Conversion Date**"), to convert, subject to the automatic conversion and restrictions on conversion described below, and the payment or delivery to the Corporation of evidence of payment of the tax (if any) payable, all or any of their Series 2 Shares into Series 1 Shares on the basis of one Series 1 Share for each Series 2 Share converted. A holder's Election Notice to convert Series 2 Shares must be received by the Corporation not earlier than the 30th day and not later than 5:00 p.m. (Toronto time) on the 15th day preceding the applicable Series 2 Conversion Date. An Election Notice is irrevocable once received by the Corporation. If the Corporation does not receive an Election Notice within the specified time, the Series 2 Shares shall be deemed not to have been converted (subject to automatic conversion described below).

The Corporation will, not more than 60 and not less than 30 days prior to each Series 2 Conversion Date, give notice in writing to the then registered holders of the Series 2 Shares of the Series 2 Conversion Date and a form of Election Notice. On the 30th day prior to each Series 2 Conversion Date, the Corporation will give notice in writing to the then registered holders of the Series 2 Shares of the Floating Quarterly Dividend Rate for the next Quarterly Floating Rate Period and the Annual Fixed Dividend Rate applicable to the Series 1 Shares for the next Subsequent Fixed Rate Period.

Upon exercise by a registered holder of its right to convert Series 2 Shares into Series 1 Shares (and upon an automatic conversion), the Corporation reserves the right not to deliver Series 1 Shares to any person whose address is in, or whom the Corporation or its transfer agent has reason to believe is a resident of, any jurisdiction outside Canada, to the extent that such issue would require the Corporation to take any action to comply with the securities or analogous laws of such jurisdiction.

Automatic Conversion and Restrictions on Conversion

If the Corporation determines that there would remain outstanding on a Series 2 Conversion Date less than 1,000,000 Series 2 Shares, after having taken into account all Election Notices in respect of Series 2 Shares tendered for conversion into Series 1 Shares and all Election Notices in respect of Series 1 Shares tendered for conversion into Series 2 Shares, in each case received by the Corporation during the time fixed therefor, then, all, but not part, of the remaining outstanding Series 2 Shares will automatically be converted into Series 1 Shares on the basis of one Series 1 Share for each Series 2 Share on the applicable Series 2 Conversion Date. The Corporation will give notice in writing of the automatic conversion to all registered holders of the Series 2 Shares at least seven days prior to the Series 2 Conversion Date.

Furthermore, holders of Series 2 Shares will not be entitled to convert their shares into Series 1 Shares if the Corporation determines that there would remain outstanding on a Series 2 Conversion Date less than 1,000,000 Series 1 Shares after having taken into account all Election Notices in respect of Series 2 Shares tendered for conversion into Series 1 Shares and all Election Notices in respect of Series 1 Shares tendered for conversion into Series 2 Shares, in each case received by the Corporation during the time fixed therefor. The Corporation will give notice in writing of the inability to convert Series 2 Shares to all registered holders of the Series 2 Shares at least seven days prior to the applicable Series 2 Conversion Date.

If the Corporation gives notice to registered holders of the Series 2 Shares of the redemption of all outstanding Series 2 Shares, the Corporation will not be required to give notice as provided hereunder to the registered holders of the Series 2 Shares of any dividend rates or of the conversion right of holders of Series 2 Shares and the right of any holder of Series 2 Shares to convert such shares will terminate.

Provisions Common to the Series 1 Shares and the Series 2 Shares

Purchase for Cancellation

Subject to applicable law and the provisions described under "*Details of the Offering – Provisions Common to the Series 1 Shares and the Series 2 Shares – Restriction on Dividends and Retirement of Shares*", the Corporation may at any time or times purchase for cancellation all or any number of the outstanding Series 1 Shares or Series 2 Shares on the open market, by private agreement, pursuant to tenders received by the Corporation upon an invitation for tenders addressed to all holders of the Series 1 Shares or Series 2 Shares, or otherwise, at the lowest price or prices at which in the opinion of the Board of Directors such shares are obtainable.

Rights on Liquidation

In the event of the liquidation, dissolution or winding-up of the Corporation or any other distribution of assets of the Corporation among its shareholders for the purpose of winding-up its affairs, subject to the prior satisfaction of the claims of all creditors of the Corporation and of holders of shares of the Corporation ranking prior to the Series 1 Shares and the Series 2 Shares, the holders of Series 1 Shares and Series 2 Shares will be entitled to payment of an amount equal to $25.00 per Series 1 Share or Series 2 Share, plus an amount equal to all declared and unpaid dividends up to but excluding the date fixed for payment or distribution (less any tax required to be deducted and withheld by the Corporation), before any amount may be paid or any assets of the Corporation are distributed to the holders of any shares ranking junior as to capital to the Series 1 Shares and the Series 2 Shares. After payment of such amounts, the holders of Series 1 Shares and Series 2 Shares will not be entitled to share in any further distribution of the assets of the Corporation.

Restrictions on Dividends and Retirement of Shares

So long as any of the Series 1 Shares or Series 2 Shares are outstanding, the Corporation will not, without the approval of the holders of the Series 1 Shares or Series 2 Shares given as described under "*Details of the Offering – Provisions Common to the Series 1 Shares and the Series 2 Shares - Modification of Series*":

(a) declare, pay or set apart for payment any dividends on any shares of the Corporation ranking as to dividends junior to the Series 1 Shares or Series 2 Shares (other than stock dividends payable in shares of the Corporation ranking as to dividends and capital junior to the Series 1 Shares or Series 2 Shares);

(b) except out of the net cash proceeds of a substantially concurrent issue of shares of the Corporation ranking as to return of capital and dividends junior to the Series 1 Shares or Series 2 Shares, redeem or call for redemption, purchase for cancellation or otherwise pay off, retire or make any return of capital in respect of any shares of the Corporation ranking as to capital junior to the Series 1 Shares or Series 2 Shares;

(c) redeem or call for redemption, purchase for cancellation or otherwise pay off or retire for value or make any return of capital in respect of less than all of the Series 1 Shares or Series 2 Shares then outstanding;

