

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

This prospectus supplement (the "**Prospectus Supplement**"), together with the accompanying short form base shelf prospectus dated February 16, 2012 to which it relates, as amended or supplemented (the "**Prospectus**"), and each document incorporated by reference into this Prospectus Supplement and into the 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. See "Plan of Distribution".

These securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act") or any state securities laws and may not be offered, sold or delivered, directly or indirectly, within the United States (as defined in Regulation S under the U.S. Securities Act) or to, or for the account or for the benefit of, a U.S. person (as defined in Regulation S under the U.S. Securities Act) except as permitted by the Underwriting Agreement (as defined herein) and pursuant to an exemption from the registration requirements of those laws. See "Plan of Distribution".

**Information has been incorporated by reference into this Prospectus Supplement from documents filed with securities commissions or similar authorities in Canada.** Copies of the documents incorporated by reference herein may be obtained on request without charge from the Corporate Secretary of Capital Power Corporation at Suite 1200, 10423 – 101 Street NW, Edmonton, Alberta, T5H 0E9, Telephone (1-866-896-4636) and are also available electronically at [www.sedar.com](http://www.sedar.com).

**PROSPECTUS SUPPLEMENT  
TO THE SHORT FORM BASE SHELF PROSPECTUS DATED FEBRUARY 16, 2012**

New Issue

March 7, 2013



**\$150,000,000  
6,000,000 Cumulative Rate Reset Preference Shares, Series 5**

This Prospectus Supplement qualifies the distribution (the "**Offering**") of 6,000,000 Cumulative Rate Reset Preference Shares, Series 5 (the "**Series 5 Shares**") of Capital Power Corporation (the "**Corporation**" and together with its subsidiaries, "**Capital Power**") at a price of \$25.00 per Series 5 Share. See "**Details of the Offering**" and "**Plan of Distribution**".

The holders of the Series 5 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 \$1.125 per Series 5 Share for the initial period from and including the Closing Date (as defined herein) to but excluding June 30, 2018 (the "**Initial Fixed Rate Period**"). The initial dividend, if declared, will be payable on June 28, 2013 and will be \$0.3329 per Series 5 Share, based on the anticipated closing of this Offering on March 14, 2013.

For each five-year period after the Initial Fixed Rate Period (each, a "**Subsequent Fixed Rate Period**"), the holders of the Series 5 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 3.15%. See "**Details of the Offering**".

### Option to Convert into Cumulative Floating Rate Preference Shares, Series 6

Holders of the Series 5 Shares will have the right, at their option, to convert their Series 5 Shares into Cumulative Floating Rate Preference Shares, Series 6 (the "**Series 6 Shares**") on the basis of one Series 6 Share for each Series 5 Share, subject to certain conditions, on June 30, 2018 and on June 30 every five years thereafter. Series 6 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 6 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 3.15% 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 5 Shares and Series 6 Shares are series of shares in the same class. The conversion right entitles holders to elect periodically which of the two series they wish to hold and does not entitle holders to receive a different class or type of securities. Other than the different dividend rights and redemption rights attached thereto, the Series 5 Shares and Series 6 Shares are identical in all material respects.

The Series 5 Shares will not be redeemable by the Corporation prior to June 30, 2018. On June 30, 2018 and on June 30 every five years thereafter, subject to certain other restrictions set out in "*Details of the Offering - Provisions Common to the Series 5 Shares and the Series 6 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 5 Shares, redeem all or any number of the outstanding Series 5 Shares by the payment of \$25.00 in cash per Series 5 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 5 Shares and the Series 6 Shares do not have a fixed maturity date and are not redeemable at the option of the holders thereof. See "*Risk Factors*". The Series 5 Shares and the Series 6 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**"), including the Cumulative Rate Reset Preference Shares, Series 1 (the "**Series 1 Shares**"), the Cumulative Floating Rate Preference Shares, Series 2 (the "**Series 2 Shares**"), the Cumulative Rate Reset Preference Shares, Series 3 (the "**Series 3 Shares**") and the Cumulative Floating Rate Preference Shares, Series 4 (the "**Series 4 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 March 7, 2013, the issued and outstanding capital of the Corporation consists of 5,000,000 Series 1 Shares, 6,000,000 Series 3 Shares, 70,254,998 Common Shares, 28,441,000 Special Voting Shares and one Special Limited Voting Share. Certain provisions relating to the Preference Shares as a class, the Series 5 Shares and the Series 6 Shares are summarized under "*Details of the Offering*". Certain provisions of the Series 3 Shares are summarized in the prospectus supplement of the Corporation dated December 10, 2012 and certain provisions of the Common Shares, Series 1 Shares, Special Voting Shares and Special Limited Voting Share are summarized in the Prospectus.

The Series 1 Shares and Series 3 Shares are listed and traded on the Toronto Stock Exchange ("**TSX**") under the symbols "CPX.PR.A" and "CPX.PR.C", respectively. The Corporation has applied to the TSX to list the Series 5 Shares and the Series 6 Shares. Listing will be subject to the Corporation fulfilling all of the listing requirements of the TSX. There can be no assurance that the Series 5 Shares and the Series 6 Shares will be accepted for listing on the TSX.

Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies (Canada) Corporation ("**S&P**") has assigned a rating of P-3 for the Series 5 Shares and DBRS Limited ("**DBRS**") has assigned a preliminary rating of Pfd-3 (low) with a stable trend for the Series 5 Shares. See "*Preferred Share Ratings*".

**Price: \$25.00 per Series 5 Share to yield initially 4.50% per annum**

	<b>Price to Public</b>	<b>Underwriters' Fee<sup>(1)</sup></b>	<b>Net Proceeds to the Corporation<sup>(1) (2)</sup></b>
Per Series 5 Share .....	\$25.00	\$0.75	\$24.25
Total <sup>(3)</sup> .....	\$150,000,000	\$4,500,000	\$145,500,000

**Notes:**

(1) The Underwriters' fee is \$0.25 for each Series 5 Share sold to certain institutions and \$0.75 for all other Series 5 Shares sold. The Underwriters' fee set forth in the table assumes that no Series 5 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.

(3) The Corporation has granted to the Underwriters an option (the "**Underwriters' Option**"), exercisable at any time up to 2 business days prior to the Closing Date, to purchase up to an additional 2,000,000 Series 5 Shares at the offering price. If the Underwriters' Option is exercised in full, the total price to the public, the Underwriters' fee and the net proceeds to the Corporation, before expenses of the Offering and assuming that no Series 5 Shares are sold to certain institutions, will be \$200,000,000, \$6,000,000 and \$194,000,000, respectively. See "*Plan of Distribution*". The distribution of the Series 5 Shares that may be issued on the exercise of the Underwriters' Option are also qualified under this Prospectus Supplement.

<b>Underwriters' Position</b>	<b>Maximum Size or Number of Securities Held</b>	<b>Exercise Period/Acquisition Date</b>	<b>Exercise Price or Average Acquisition Price</b>
Underwriters' Option	2,000,000	Until 2 business days prior to the Closing Date	\$25.00

**There is currently no market through which the Series 5 Shares or the Series 6 Shares may be sold and purchasers may not be able to resell the Series 5 Shares purchased under this Prospectus Supplement or the Series 6 Shares. This may affect the pricing of the Series 5 Shares or the Series 6 Shares in the secondary market, the transparency and availability of trading prices, the liquidity of the Series 5 Shares or the Series 6 Shares, and the extent of issuer regulation. Investing in the Series 5 Shares or the Series 6 Shares involves risks which potential investors should carefully consider. See "*Risk Factors*".**

The offering price of the Series 5 Shares was determined by negotiation between the Corporation and RBC Dominion Securities Inc. and Scotia Capital Inc., on their own behalf and on behalf of BMO Nesbitt Burns Inc., CIBC World Markets Inc., TD Securities Inc., National Bank Financial Inc., HSBC Securities (Canada) Inc., Canaccord Genuity Corp. and Desjardins Securities Inc. (collectively, the "**Underwriters**"). **The Underwriters may offer the Series 5 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 5 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 5 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 Gowling Lafleur Henderson LLP, and on behalf of the Underwriters by Osler, Hoskin & Harcourt LLP.

**Each of RBC Dominion Securities Inc., Scotia Capital Inc., BMO Nesbitt Burns Inc., CIBC World Markets Inc., TD Securities Inc., National Bank Financial Inc., HSBC Securities (Canada) Inc. and Desjardins Securities 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 5 Shares and Series 6 Shares will be represented by global certificates or book entry only 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 5 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 5 Shares are purchased.

Closing of the Offering is expected to occur on or about March 14, 2013, but in any event not later than March 21, 2013 (the date on which closing of the Offering occurs being referred to herein as the "**Closing Date**").

## TABLE OF CONTENTS OF PROSPECTUS SUPPLEMENT

	<u>Page</u>
ABOUT THIS PROSPECTUS SUPPLEMENT AND THE ACCOMPANYING PROSPECTUS.....	S-2
DOCUMENTS INCORPORATED BY REFERENCE .....	S-2
FORWARD-LOOKING INFORMATION.....	S-3
CAPITAL POWER CORPORATION .....	S-4
USE OF PROCEEDS .....	S-4
CONSOLIDATED CAPITALIZATION OF THE CORPORATION .....	S-5
RELATIONSHIP TO EPCOR .....	S-5
PLAN OF DISTRIBUTION .....	S-5
RELATIONSHIP BETWEEN THE CORPORATION'S LENDERS AND THE UNDERWRITERS.....	S-7
PRIOR SALES.....	S-8
EARNINGS COVERAGE RATIOS OF THE CORPORATION .....	S-8
PREFERRED SHARE RATINGS.....	S-8
DETAILS OF THE OFFERING .....	S-9
MARKET FOR SECURITIES .....	S-18
RISK FACTORS .....	S-19
CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS.....	S-21
ELIGIBILITY FOR INVESTMENT .....	S-24
BOOK-ENTRY ONLY SYSTEM .....	S-24
LEGAL MATTERS.....	S-25
AUDITORS, REGISTRAR AND TRANSFER AGENT .....	S-25
PURCHASERS' STATUTORY RIGHTS.....	S-25
AUDITORS' CONSENT.....	S-26
CERTIFICATE OF THE UNDERWRITERS .....	S-27

## TABLE OF CONTENTS FROM BASE SHELF PROSPECTUS

	<u>Page</u>
FORWARD-LOOKING INFORMATION.....	1
NON-IFRS FINANCIAL MEASURES .....	3
DOCUMENTS INCORPORATED BY REFERENCE .....	4
CAPITAL POWER CORPORATION .....	5
ORGANIZATIONAL STRUCTURE.....	6
RECENT DEVELOPMENTS.....	7
DESCRIPTION OF SHARE CAPITAL AND EXCHANGEABLE LP UNITS.....	8
DESCRIPTION OF SUBSCRIPTION RECEIPTS .....	10
CAPITALIZATION .....	11
EARNINGS COVERAGE RATIOS.....	11
PRIOR SALES.....	12
MARKET FOR SECURITIES .....	12
RELATIONSHIP TO EPCOR .....	13
USE OF PROCEEDS .....	15
PLAN OF DISTRIBUTION .....	15
RISK FACTORS .....	16
LEGAL MATTERS.....	16
AUDITORS .....	17
PURCHASERS' STATUTORY RIGHTS.....	17
AUDITORS' CONSENT.....	18
CERTIFICATE OF THE COMPANY .....	C-1