(d) except pursuant to any purchase obligation, sinking fund, retraction privilege or mandatory redemption provisions attaching thereto, or except in connection with the concurrent redemption, call for redemption, purchase or pay off of all Series 1 Shares or Series 2 Shares, redeem or call for redemption, purchase or otherwise pay off or retire for value or make any return of capital in

respect of any Preference Shares, ranking as to dividends or capital on a parity with the Series 1 Shares or Series 2 Shares; or

(e) except for the issuance of Series 1 Shares as a result of the conversion of the Series 2 Shares in accordance with their terms or the issuance of Series 2 Shares as a result of the conversion of the Series 1 Shares in accordance with their terms, create or issue any additional Series 1 Shares or Series 2 Shares or any shares ranking as to the payment of dividends or repayment of capital prior to or on parity with the Series 1 Shares or Series 2 Shares,

unless, in each such case, all accrued and unpaid dividends up to and including the dividend payable for the last completed period for which dividends were payable on the Series 1 Shares or Series 2 Shares have been declared and paid or monies set apart for payment.

Voting Rights

Except as otherwise required by law or in the conditions attaching to the Preference Shares as a class, the holders of the Series 1 Shares or Series 2 Shares will not be entitled to receive notice of, attend at, or vote at, any meeting of shareholders of the Corporation, unless and until the Corporation shall have failed to pay eight quarterly dividends on the Series 1 Shares or Series 2 Shares, as appropriate, in accordance with the terms thereof, whether or not consecutive and whether or not such dividends were declared and whether or not there are any monies of the Corporation properly applicable to the payment of such dividends. In the event of such non-payment, and for only so long as any such dividends remain in arrears, the holders of the Series 1 Shares or Series 2 Shares, as appropriate will be entitled to receive notice of all meetings of shareholders of the Corporation and to attend thereat (other than a separate meeting of the holders of another series or class of shares), and shall at any such meetings which they shall be entitled to attend, except when the vote of the holders of shares of any other class or series is to be taken separately and as a class or series, be entitled to vote together with all of the voting shares of the Corporation on the basis of one vote for each Series 1 Shares or Series 2 Shares held, until all such arrears of such dividends have been paid, whereupon such rights will cease unless and until the Corporation shall again fail to pay eight quarterly dividends on the Series 1 Shares or Series 2 Shares as outlined above, in which event such voting rights shall become effective again and so on from time to time. In addition, holders of Series 1 Shares or Series 2 Shares shall be entitled to voting rights attached to Preference Shares as a class. See "*Details of the Offering - Description of the Preference Shares as a Class - Voting Rights*". In such circumstances (except in the case of a dissolution), holders of Series 1 Shares or Series 2 Shares, as appropriate, will be entitled to vote separately as a series if the Series 1 Shares or Series 2 Shares, as appropriate, are affected in a manner different from other series of Preference Shares.

Modification of Series

The approval of all amendments to the rights, privileges, restrictions and conditions attaching to the Series 1 Shares and the Series 2 Shares as a series and any other approval to be given by the holders of the Series 1 Shares or Series 2 Shares, as applicable, may be given by a resolution passed by an affirmative vote of at least two-thirds of the votes cast at a duly called and held meeting at which the holders of at least 10% of the outstanding Series 1 Shares or Series 2 Shares, as applicable, are present in person or represented by proxy or, if no quorum is present at such meeting, at an adjourned meeting at which the holders of Series 1 Shares or Series 2 Shares, as applicable, then present would form the necessary quorum. At any meeting of holders of Series 1 Shares or Series 2 Shares as a series, each such holder shall be entitled to one vote in respect of each Series 1 Share or Series 2 Share, as applicable, held.

Tax Election

The Series 1 Shares and the Series 2 Shares will be "taxable preferred shares" as defined in the *Tax Act* for purposes of the tax under Part IV.1 of the Tax Act applicable to certain corporate holders of such shares. The terms of the Series 1 Shares and the Series 2 Shares require the Corporation to make the necessary election under Part VI.1 of the Tax Act so that the corporate holders will not be subject to the tax under Part IV.1 of the Tax Act on dividends received (or deemed to be received) on the Series 1 Shares and Series 2 Shares. See "*Certain Canadian Federal Income Tax Considerations*".

Non-Business Days

If any action or payment is required to be taken or paid by the Corporation or any matter, consequence or other thing is provided to occur, in respect of the Series 1 Shares or the Series 2 Shares on a day that is a Saturday or a Sunday or any other day that is a statutory or civic holiday in the place where the Corporation has its head office (a "**non-business day**"), then such action or payment will be taken or made and such matter, consequence or other thing will occur on the immediately following day which is not a non-business day.

MARKET FOR SECURITIES

The outstanding Common Shares are listed and traded on the TSX under the symbol "CPX". The following table sets forth, for the periods indicated, the reported high and low prices and the aggregate volume of trading of the Common Shares on the TSX.

Period	Common Share Price ($) High	Common Share Price ($) Low	Volume
2009			
November	20.69	18.95	3,336,424
December	21.78	20.34	1,234,057
2010			
January	21.85	20.98	1,283,097
February	21.83	20.97	1,462,263
March	23.00	21.24	4,861,844
April	23.00	22.16	1,302,208
May	23.00	21.76	2,213,018
June	23.39	22.00	895,953
July	23.62	21.75	651,020
August	23.48	22.26	730,761
September	24.20	22.40	994,255
October	24.84	23.25	934,721
November	24.76	23.62	769,490
December (1-7)	24.67	23.85	754,344

RISK FACTORS

An investment in the Series 1 Shares or Series 2 Shares is subject to a number of risks. Investors should consider carefully before investing in the Series 1 Shares or Series 2 Shares the risks described below as well as the other information in this short form prospectus and the documents incorporated by reference herein, including, without limitation, the risk factors described in the AIF, in the Corporation's MD&A for the period ended December 31, 2009 and in the Corporation's MD&A of for the period ended September 30, 2010.

Preferred Share Rating

The preferred share ratings applied to the Series 1 Shares are an assessment, by the rating agencies, of the Corporation's ability to pay its obligations. The ratings are based on certain assumptions about the future performance and capital structure of the Corporation, that may or may not reflect the actual performance or capital structure of the Corporation. Changes in ratings of the Series 1 Shares or Series 2 Shares may affect the market price or value and the liquidity of the Series 1 Shares or Series 2 Shares. There is no assurance that any rating assigned to the Series 1 Shares or Series 2 Shares will remain in effect for any given period of time or that any rating will not be lowered or withdrawn entirely by the relevant rating agency.

The Corporation's ability to meet its financial obligations is dependent on receipt of funds from the Partnership and the value of its underlying business and assets

As the Corporation operates as a holding company, the Corporation's ability to pay dividends and other operating expenses and to meet its obligations depends to a significant extent upon receipt of sufficient funds from the Partnership, its ability to raise additional capital and the value of its underlying business and assets. Accordingly, the likelihood that holders of the Series 1 Shares or Series 2 Shares will receive dividends will depend to a significant extent upon the financial position and creditworthiness of the Partnership and its underlying business and assets. Should the value of the underlying assets of the Partnership decrease substantially, the Corporation may not legally be in a position to declare or pay its dividends or pay amounts due upon redemption of the Series 1 Shares and the Series 2 Shares or upon liquidation, dissolution or winding up of the Corporation. See "*Earnings Coverage Ratio of the Corporation*".

Declaration of Payment of Dividends

Holders of Series 1 Shares and Series 2 Shares do not have a right to dividends on such shares unless declared by the Board of Directors of the Corporation. The declaration of dividends is in the discretion of the Board of Directors even if the Corporation has sufficient funds, net of its liabilities, to pay such dividends.

The Corporation may not declare or pay a dividend if there are reasonable grounds for believing that (i) the Corporation is, or would after the payment be, unable to pay its liabilities as they become due, or (ii) the realizable value of the Corporation's assets would thereby be less than the aggregate of its liabilities and stated capital of its outstanding shares. Liabilities of the Corporation will include those arising in the course of its business, indebtedness, including inter-company debt, and amounts, if any, that are owing by the Corporation under guarantees in respect of which a demand for payment has been made. See "*Consolidated Capitalization*".

Subordinated Debt Agreement Restrictions

Pursuant to the Subordinated Debt Agreement to be entered into between the Corporation and the Partnership on the Closing Date, the Partnership will be permitted to defer payment of all or part of the interest owing to the Corporation under the Subordinated Debt Agreement for one or more periods of up to five consecutive years. In addition, the Partnership will covenant and agree in the Subordinated Debt Agreement that it shall not pay or declare distributions on any of its outstanding limited partnership units at any time when interest owing under the Subordinated Debt Agreement is being deferred by it. The deferral by the Partnership of such interest payments and the failure by the Partnership to pay distributions on its limited partnership units may have an adverse effect on the Corporation and the market values of the Common Shares, Series 1 Shares or Series 2 Shares and such effect could be significant.

Limitations on Preferred Shares

Although the Series 1 Shares and Series 2 Shares carry cumulative dividends, the Corporation may not be in a position pursuant to law to declare and pay such dividends as contemplated in this short form prospectus.

There is currently no trading market for the Series 1 Shares or Series 2 Shares

There is currently no trading market for the Series 1 Shares or Series 2 Shares. No assurance can be given that an active or liquid trading market for the Series 1 Shares or Series 2 Shares will develop or be sustained. If an active or liquid market for the Series 1 Shares or Series 2 Shares fails to develop or be sustained, the prices at which the Series 1 Shares or Series 2 Shares trade may be adversely affected.

The market value of Series 1 Shares and Series 2 Shares will be affected by a number of factors and, accordingly, its trading price will fluctuate

The value of Series 1 Shares and Series 2 Shares will be affected by the general creditworthiness of the Corporation. The annual and interim MD&A of the Corporation are incorporated by reference in this short form

prospectus. These analyses discuss, among other things, known material trends and events, and risks or uncertainties that are reasonably expected to have a material effect on the business, financial condition or results of operations of the Corporation. See also the discussion under "*Earnings Coverage Ratio of the Corporation*", which are relevant to an assessment of the risk that the Corporation will be unable to pay dividends on the Series 1 Shares and Series 2 Shares.

The market value of the Series 1 Shares and Series 2 Shares, as with other preferred shares, is primarily affected by changes (actual or anticipated) in prevailing interest rates and in the rating assigned to such shares. Real or anticipated changes in ratings on the Series 1 Shares or Series 2 Shares may also affect the cost at which the Corporation can transact or obtain funding, and thereby affect its liquidity, business, financial condition or results of operations.

Prevailing yields on similar securities will affect the market value of the Series 1 Shares and Series 2 Shares. Assuming all other factors remain unchanged, the market value of the Series 1 Shares and Series 2 Shares would be expected to decline as prevailing yields for similar securities rise and would be expected to increase as prevailing yields for similar securities decline.

The market value of Series 1 Shares and Series 2 Shares may also depend on the market price of the Common Shares. It is impossible to predict whether the price of the Common Shares will rise or fall. Trading prices of the Common Shares will be influenced by the Corporation's financial results and by complex and interrelated political, economic, financial and other factors that can affect the capital markets generally, the stock exchanges on which the Common Shares are traded and the market segment of which the Corporation is a part.

Creditors of the Corporation rank ahead of holders of Series 1 Shares and Series 2 Shares in the event of an insolvency or winding-up of the Corporation

The Series 1 Shares and Series 2 Shares will rank equally with other Preference Shares of the Corporation that may be outstanding in the event of an insolvency or winding-up of the Corporation. If the Corporation becomes insolvent or is wound-up, or if the Corporation is required to pay under guarantees provided by the Corporation, the Corporation's assets must be used to pay debt and amounts, if any, owing by the Corporation under such guarantees, before payments may be made on Series 1 Shares and Series 2 Shares and other Preference Shares. See "*Consolidated Capitalization*".