## ABOUT THIS PROSPECTUS SUPPLEMENT AND THE ACCOMPANYING PROSPECTUS

This document is in two parts. The first part is this Prospectus Supplement, which describes the specific terms of the Series 5 Shares and also adds to and updates certain information contained in the Prospectus and the documents incorporated by reference therein. The second part, the Prospectus, gives more general information. **Capitalized terms used in this Prospectus Supplement that are not defined herein have the meanings ascribed thereto in the Prospectus.**

You should rely only on the information contained in or incorporated by reference into this Prospectus Supplement and the Prospectus. The Corporation and the Underwriters have not authorized anyone to provide you with different or additional information. The Corporation and the Underwriters are not making an offer to sell the Series 5 Shares in any jurisdiction where the offer or sale is not permitted. You should not assume that the information appearing in this Prospectus Supplement or the Prospectus, or any documents incorporated by reference herein or therein, is accurate as of any date other than the date on the front of those documents as the Corporation's business, operating results, financial condition and prospects may have changed since that date.

In this Prospectus Supplement, unless otherwise specified or the context otherwise requires, all dollar amounts are expressed in Canadian dollars. Unless otherwise indicated, all financial information included and incorporated by reference in this Prospectus Supplement and the Prospectus has been prepared, for all periods prior to January 1, 2011, in accordance with Canadian generally accepted accounting principles in effect prior to January 1, 2011 and, for all periods on or after January 1, 2011, in accordance with International Financial Reporting Standards as adopted by the Canadian Accounting Standards Board.

### DOCUMENTS INCORPORATED BY REFERENCE

This Prospectus Supplement is incorporated by reference into the Prospectus as of the date hereof and only for the purposes of the distribution of the Series 5 Shares offered hereby (including any such Series 5 Shares issued under the Underwriters' Option). Other documents are also incorporated or deemed to be incorporated by reference into the Prospectus and reference should be made to the Prospectus for full details. See "*Documents Incorporated by Reference*" in the Prospectus. As of the date hereof, the following documents filed with the 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 Prospectus Supplement and the Prospectus:

1. the annual information form ("**AIF**") of the Corporation dated March 13, 2012;
2. the management information circular of the Corporation dated March 13, 2012;
3. the annual audited consolidated financial statements of the Corporation as at and for the year ended December 31, 2012, together with the auditors' report thereon;
4. the annual management's discussion and analysis ("**MD&A**") of the Corporation for the year ended December 31, 2012; and
5. the material change report of the Corporation with respect to the adoption of a shareholder rights plan, dated November 28, 2012.

All material change reports (excluding confidential material change reports), AIFs, annual financial statements and the auditors' report thereon and related MD&A, interim financial statements and related MD&A, information circulars, business acquisition reports, any news release issued by the Corporation that specifically states that it is to be incorporated by reference in this Prospectus Supplement and any other documents as may be required to be incorporated by reference herein under Canadian securities legislation which are filed by the Corporation with a securities commission or any similar authority in Canada after the date of this Prospectus

Supplement and prior to the completion or termination of the Offering shall be deemed to be incorporated by reference into the Prospectus and this Prospectus Supplement.

**Notwithstanding anything herein to the contrary, any statement contained in this Prospectus Supplement or the Prospectus or in a document incorporated or deemed to be incorporated by reference herein or therein shall be deemed to be modified or superseded and not incorporated by reference, for purposes of this Prospectus Supplement, to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such prior 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 thereafter shall not constitute a part of this Prospectus Supplement or the Prospectus, except as so modified or superseded.**

#### **FORWARD-LOOKING INFORMATION**

Certain information in this Prospectus Supplement is forward-looking within the meaning of Canadian securities laws as it relates to anticipated financial or operating performance, events or strategies. When used in this context, words such as will, anticipate, believe, plan, intend, target, and expect or similar words suggest future outcomes. By their nature, such statements are subject to significant risk, assumptions and uncertainties, which could cause Capital Power's actual results and experience to be materially different than the anticipated results. Forward-looking information or statements included in this Prospectus Supplement are provided to inform the Corporation's shareholders and potential investors about management's assessment of Capital Power's future plans and operations. This information may not be appropriate for other purposes.

Forward-looking information in this Prospectus Supplement includes, among other things, information relating to: (i) expectations for the Corporation's sources of funding, adequacy and availability of committed bank credit facilities and future borrowings; (ii) expectations regarding future growth and emerging opportunities in the Corporation's target markets including the focus on certain technologies; (iii) expectations related to the Corporation's future cash requirements including interest and principal repayments, capital expenditures and dividends; (iv) expectations regarding plant availability; (v) expectations regarding the timing of, funding of, and costs for existing, planned and potential development projects and acquisitions; (vi) the expected compliance costs under greenhouse gas regulations for Capital Power's coal fired plants; (vii) expectations governing the implementation and operation of the dividend reinvestment plan for holders of Common Shares; and (viii) expectations regarding proposed new environmental regulations, including the timing of such regulations coming into force, and the impact of current and new environmental regulations on Capital Power's compliance costs.

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 relate to: (i) electricity and other energy prices; (ii) performance; (iii) business prospects and opportunities including expected growth and capital projects; (iv) status of and impact of policy, legislation and regulations; and (v) effective tax rates.

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. Such material risks and uncertainties are: (i) power plant availability and performance including maintenance expenditures; (ii) changes in electricity prices in markets in which the Corporation operates; (iii) regulatory and political environments including changes to environmental, financial reporting and tax legislation; (iv) acquisitions and developments including timing and

costs of regulatory approvals and construction; (v) ability to fund current and future capital and working capital needs; (vi) changes in energy commodity market prices and use of derivatives; (vii) changes in market prices and availability of fuel; and (viii) changes in general economic and competitive conditions. See "Risks and Risk Management" in the Corporation's MD&A for the year ended December 31, 2012 which section is incorporated herein by reference for further discussion of these and other risks.

Readers are cautioned not to place undue reliance on any such forward-looking statements, which speak only as of the date made. 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.

### CAPITAL POWER CORPORATION

The Corporation was incorporated under the *Canada Business Corporations Act* (the "CBCA") on May 1, 2009. The Corporation's vision is to be recognized as one of North America's most respected, reliable and competitive power generators. Headquartered in Edmonton, Alberta, Capital Power has interests in a number of facilities in Canada and the United States representing more than 3,600 megawatts ("MW") of power generating capacity in North America. Capital Power's asset portfolio also includes ownership of a power purchase agreement where Capital Power is entitled to 371 MW of electricity output from an operating facility but does not have an ownership interest in the facility itself. Capital Power develops, acquires and optimizes power generation with a focus on four major fuel sources: natural gas, coal, wind and solar. An additional 595 MW of owned generation is under construction or in advanced development.

### USE OF PROCEEDS

The net proceeds to the Corporation from the sale of the Series 5 Shares offered hereby are estimated to be \$145,000,000 after deducting the Underwriters' fee of \$4,500,000 and the estimated expenses of the Offering of \$500,000 and assuming no Series 5 Shares are sold to certain institutions as described under "Plan of Distribution". If the Underwriters exercise the Underwriters' Option in full, the net proceeds of the Offering are estimated to be \$193,500,000, after deducting the Underwriters' fee of \$6,000,000 and the estimated expenses of the Offering of \$500,000 and assuming no Series 5 Shares are sold to such institutions. 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 the outstanding balance under its credit facilities, to finance development projects, including the Shepard Energy Centre project, and for general corporate purposes. See "*Consolidated Capitalization of the Corporation*" and "*Relationship Between the Corporation's Lenders and the Underwriters*".

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 a time when interest owing under the Subordinated Debt Agreement is being deferred by it. See "*Risk Factors – Subordinated Debt Agreement Restrictions*".

EPCOR Utilities Inc. ("**EPCOR**") will not, directly or indirectly, receive any proceeds from the offering of the Series 5 Shares by the Corporation under this Prospectus Supplement.



## CONSOLIDATED CAPITALIZATION OF THE CORPORATION

Other than the issuance of 299,305 Common Shares by the Corporation under the dividend re-investment plan, there have been no material changes in the share and loan capital of the Corporation on a consolidated basis from December 31, 2012 to the date of this Prospectus Supplement. After giving effect to the Offering, the preferred shares and total shareholders' equity of the Corporation will increase by the amount of the net proceeds of the Offering as set forth in the following table and the issued and outstanding preferred shares will increase by 6,000,000 as at December 31, 2012. In the event of the exercise in full of the Underwriters' Option, the preferred shares and total shareholders' equity of the Corporation will increase by an additional \$50,000,000 less the expenses associated with the Underwriters' Option and the number of issued and outstanding preferred shares will increase by an additional 2,000,000 shares.

	As at December 31, 2012 (\$ million)	As at December 31, 2012 after giving effect to the Series 5 Share Offering <sup>(1)(2)</sup> (\$ million)
Loans and Borrowings (including current portion)	1,659	1,526
Non-controlling Interests	829	829
Preferred Shares	268	413
Shareholders' Equity	1,655	1,655
<b>Total Shareholders' Equity</b>	<b>1,923</b>	<b>2,068</b>
<b>Total Capitalization</b>	<b>4,411</b>	<b>4,423</b>

**Notes:**

(1) Assumes that the application of proceeds would be directed to repay amounts outstanding under the Partnership's credit facilities. See "Use of Proceeds".

(2) Assumes that the Underwriters' Option is not exercised, in full or in part.

### RELATIONSHIP TO EPCOR

As of the date of this Prospectus Supplement, EPCOR's beneficial interest in Capital Power is approximately 29% of the total number of outstanding Common Shares of the Corporation after giving effect to the exchange of the exchangeable common limited partnership units ("**Exchangeable LP Units**") it holds in the Partnership. See "Relationship to EPCOR" in the Prospectus.

### PLAN OF DISTRIBUTION

Pursuant to an underwriting agreement (the "**Underwriting Agreement**") dated March 7, 2013 between the Corporation and the Underwriters, the Corporation has agreed to issue and sell an aggregate of 6,000,000 Series 5 Shares to the Underwriters. The Underwriters have severally (and not jointly or jointly and severally) agreed to purchase such Series 5 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 5 Share sold to certain institutions and \$0.75 per Series 5 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 Corporation has granted to the Underwriters the Underwriters' Option, exercisable at any time up to 2 business days prior to the Closing Date, to purchase up to an additional 2,000,000 Series 5 Shares at a price of \$25.00 per Series 5 Share. If the Underwriters' Option is exercised in full, the total price to the public, the

Underwriters' fee and the net proceeds to the Corporation, before expenses of the Offering and assuming that no Series 5 Shares are sold to certain institutions, will be \$200,000,000, \$6,000,000 and \$194,000,000, respectively. The distribution of the Series 5 Shares that may be issued on the exercise of the Underwriters' Option are also qualified under this Prospectus Supplement.