The dividend rates on the Series 1 Shares and Series 2 Shares will reset

The dividend rate for Series 1 Shares and Series 2 Shares will reset every five years and quarterly, respectively. In each case, the new dividend rate is unlikely to be the same as, and may be lower than, the dividend rate for the applicable preceding period.

Investments in the Series 2 Shares, given their floating interest component, entail risks not associated with investments in the Series 1 Shares. The resetting of the applicable rate on a Series 2 Share may result in a lower yield compared to fixed rate Series 1 Shares. The applicable rate on a Series 2 Share will fluctuate in accordance with fluctuations in the T-Bill Rate on which the applicable rate is based, which in turn may fluctuate and be affected by a number of interrelated factors, including economic, financial and political events over which the Corporation has no control.

The Series 1 Shares and Series 2 Shares may be converted or redeemed without the holders' consent in certain circumstances

The Series 1 Shares and Series 2 Shares may be redeemed by the Corporation in certain circumstances without the holders' consent. In addition, an investment in the Series 1 Shares may become an investment in Series 2 Shares, and vice versa, without the holders' consent in the event of an automatic conversion in certain circumstances. Upon the automatic conversion of the Series 1 Shares into Series 2 Shares, the dividend rate on the Series 2 Shares will be a floating rate that is adjusted quarterly by reference to the T-Bill Rate which may vary from time to time. In

addition, a holder may be prevented from converting their Series 1 Shares into Series 2 Shares, and vice versa, in certain circumstances. See "*Details of the Offering*".

Neither the Series 1 Shares nor the Series 2 Shares have a fixed redemption date

Neither the Series 1 Shares nor the Series 2 Shares have a fixed redemption date, nor are such shares retractable at the option of the holders thereof. The ability of a holder to liquidate its holdings of such shares may be limited. The Corporation's ability to meet its financial obligations is dependent on receipt of funds from its principal subsidiaries and its ability to raise additional capital. See "*Details of the Offering*" and "*Risk Factors – The Corporation's ability to meet its financial obligations is dependent on receipt of funds from its principal subsidiaries and the value of its underlying business and assets*".

No Voting Rights

Holders of Series 1 Shares and Series 2 Shares will generally not have voting rights at meetings of the shareholders of the Corporation except under limited circumstances. Holders of Series 1 Shares and Series 2 Shares will have no right to elect the Board of Directors of the Corporation on an annual or other ongoing basis. See "*Details of the Offering*".

RELATIONSHIP BETWEEN THE CORPORATION'S LENDERS AND THE UNDERWRITERS

Each of TD Securities Inc., RBC Dominion Securities Inc., BMO Nesbitt Burns Inc., CIBC World Markets Inc., Scotia Capital Inc., HSBC Securities (Canada) Inc. and National Bank Financial Inc. is, directly or indirectly, a wholly-owned subsidiary or an affiliate of a Canadian chartered bank or other financial institution that is a lender to the Partnership (collectively, the "**Affiliate Lenders**"). In addition, RBC Dominion Securities Inc. is, directly or indirectly, a wholly-owned subsidiary or an affiliate of a Canadian chartered bank that is a lender to the Corporation under a $5 million demand credit facility (the "**Demand Facility**"). Also, two directors of the Corporation and the General Partner are also directors of one of the Affiliate Lenders. Certain of the Underwriters and/or their affiliates have performed investment banking and advisory services for the Partnership, the Corporation and their respective affiliates from time to time for which they have received customary fees and expenses. Consequently, the Corporation may be considered to be a connected issuer of the Underwriters for the purposes of securities regulations in certain provinces of Canada. See "*Use of Proceeds*".

On November 30, 2010, approximately $438 million was drawn or utilized under the credit facilities made available to the Partnership by the Affiliate Lenders and no amounts were drawn under the Demand Facility**.** The Partnership is in compliance with all material terms of the agreements governing its credit facilities and none of the Affiliate Lenders has waived any breach by the Partnership of such agreements since their execution. The Partnership's financial position has not changed substantially since the indebtedness under the credit facilities was incurred. The Corporation is in compliance with all material terms of the agreement governing the Demand Facility and the lender under such Demand Facility has not waived any breach by the Corporation of such agreement since its execution. The Corporation intends to loan the net proceeds of the Offering to the Partnership, which in turn, intends to use the proceeds to repay a portion of the indebtedness owing under its credit facilities and, as a consequence, proceeds of the Offering may be paid indirectly to one or more of the Affiliate Lenders.

The decision to distribute the Series 1 Shares offered hereby and the determination of the terms of the distribution were made through negotiations primarily amongst the Corporation and the Underwriters. The Affiliate Lenders had no involvement in such decision or determination, but have been advised of the Offering and the terms thereof. As a consequence of this Offering, each of TD Securities Inc., RBC Dominion Securities Inc., BMO Nesbitt Burns Inc., CIBC World Markets Inc., Scotia Capital Inc., HSBC Securities (Canada) Inc. and National Bank Financial Inc. will receive its proportionate share of the Underwriters' fee payable by the Corporation to the Underwriters.

PLAN OF DISTRIBUTION

Pursuant to an underwriting agreement (the "**Underwriting Agreement**") dated December 1, 2010 between the Corporation and the Underwriters, the Corporation has agreed to issue and sell an aggregate of 5,000,000 Series 1 Shares to the Underwriters. The Underwriters have severally (and not jointly or jointly and severally) agreed to purchase such Series 1 Shares on the Closing Date, subject to the terms and conditions contained in the Underwriting Agreement. The Underwriting Agreement provides that the Corporation will pay the Underwriters a fee of $0.25 per Series 1 Share sold to certain institutions and $0.75 per Series 1 Share with respect to all other sales, in consideration of their services in connection with the Offering. The terms of the Offering were determined by negotiation between the Corporation and the Underwriters.

The obligations of the Underwriters are several and neither joint nor joint and several and may be terminated at their discretion upon the occurrence of certain stated events. If an Underwriter fails or refuses to purchase the Series 1 Shares which it has agreed to purchase, the other Underwriters may, but are not obligated to, purchase such Series 1 Shares on a *pro rata* basis, provided that, if the aggregate number of Series 1 Shares not purchased is less than or equal to 10% of the aggregate number of Series 1 Shares agreed to be purchased by the Underwriters, then each of the other Underwriters is obligated to purchase severally the Series 1 Shares not taken up, on a *pro rata* basis or in such other proportion as they may otherwise agree as between themselves. The Underwriters are, however, obligated to take up and pay for all Series 1 Shares if any Series 1 Shares are purchased under the Underwriting Agreement. The Underwriting Agreement also provides that the Corporation will indemnify the Underwriters and their respective affiliates and each of the directors, officers, agents and employees of the Underwriters against certain liabilities and expenses in connection with the Offering on customary terms and conditions.

The Underwriters propose to offer the Series 1 Shares initially at the offering price specified on the cover page of this short form prospectus. After the Underwriters have made a reasonable effort to sell all of the Series 1 Shares offered by this short form prospectus at the price specified on the cover page of this short form prospectus, the offering price may be decreased and may be further changed from time to time to an amount not greater than that set out on the cover page of this short form prospectus, and the compensation realized by the Underwriters will be decreased by the amount that the aggregate price paid by purchasers for the Series 1 Shares is less than the gross proceeds paid by the Underwriters to the Corporation. Any such reduction will not affect the net proceeds received by the Corporation.

Subscriptions for Series 1 Shares will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice.

There is currently no market through which the Series 1 Shares or Series 2 Shares may be sold and purchasers may not be able to resell the Series 1 Shares purchased under this short form prospectus or the Series 2 Shares. See "*Risk Factors*". The TSX has conditionally approved the listing of the Series 1 Shares and Series 2 Shares. Listing is subject to the Corporation fulfilling all of the listing requirements of the TSX on or before March 1, 2011.

The Corporation has agreed that, subject to certain exceptions, during the period beginning on the Closing Date and ending on the date that is 90 days after the Closing Date, it shall not, directly or indirectly, without the prior written consent of TD Securities Inc. and RBC Dominion Securities Inc., on behalf of the Underwriters, issue or sell or offer, grant any option, warrant or other right to purchase or agree to issue or sell, or otherwise lend, transfer, assign, pledge or dispose of (including, without limitation, by making any short sale, engaging in any hedging, monetization or derivative transaction or entering into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Preference Shares (including Series 1 Shares or Series 2 Shares) or securities convertible into, exchangeable for, or otherwise exercisable into Preference Shares (including Series 1 Shares or Series 2 Shares), whether or not cash settled), in a public offering or by way of private placement or otherwise, any Preference Shares (including Series 1 Shares or Series 2 Shares) or other securities convertible into, exchangeable for, or otherwise exercisable into Preference Shares (including Series 1 Shares or Series 2 Shares), or agree to do any of the foregoing or publicly announce any intention to do any of the foregoing.

In connection with the Offering, the Underwriters may over-allocate or effect transactions which stabilize or maintain the market price of the Series 1 Shares at levels other than those which otherwise might prevail on the open market, including:

- stabilizing transactions;
- short sales;
- purchases to cover positions created by short sales;
- imposition of penalty bids; and
- syndicate covering transactions.

Stabilizing transactions consist of bids or purchases made for the purpose of preventing or retarding a decline in the market price of the Series 1 Shares while the Offering is in progress. These transactions may also include making short sales of Series 1 Shares, which involve the sale by the Underwriters of a greater number of Series 1 Shares than they are required to purchase in the Offering.

The Underwriters must close out any naked short position by purchasing Series 1 Shares in the open market. A naked short position is more likely to be created if the Underwriters are concerned that there may be downward pressure on the price of the Series 1 Shares in the open market that could adversely affect investors who purchase in the Offering.

In addition, in accordance with rules and policy statements of certain Canadian securities regulators, the Underwriters may not, at any time during the period of distribution, bid for or purchase Series 1 Shares. The foregoing restriction is, however, subject to exceptions where the bid or purchase is not made for the purpose of creating actual or apparent active trading in, or raising the price of, the Series 1 Shares. These exceptions include a bid or purchase permitted under the by-laws and rules of applicable regulatory authorities and the TSX, including the Universal Market Integrity Rules for Canadian Marketplaces, relating to market stabilization and passive market making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution.

As a result of these activities, the price of the Series 1 Shares offered hereby may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued by the Underwriters at any time. The Underwriters may carry out these transactions on any stock exchange on which the Series 1 Shares are listed, in the over-the-counter market, or otherwise.

Certain of the Underwriters have in the past and may in the future provide various financial advisory, investment banking and commercial lending service for the Corporation and its affiliates in the ordinary course of business for which they have received and will receive customary fees and commissions.

The Series 1 Shares have not been and will not be registered under the U.S. Securities Act, or any state securities laws, and may not be offered or sold within the U.S. or to, or for the account of, U.S. persons (as defined in Regulation S under the U.S. Securities Act) absent registration or pursuant to an applicable exemption from the registration requirements of the U.S. Securities Act, and applicable state securities laws.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Fraser Milner Casgrain LLP, counsel to the Corporation, and Osler, Hoskin & Harcourt LLP, counsel to the Underwriters, the following is, at the date hereof, a summary of the principal Canadian federal income tax considerations generally applicable to a purchaser of Series 1 Shares or Series 2 Shares who acquires such shares as beneficial owner pursuant to this short form prospectus and who, at all relevant times, for purposes of the Tax Act, is, or is deemed to be, resident in Canada, holds the Series 1 Shares or Series 2 Shares, as the case may be, as capital property, deals with the Corporation and the Underwriters at arm's length and is not affiliated with the

Corporation (a "**Holder**"). Generally, the Series 1 Shares and Series 2 Shares will be considered to be capital property to a Holder provided that the Holder does not acquire or hold the Series 1 Shares or Series 2 Shares, as the case may be, in the course of carrying on a business or as part of an adventure or concern in the nature of trade. Certain Holders who are resident in Canada, whose Series 1 Shares or Series 2 Shares, as the case may be, might not otherwise qualify as capital property, may be entitled to obtain such qualification for the Series 1 Shares and Series 2 Shares and all other "Canadian Securities", as defined in the Tax Act, in certain circumstances, by making an irrevocable election permitted by subsection 39(4) of the Tax Act.