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. The Underwriters are, however, obligated to take up and pay for all Series 5 Shares if any Series 5 Shares are purchased under the Underwriting Agreement. If an Underwriter fails or refuses to purchase the Series 5 Shares which it has agreed to purchase, the other Underwriters may, but are not obligated to, purchase such Series 5 Shares on a *pro rata* basis, provided that, if the aggregate number of Series 5 Shares not purchased is less than or equal to 10% of the aggregate number of Series 5 Shares agreed to be purchased by the Underwriters, then each of the other Underwriters is obligated to purchase severally the Series 5 Shares not taken up, on a *pro rata* basis or in such other proportion as they may otherwise agree as between themselves. 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 5 Shares initially at the offering price specified on the cover page of this Prospectus Supplement. After the Underwriters have made a reasonable effort to sell all of the Series 5 Shares offered by this Prospectus Supplement at the price specified on the cover page of this Prospectus Supplement, 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 Prospectus Supplement, and the compensation realized by the Underwriters will be decreased by the amount that the aggregate price paid by purchasers for the Series 5 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 5 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 5 Shares or Series 6 Shares may be sold and purchasers may not be able to resell the Series 5 Shares purchased under this Prospectus Supplement or the Series 6 Shares.** See "*Risk Factors*". The Corporation has applied to the TSX to list the Series 5 Shares and the Series 6 Shares. Listing will be subject to the Corporation fulfilling all of the listing requirements of the TSX. There can be no assurance that the Series 5 Shares and the Series 6 Shares will be accepted for listing on the TSX.

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 RBC Dominion Securities Inc. and Scotia Capital 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 5 Shares or Series 6 Shares) or securities convertible into, exchangeable for, or otherwise exercisable into Preference Shares (including Series 5 Shares or Series 6 Shares), whether or not cash settled), in a public offering or by way of private placement or otherwise, any Preference Shares (including Series 5 Shares or Series 6 Shares) or other securities convertible into, exchangeable for, or otherwise exercisable into Preference Shares (including Series 5 Shares or Series 6 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 5 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 5 Shares while the Offering is in progress. These transactions may also include making short sales of Series 5 Shares, which involve the sale by the Underwriters of a greater number of Series 5 Shares than they are required to purchase in the Offering.

The Underwriters must close out any naked short position by purchasing Series 5 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 5 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 5 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 5 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 5 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 5 Shares are listed, in the over-the-counter market, or otherwise.

The Series 5 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.

#### **RELATIONSHIP BETWEEN THE CORPORATION'S LENDERS AND THE UNDERWRITERS**

Each of RBC Dominion Securities Inc., Scotia Capital Inc., BMO Nesbitt Burns Inc., CIBC World Markets Inc., TD Securities Inc., National Bank Financial Inc., HSBC Securities (Canada) Inc. and Desjardins Securities 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, and may in the future perform, investment banking and advisory services for the Partnership, the Corporation and their respective affiliates from time to time for which they have received or will receive customary fees and commissions. 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*".

As of February 28, 2013, approximately \$504 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 5 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 RBC Dominion Securities Inc., Scotia Capital Inc., BMO Nesbitt Burns Inc., CIBC World Markets Inc., TD Securities Inc., National Bank Financial Inc., HSBC Securities (Canada) Inc. and Desjardins Securities Inc. will receive its proportionate share of the Underwriters' fee payable by the Corporation to the Underwriters.

#### **PRIOR SALES**

Since the date of the Prospectus, the Corporation has issued 6,000,000 Series 3 Shares pursuant to a prospectus supplement dated December 10, 2012. For additional information respecting previously issued Preference Shares, see the prospectus supplement of the Corporation dated December 10, 2012 and "Description of Share Capital and Exchangeable LP Units" in the Prospectus.

Since the date of the Prospectus, the Corporation has not issued any Common Shares, except for (i) 76,617 Common Shares issued on exercise of options granted pursuant to the Corporation's employee stock option plan at a weighted average issue price of \$22.86; (ii) 1,162,642 Common Shares issued pursuant to the Corporation's dividend reinvestment plan at a weighted average price of \$21.61; and (iii) 9,775,000 Common Shares issued to EPCOR pursuant to the exchange of Exchangeable LP Units of the Partnership and sold by EPCOR pursuant to a secondary offering on April 5, 2012 at a price of \$23.55 per Common Share.

#### **EARNINGS COVERAGE RATIOS OF THE CORPORATION**

The following earnings coverage ratios have been calculated on a consolidated basis for the 12-month period ended December 31, 2012. The following ratios give pro forma effect to the issuance of the Series 3 Shares pursuant to the prospectus supplement of the Corporation dated December 10, 2012, the Series 5 Shares pursuant to this Prospectus Supplement, assuming that the Underwriters' Option is not exercised in whole or in part, and \$250 million unsecured medium-term notes pursuant to a pricing supplement of the Partnership dated February 14, 2012.

	<b>December 31, 2012</b>
Earnings Before Interest, Income Taxes and Non-controlling Interests (EBIT)	\$149.4 million
Earnings Coverage	1.4 times

The Corporation's dividend requirements on all of its Preference Shares, after giving effect to the issue of the Series 5 Shares to be distributed under this Prospectus Supplement, and adjusted to a before-tax equivalent using an effective income tax rate of 25% for 2012, amounted to approximately \$20.4 million for the 12 months ended December 31, 2012. The Corporation's interest requirements on long term debt after giving effect to the adjustments amounted to approximately \$88.1 million for the 12 months ended December 31, 2012.

#### **PREFERRED SHARE RATINGS**

The Series 5 Shares have been given a Canadian scale rating of P-3 by S&P. Such P-3 rating is the tenth highest of twenty ratings used by S&P in its Canadian preferred share rating scale. According to S&P, a P-3 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 5 Shares have been given a preliminary 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*".

## **DETAILS OF THE OFFERING**

The following is a summary of the material rights, privileges, restrictions and conditions of the Series 5 Shares and the Series 6 Shares that will be set forth in the articles of incorporation of the Corporation once amended to create the Series 5 Shares and the Series 6 Shares. Copies of the articles of amendment of the Corporation pursuant to which the Series 5 Shares and the Series 6 Shares will be created will be filed by the Corporation with the Canadian provincial securities regulatory authorities and available at [www.sedar.com](http://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, Series 2 Shares, Series 3 Shares, Series 4 Shares, Series 5 Shares and Series 6 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 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 Preference 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 Preference 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 5 Shares as a Series**

#### ***Defined Terms***

The following definitions are relevant to the Series 5 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 3.15%.

**"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 to, but excluding, June 30, 2018.

**"Subsequent Fixed Rate Period"** means the period from and including June 30, 2018 to, but excluding, June 30, 2023 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, June 30 in the fifth year thereafter.

***Issue Price***

The issue price per Series 5 Share is \$25.00.

***Dividends***

During the Initial Fixed Rate Period, the holders of Series 5 Shares will be entitled to receive fixed, cumulative, preferential cash dividends, if, as and when declared by the Board of Directors, at a rate per annum of 4.50% or \$1.125 per Series 5 Share, payable in quarterly installments on the last business day of each of March, June, September and December in each year. Assuming an issue date of March 14, 2013, the first such dividend, if declared, will be paid on June 28, 2013 in the amount of \$0.3329 per share.

During each Subsequent Fixed Rate Period, the holders of the Series 5 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 determined by multiplying one quarter of 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 5 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 5 Shares.

The dividends on Series 5 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 5 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 5 Shares will be made by the Corporation to CDS, or its nominee, as the case may be, as registered holder of the Series 5 Shares. As long as CDS, or its nominee, is the registered holder of the Series 5 Shares, CDS, or its nominee, as the case may be, will be considered the sole owner of the Series 5 Shares for the purposes of receiving payment on the Series 5 Shares.

***Redemption of Series 5 Shares***

The Series 5 Shares will not be redeemable prior to June 30, 2018. Subject to the provisions described below under "*Provisions Common to the Series 5 Shares and the Series 6 Shares – Restrictions on Dividends and Retirement of Shares*", on June 30, 2018 and on June 30 every fifth year thereafter, the Corporation may redeem all or any number of the outstanding Series 5 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 5 Shares do not have a fixed maturity date and are not redeemable at the option of the holders of Series 5 Shares. See "*Risk Factors*".

### **Notice and Pro Rata Redemption**

The Corporation will give written notice of any redemption to registered holders of the Series 5 Shares not more than 60 days and not less than 30 days prior to the redemption date.

Where less than all of the outstanding Series 5 Shares are to be redeemed, the Series 5 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 5 Shares into Series 6 Shares***

#### **Conversion at the Option of the Holder**

Holders of Series 5 Shares will have the right, at their option, on June 30, 2018 (the "**Initial Series 5 Conversion Date**") and on June 30 every fifth year thereafter (each such date, together with the Initial Series 5 Conversion Date, a "**Series 5 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 5 Shares registered in their name into Series 6 Shares on the basis of one Series 6 Share for each Series 5 Share converted. Notice of a holder's election (each notice, an "**Election Notice**") to convert Series 5 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 5 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 5 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 5 Conversion Date, give notice in writing to the then registered holders of the Series 5 Shares of the Series 5 Conversion Date and a form of Election Notice. On the 30th day prior to each Series 5 Conversion Date, the Corporation will give notice in writing to the then registered holders of the Series 5 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 6 Shares for the next Quarterly Floating Rate Period (as defined below).

Upon exercise by a registered holder of its right to convert Series 5 Shares into Series 6 Shares (and upon an automatic conversion), the Corporation reserves the right not to deliver Series 6 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 5 Conversion Date, including the Initial Series 5 Conversion Date, less than 1,000,000 Series 5 Shares, after having taken into account all Election Notices in respect of Series 5 Shares tendered for conversion into Series 6 Shares and all Election Notices in respect of Series 6 Shares tendered for conversion into Series 5 Shares in each case received by the Corporation during the time fixed therefor, then, all, but not part, of the remaining outstanding Series 5 Shares will automatically be converted into Series 6 Shares on the basis of one Series 6 Share for each Series 5 Share on the applicable Series 5 Conversion Date. The Corporation will give notice in writing of the automatic conversion to all registered holders of the Series 5 Shares at least seven days prior to the Series 5 Conversion Date.

Furthermore, holders of Series 5 Shares will not be entitled to convert their shares into Series 6 Shares if the Corporation determines that there would remain outstanding on a Series 5 Conversion Date, including the Initial Series 5 Conversion Date, less than 1,000,000 Series 6 Shares after having taken into account all Election Notices in respect of Series 5 Shares tendered for conversion into Series 6 Shares and all Election Notices in respect



of Series 6 Shares tendered for conversion into Series 5 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 5 Shares to all registered holders of the Series 5 Shares at least seven days prior to the applicable Series 5 Conversion Date.

If the Corporation gives notice to registered holders of the Series 5 Shares of the redemption of all outstanding Series 5 Shares, the Corporation will not be required to give notice as provided hereunder to the registered holders of the Series 5 Shares of any dividend rates or of the conversion right of holders of Series 5 Shares and the right of any holder of Series 5 Shares to convert such shares will terminate.