This summary is not applicable to a Holder that is a "financial institution" (as defined in the Tax Act for purposes of the mark-to-market rules), a Holder whose interest in the Series 1 Shares or Series 2 Shares, as the case may be, is a "tax shelter investment" (as defined in the Tax Act) or a Holder that reports its "Canadian tax results" in a currency other than Canadian currency. Such Holders should consult their own tax advisors having regard to their particular circumstances.

Furthermore, this summary is not applicable to a Holder that is a "specified financial institution" (as defined in the Tax Act) that receives (or is deemed to receive), alone or together with persons with whom it does not deal at arm's length, in the aggregate dividends in respect of more than 10% of the Series 1 Shares or the Series 2 Shares outstanding at the time the dividend is received. This summary also assumes that all issued and outstanding Series 1 Shares and Series 2 Shares are listed on a "designated stock exchange" in Canada (as defined in the Tax Act, such as the TSX) at such times as dividends (including deemed dividends) are received on such shares.

This summary is based upon the facts set out in this short form prospectus, the current provisions of the Tax Act and the Regulations thereunder (the "**Regulations**"), all specific proposals to amend the Tax Act and Regulations publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof and counsel's understanding of the current administrative policy and assessing practices published in writing by the Canada Revenue Agency (the "**CRA**"). This summary assumes that all proposed amendments will be enacted in the form proposed. There can be no assurance that the proposed amendments will be implemented in their current form or at all. This summary does not otherwise take into account or anticipate any changes in law or practice, whether by judicial, governmental or legislative decision or action or changes in the administrative policies or assessing practices of the CRA, nor does it take into account tax legislation or considerations of any province, territory or foreign jurisdiction. The provisions of provincial income tax legislation vary from province to province in Canada and in some cases differ from federal income tax legislation.

This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular Holder, and no representations with respect to the income tax consequences to any particular Holder are made. This summary is not exhaustive of all Canadian federal income tax considerations. Accordingly, prospective purchasers should consult their own tax advisors for advice with respect to the tax consequences to them of acquiring, holding and disposing of Series 1 Shares or Series 2 Shares, including the application and effect of the income and other tax laws of any country, province, state or local tax authority.

Dividends

Dividends (including deemed dividends) received on the Series 1 Shares or Series 2 Shares by an individual (other than certain trusts) will be included in the individual's income and will be subject to the gross-up and dividend tax credit rules normally applicable to taxable dividends received from taxable Canadian corporations. In certain circumstances, such individuals will be entitled to an enhanced dividend tax credit in respect of dividends designated by the Corporation to be "eligible dividends" in accordance with the provisions of the Tax Act. Prospective purchasers are urged to consult their own tax advisors in this respect.

The Series 1 Shares and the Series 2 Shares will be taxable preferred shares as defined in the Tax Act. The terms of the Series 1 Shares and the Series 2 Shares require the Corporation to make the necessary election under Part VI.1 of the Tax Act so that Holders that are corporations will not be subject to tax under Part IV.1 of the Tax Act on dividends paid (or deemed to be paid) by the Corporation on the Series 1 Shares and Series 2 Shares.

Dividends (including deemed dividends) on the Series 1 Shares and the Series 2 Shares received by a corporation will be included in computing the corporation's income and will generally be deductible in computing the taxable income of the corporation.

A Holder that is a "private corporation" (as defined in the Tax Act), or any other corporation controlled whether by reason of a beneficial interest in one or more trusts or otherwise by or for the benefit of an individual (other than a trust) or a related group of individuals (other than trusts), will generally be liable to pay a 33 1/3% refundable tax under Part IV of the Tax Act on dividends received (or deemed to be received) on the Series 1 Shares or the Series 2 Shares to the extent such dividends are deductible in computing its taxable income.

Dispositions

Generally, a Holder who disposes of or is deemed to dispose of Series 1 Shares or Series 2 Shares (including on redemption, but not on conversion for Series 2 Shares or Series 1 Shares, as the case may be, or other shares of the Corporation) will realize a capital gain (or sustain a capital loss) to the extent that the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of such shares to the Holder. The amount of any deemed dividend arising on the redemption, acquisition or purchase for cancellation by the Corporation of Series 1 Shares or Series 2 Shares will not be included in computing the Holder's proceeds of disposition to any shareholder for purposes of computing the capital gain or capital loss arising on the disposition of the Series 1 Shares or the Series 2 Shares. See "*Redemption*" below.

Generally, one-half of any such capital gain will be included in computing the Holder's income as a taxable capital gain and one-half of any such capital loss realized in a taxation year will be deducted from the Holder's taxable capital gains for the year. Any excess of allowable capital losses over taxable capital gains of the Holder for the year may be carried back up to three years and forward indefinitely and deducted against net taxable capital gains of the Holder in those other years in accordance with the detailed rules in the Tax Act. Any such capital loss may be reduced by the amount of any dividends, including deemed dividends, which have been received on such shares to the extent and under the circumstances prescribed by the Tax Act.

Redemption

If the Corporation redeems Series 1 Shares or Series 2 Shares for cash or otherwise acquires Series 1 Shares or the Series 2 Shares (other than on a conversion or by a purchase in the manner in which shares are normally purchased by a member of the public in the open market), the Holder will be deemed to have received a dividend equal to the amount, if any, paid by the Corporation in excess of the paid-up capital of such shares at such time. Generally, the difference between the amount paid and the amount of the deemed dividend will be treated as proceeds of disposition for the purposes of computing the capital gain or capital loss arising on the disposition of such shares. See "*Dispositions*" above. In the case of a Holder that is a corporation, it is possible that in certain circumstances all or part of the amount so deemed to be a dividend may be treated as proceeds of disposition and not as a dividend.