#### **Provisions Unique to the Series 6 Shares as a Series**

##### ***Defined Terms***

The following definitions are relevant to the Series 6 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 3.15% per annum adjusted to reflect the Quarterly Floating Rate Period (calculated on the basis of the actual number of days in such Quarterly Floating Rate Period divided by 365 or 366 depending upon the actual number of days in the applicable year).

**"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 June 30, 2018.

**"Quarterly Floating Rate Period"** means the period from and including June 30, 2018 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 6 Shares will have an issue price of \$25.00.

In the event of a conversion of a Series 5 Share to a Series 6 Share the amount to be deducted from the stated capital account maintained for the Series 5 Shares and added to the stated capital account maintained for the Series 6 Shares will be \$25.00 per share so converted.

##### ***Dividends***

The holders of Series 6 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 6 Shares.

The dividends on Series 6 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 6 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 6 Shares will be made by the Corporation to CDS, or its nominee, as the case may be, as registered holder of the Series 6 Shares. As long as CDS, or its nominee, is the registered holder of the Series 6 Shares, CDS, or its nominee, as the case may be, will be considered the sole owner of the Series 6 Shares for the purposes of receiving payment on the Series 6 Shares.

### ***Redemption of Series 6 Shares***

Subject to the provisions described below under "*Provisions Common to the Series 5 Shares and the Series 6 Shares – Restrictions on Dividends and Retirement of Shares*", on June 30, 2023 and on each Series 6 Conversion Date (as defined below) thereafter, the Corporation may redeem all or any number of the outstanding Series 6 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 June 30, 2023 that is not a Series 6 Conversion Date, the Corporation may redeem all or any number of the outstanding Series 6 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 6 Shares do not have a fixed maturity date and are not redeemable at the option of the holders of Series 6 Shares. See "*Risk Factors*".

### **Notice and Pro Rata Redemption**

The Corporation will give notice of any redemption to registered holders of the Series 6 Shares not more than 60 days and not less than 30 days prior to the redemption date.

Where only a part of the outstanding Series 6 Shares is at any time to be redeemed, the Series 6 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 6 Shares into Series 5 Shares***

#### **Conversion at the Option of the Holder**

Holders of Series 6 Shares will have the right, at their option, on June 30, 2023 and on June 30 every fifth year thereafter (each such date a "**Series 6 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 6 Shares into Series 5 Shares on the basis of one Series 5 Share for each Series 6 Share converted. A holder's Election Notice to convert Series 6 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 6 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 6 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 6 Conversion Date, give notice in writing to the then registered holders of the Series 6 Shares of the Series 6 Conversion Date and a form of Election Notice. On the 30th day prior to each Series 6 Conversion Date, the Corporation will give notice in writing to the then registered holders of the Series 6 Shares of the Floating Quarterly Dividend Rate for the next Quarterly Floating Rate Period and the Annual Fixed Dividend Rate applicable to the Series 5 Shares for the next Subsequent Fixed Rate Period.

Upon exercise by a registered holder of its right to convert Series 6 Shares into Series 5 Shares (and upon an automatic conversion), the Corporation reserves the right not to deliver Series 5 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 6 Conversion Date less than 1,000,000 Series 6 Shares, after having taken into account all Election Notices in respect of Series 6 Shares tendered for conversion into Series 5 Shares and all Election Notices in respect of Series 5 Shares tendered for conversion into Series 6 Shares, in each case received by the Corporation during the time fixed therefor, then, all, but not part, of the remaining outstanding Series 6 Shares will automatically be converted into Series 5 Shares on the basis of one Series 5 Share for each Series 6 Share on the applicable Series 6 Conversion Date. The Corporation will give notice in writing of the automatic conversion to all registered holders of the Series 6 Shares at least seven days prior to the Series 5 Conversion Date.

Furthermore, holders of Series 6 Shares will not be entitled to convert their shares into Series 5 Shares if the Corporation determines that there would remain outstanding on a Series 6 Conversion Date less than 1,000,000 Series 5 Shares after having taken into account all Election Notices in respect of Series 6 Shares tendered for conversion into Series 5 Shares and all Election Notices in respect of Series 5 Shares tendered for conversion into Series 6 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 6 Shares to all registered holders of the Series 6 Shares at least seven days prior to the applicable Series 6 Conversion Date.

If the Corporation gives notice to registered holders of the Series 6 Shares of the redemption of all outstanding Series 6 Shares, the Corporation will not be required to give notice as provided hereunder to the registered holders of the Series 6 Shares of any dividend rates or of the conversion right of holders of Series 6 Shares and the right of any holder of Series 6 Shares to convert such shares will terminate.