Conversion

The conversion of the Series 1 Shares into Series 2 Shares and the Series 2 Shares into Series 1 Shares will be deemed not to be a disposition of property and accordingly will not give rise to any capital gain or capital loss. The cost to a holder of Series 2 Shares or Series 1 Shares, as the case may be, received on the conversion will be deemed to be equal to the holder's adjusted cost base of the converted Series 1 Shares or Series 2 Shares, as the case may be, immediately before the conversion.

Eligibility For Investment

In the opinion of Fraser Milner Casgrain LLP, counsel to the Corporation, and Osler, Hoskin & Harcourt LLP, counsel to the Underwriters, the Series 1 Shares and the Series 2 Shares, provided they are listed on a designated stock exchange (which currently includes the TSX) or the Corporation is a public corporation, if issued on the date of this short form prospectus, would be qualified investments under the Tax Act and the Regulations

thereunder for trusts governed by registered retirement savings plans, registered retirement income funds, registered education savings plans, registered disability savings plans, deferred profit sharing plans and tax-free savings accounts. However, the holder of a tax-free savings account that governs a trust which holds Series 1 Shares or Series 2 Shares will be subject to a penalty tax if the holder does not deal at arm's length with the Corporation for the purposes of the Tax Act or, if the holder has a "significant interest", within the meaning of the Tax Act, in the Corporation or in a corporation, partnership or trust with which the Corporation does not deal at arm's length for the purposes of the Tax Act.

RELATIONSHIP TO EPCOR

EPCOR is indirectly the principal shareholder of the Corporation. As at the date hereof, EPCOR beneficially owns 56.625 million Exchangeable LP Units, representing 100% of the outstanding Exchangeable LP Units in the capital of the Partnership which represents 72.2% of the equity of Partnership and approximately 72.2% of the total number of outstanding Common Shares after giving effect to the exchange of the Exchangeable LP Units, and 56.625 million accompanying Special Voting Shares of the Corporation. EPCOR will not be permitted to exchange Exchangeable LP Units if or to the extent that, following the exchange, EPCOR would beneficially own more than 49% of the outstanding Common Shares. EPCOR also beneficially owns the Special Limited Voting Share of the Corporation. See "*Recent Developments – Secondary Offering of Common Shares*" and "*Description of Share Capital and Exchangeable LP Units – Exchangeable LP Units of the Partnership.*"

Four members of the Board of Directors of the Corporation have been appointed by EPCOR pursuant to the rights attaching to the Special Voting Shares held by EPCOR to nominate and elect a maximum of four directors to the Board of Directors of the Corporation. Pursuant to a cooperation agreement between EPCOR and the Corporation dated July 9, 2009 (the "**Cooperation Agreement**"), the Corporation and EPCOR have agreed that the board of directors of the Corporation will consist of (i) a minimum of (x) nine directors so long as EPCOR has the right to nominate and elect four directors pursuant to the rights attached to the Special Voting Shares and (y) five directors so long as EPCOR has the right to nominate and elect two directors pursuant to the rights attached to the Special Voting Shares, and (ii) a maximum of 12 directors. Of the current 12 directors of the board of directors of the Corporation, ten are independent for the purpose of National Instrument 58-101 – Disclosure of Corporate Governance Practices ("**NI 58-101**"). Under NI 58-101, a director is independent if he or she would be independent within the meaning of independence under National Instrument 52-110 – Audit Committees. Essentially, a director is independent if he or she has no direct or indirect material relationship with the Corporation. A "material relationship" is a relationship which could, in the view of the board of directors, be reasonably expected to interfere with the exercise of a director's independent judgment. See "*Description of Share Capital and Exchangeable LP Units – Special Voting Shares of the Corporation*".

EPCOR has advised the Corporation that it may eventually sell all or a substantial number of the Common Shares underlying its Exchangeable LP Units, subject to market conditions, its requirements for capital and other circumstances that may arise in the future. EPCOR has further advised the Corporation that it intends to act only as an investor in and not as a manager of the Corporation or the Partnership and that it intends to direct or exercise the voting rights attached to the Special Voting Shares and Special Limited Voting Share, as such. EPCOR is not actively involved in the on-going management of the Corporation and the Partnership. Other than Mr. Donald Lowry, the President and Chief Executive Officer of EPCOR, who is one of EPCOR's nominees to the board of directors of the Corporation and serves as its Chair, no individual that is a director, officer or employee of EPCOR is also an officer or employee of either the Corporation or the Partnership. EPCOR does not have access to the information necessary to sign the form of issuer certificate applicable to a prospectus of the Corporation.

EPCOR also beneficially owns 51 non-participating, voting Class A Shares of CPI Investments Inc. (a holding company that owns a 29.8% interest (as at September 30, 2010) in the limited partnership units of CPILP and 100% of the shares of the general partner of CPILP) representing 51% of CPI Investments Inc.'s voting capital and the Partnership beneficially owns 49 participating, voting Class B Shares of CPI Investments Inc. representing 49% of CPI Investments Inc.'s voting capital. The Partnership is entitled to substantially all of the economic interest in CPI Investments Inc. through its beneficial ownership of the Class B Shares of CPI Investments Inc. See "*Corporate Structure*".

The Partnership and EPCOR entered into a credit agreement on July 9, 2009 (the "**EPCOR Credit Agreement**") pursuant to which the Partnership borrowed an aggregate principal amount of approximately $896 million (carrying amount at September 30, 2010: $621 million) on an unsecured basis. Some of the indebtedness mirrors certain debt obligations of EPCOR to the public and has repayment and interest rate terms that correspond with EPCOR's mirrored debt. The remainder of the indebtedness includes an amount sufficient to meet certain debt obligations of EPCOR to The City of Edmonton, and will be repaid in accordance with an amortization schedule. On or after December 2, 2012, if EPCOR no longer owns, directly or indirectly, at least 20% of the outstanding partnership units of the Partnership, then EPCOR may, by written notice to the Partnership, require repayment of all or any portion of the outstanding principal amount under the EPCOR Credit Agreement and accrued interest thereon, within 180 to 365 days depending on the amount outstanding. The long-term debt of the Partnership payable to EPCOR pursuant to the EPCOR Credit Agreement requires the Partnership to meet certain financial and other covenants.

Capital Power entered into various agreements with EPCOR in connection with the IPO and the acquisition of EPCOR's power generation business to provide for certain aspects of the separation of the business of Capital Power from EPCOR, to provide for the continuity of operations and services and to govern the ongoing relationships between the two groups of entities, including a master separation agreement, a cooperation agreement and a registration rights agreement. The Corporation has also entered into a social objectives agreement with EPCOR, and The City of Edmonton (EPCOR's sole shareholder) pursuant to which the Corporation agreed to maintain its "Head Office" (as defined in the social objectives agreement) in The City of Edmonton, and to maintain at least 350 employees based in The City of Edmonton for a period of 25 years following completion of the IPO. Copies of these agreements, among others, have been filed by the Corporation and are available at www.sedar.com.

BOOK-ENTRY ONLY SYSTEM

Registration of interests in and transfers of the Series 1 Shares and Series 2 Shares will only be made through the book-entry only system administered by CDS, the whole subject to applicable law. On the Closing Date, the Corporation will deliver to CDS a certificate evidencing the aggregate number of Series 1 Shares subscribed for under this Offering. Series 1 Shares and Series 2 Shares must be acquired, transferred and surrendered for redemption, conversion or retraction through a CDS Participant. All rights of an owner of Series 1 Shares or Series 2 Shares must be exercised through, and all payments or other property to which such owner is entitled will be made or delivered by CDS or the CDS Participant through which the owner holds Series 1 Shares or Series 2 Shares. Upon an acquisition of any Series 1 Shares or Series 2 Shares, the owner will receive only the customary confirmation. References in this short form prospectus to a holder of Series 1 Shares or Series 2 Shares mean, unless the context otherwise requires, the owner of the beneficial interest in such shares.

The ability of a beneficial owner of Series 1 Shares or Series 2 Shares to pledge such shares or otherwise take action with respect to such owner's interest in such shares (other than through a CDS Participant) may be limited due to the lack of a physical certificate.

The Corporation has the option to terminate registration of the Series 1 Shares and Series 2 Shares through the book-entry only system, in which event certificates for Series 1 Shares and Series 2 Shares in fully registered form will be issued to the beneficial owners of such shares or their nominees.

EXPERTS

Certain legal matters relating to the issue and sale of the securities offered hereby will be passed upon on behalf of the Corporation by Fraser Milner Casgrain LLP and on behalf of the Underwriters by Osler, Hoskin & Harcourt LLP. As of the date hereof, the partners and associates of Fraser Milner Casgrain LLP and Osler, Hoskin & Harcourt LLP, each as a group, beneficially own, directly and indirectly, less than 1% of the securities of the Corporation, or any associate or affiliate of the Corporation outstanding at such date. Richard H. Cruickshank, a partner of Fraser Milner Casgrain LLP, is a director of the Corporation.

AUDITORS, REGISTRAR AND TRANSFER AGENT

The independent auditors of the Corporation are KPMG LLP, Chartered Accountants, at their offices in Edmonton, Alberta.

The transfer agent and registrar of the Series 1 Shares and Series 2 Shares is Computershare Trust Company of Canada at its principal transfer offices in Calgary and Toronto.

STATUTORY RIGHTS OF RESCISSION AND WITHDRAWAL

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

AUDITORS' CONSENT

We have read the short form prospectus of Capital Power Corporation (the "**Corporation**") dated December 1, 2010 relating to the qualification for distribution of 5,000,000 Cumulative Rate Reset Preference Shares, Series 1 of the Corporation. We have complied with Canadian generally accepted standards for an auditors' involvement with offering documents.

We consent to the incorporation by reference in the above-mentioned short form prospectus of our report to the shareholders of the Corporation on the consolidated balance sheet of the Corporation as at December 31, 2009 and consolidated statement of income, changes in shareholders' equity, comprehensive income, and cash flows for the six month period then ended. Our report is dated March 9, 2010.

We consent to the incorporation by reference in the above-mentioned short form prospectus of our report to the board of directors of EPCOR Utilities Inc. on the combined and consolidated balance sheets of EPCOR Power Group as at December 31, 2008 and 2007 and the combined and consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for each of the years in the three year period ended December 31, 2008. Our report is dated May 8, 2009, except as to notes 2(h), 28(g) and 31 which are as of June 25, 2009.

Edmonton, Canada
December 8, 2010

(signed) KPMG LLP
Chartered Accountants

CERTIFICATE OF THE CORPORATION

Dated: December 8, 2010

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

(Signed) BRIAN TELLEF VAASJO
President and Chief Executive Officer

(Signed) STUART ANTHONY LEE
Senior Vice President and Chief Financial Officer

On behalf of the Board of Directors

(Signed) RICHARD H. CRUICKSHANK
Director

(Signed) ALLISTER MCPHERSON
Director

CERTIFICATE OF UNDERWRITERS

Dated: December 8, 2010

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

TD SECURITIES INC.

By: (Signed) Harold R. Holloway

RBC DOMINION SECURITIES INC.

By: (Signed) Robert Nicholson

BMO NESBITT BURNS INC.

By: (Signed) Aaron Engen

CIBC WORLD MARKETS INC.

By: (Signed) Kelsen Vallee

SCOTIA CAPITAL INC.

By: (Signed) Thomas Kurfurst

HSBC SECURITIES (CANADA) INC.

By: (Signed) Evan J. Hazell

NATIONAL BANK FINANCIAL INC.

By: (Signed) Iain Watson

CANACCORD GENUITY CORP.

By: (Signed) Jim Osler

UBS SECURITIES CANADA INC.

By: (Signed) Michael Kousaie