#### **Provisions Common to the Series 5 Shares and the Series 6 Shares**

##### ***Purchase for Cancellation***

Subject to applicable law and the provisions described under "*Details of the Offering – Provisions Common to the Series 5 Shares and the Series 6 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 5 Shares or Series 6 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 5 Shares or Series 6 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 5 Shares and the Series 6 Shares, the holders of Series 5 Shares and Series 6 Shares will be entitled to payment of an amount equal to \$25.00 per Series 5 Share or Series 6 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 5 Shares and the Series 6 Shares. After payment of such amounts, the holders of Series 5 Shares and Series 6 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 5 Shares or Series 6 Shares are outstanding, the Corporation will not, without the approval of the holders of the Series 5 Shares or Series 6 Shares given as described under "*Details of the Offering – Provisions Common to the Series 5 Shares and the Series 6 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 5 Shares or Series 6 Shares (other than stock dividends payable in shares of the Corporation ranking as to dividends and capital junior to the Series 5 Shares or Series 6 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 5 Shares or Series 6 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 5 Shares or Series 6 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 5 Shares or Series 6 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 5 Shares or Series 6 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 5 Shares or Series 6 Shares; or
- (e) except for the issuance of Series 5 Shares as a result of the conversion of the Series 6 Shares in accordance with their terms or the issuance of Series 6 Shares as a result of the conversion of the Series 5 Shares in accordance with their terms, create or issue any additional Series 5 Shares or Series 6 Shares or any shares ranking as to the payment of dividends or repayment of capital prior to or on parity with the Series 5 Shares or Series 6 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 5 Shares or Series 6 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 5 Shares or Series 6 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 5 Shares or Series 6 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 5 Shares or Series 6 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 5 Shares or Series 6 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 5 Shares or Series 6 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 5 Shares or Series 6 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 5 Shares or Series 6 Shares, as appropriate, will be entitled to vote separately as a series if the Series 5 Shares or Series 6 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 5 Shares and the Series 6 Shares as a series and any other approval to be given by the holders of the Series 5 Shares or Series 6 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 5 Shares or Series 6 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 5 Shares or Series 6 Shares, as applicable, then present would form the necessary quorum. At any meeting of holders of Series 5 Shares or Series 6 Shares as a series, each such holder shall be entitled to one vote in respect of each Series 5 Share or Series 6 Share, as applicable, held.

### ***Tax Election***

The Series 5 Shares and the Series 6 Shares will be "taxable preferred shares" as defined in the *Tax Act* (as defined herein) 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 5 Shares and the Series 6 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 5 Shares and Series 6 Shares. See "*Certain Canadian Federal Income Tax Considerations*".

### ***Non-Business Days***

If any action or payment, other than payment of a dividend in connection with the Series 5 Shares or the Series 6 Shares, 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 5 Shares or the Series 6 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 Corporation's outstanding Common Shares, Series 1 Shares and Series 3 Shares are listed for trading on the TSX under the symbol "CPX", "CPX.PR.A" and "CPX.PR.C", respectively. The following tables set forth certain trading information for the Common Shares, Series 1 Shares and Series 3 Shares during the periods indicated, as reported by the TSX.

<u>Period</u>	<u>Common Shares Price (\$) - High</u>	<u>Common Shares Price (\$) - Low</u>	<u>Volume</u>
<b>2012</b>			
February .....	25.50	24.77	2,104,020
March .....	24.91	23.46	3,415,175
April .....	23.55	22.68	3,286,074
May .....	23.59	22.95	2,731,244
June .....	24.40	22.61	4,327,972
July .....	24.35	21.52	3,377,685
August .....	23.25	21.33	2,876,898
September .....	21.78	20.82	3,344,268
October .....	21.74	20.97	3,362,591
November .....	22.60	21.00	3,103,082
December .....	23.20	21.55	4,294,477
<b>2013</b>			
January.....	23.53	22.82	3,400,562
February .....	23.25	22.78	2,197,656
March (1-6) .....	23.17	21.30	1,307,577

<u>Period</u>	<u>Series 1 Shares Price (\$) - High</u>	<u>Series 1 Shares Price (\$) - Low</u>	<u>Volume</u>
<b>2012</b>			
February .....	25.45	25.05	56,350
March .....	25.40	24.75	58,257
April .....	24.25	24.55	74,575
May .....	25.34	24.75	37,370
June .....	25.10	24.71	59,034
July .....	25.25	24.95	64,790
August .....	25.25	24.90	59,090
September .....	25.00	24.71	48,910
October .....	25.00	24.30	127,544
November .....	25.39	24.86	67,179
December .....	25.15	24.55	50,711
<b>2013</b>			
January.....	25.86	25.05	57,373
February .....	26.20	25.63	40,286
March (1-6) .....	25.86	25.18	27,392

<u>Period</u>	<u>Series 3 Shares Price (\$) - High</u>	<u>Series 3 Shares Price (\$) - Low</u>	<u>Volume</u>
<b>2012</b>			
December (18 – 31) .....	25.00	24.75	571,046
<b>2013</b>			
January.....	25.95	24.90	761,349
February .....	25.55	25.25	136,865
March (1-6) .....	25.41	25.10	85,868

**Notes:**

- (1) The Series 1 Shares were listed for trading on December 16, 2010.
- (2) The Series 3 Shares were listed for trading on December 18, 2012.

**RISK FACTORS**

An investment in the Series 5 Shares is subject to a number of risks. In addition to the other information contained in and incorporated by reference into this Prospectus Supplement and the Prospectus, you should consider carefully the risk factors set forth under the heading "*Risks and Risk Management*" in the Corporation's MD&A for the year ended December 31, 2012.

**Preferred Share Rating**

The preferred share ratings applied to the Series 5 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 5 Shares or Series 6 Shares may affect the market price or value and the liquidity of the Series 5 Shares or Series 6 Shares. There is no assurance that any rating assigned to the Series 5 Shares or Series 6 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. See "*Preferred Share Ratings*".

**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 5 Shares or Series 6 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 5 Shares and the Series 6 Shares or upon liquidation, dissolution or winding up of the Corporation. See "*Earnings Coverage Ratios of the Corporation*".

**Declaration of Payment of Dividends**

Holders of Series 5 Shares and Series 6 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 of the Corporation*".

**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 5 Shares or Series 6 Shares and such effect could be significant.

#### **Limitations on Preference Shares**

Although the Series 5 Shares and Series 6 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 Prospectus Supplement and Prospectus.

#### **There is currently no trading market for the Series 5 Shares or Series 6 Shares**

There is currently no trading market for the Series 5 Shares or Series 6 Shares. No assurance can be given that an active or liquid trading market for the Series 5 Shares or Series 6 Shares will develop or be sustained. If an active or liquid market for the Series 5 Shares or Series 6 Shares fails to develop or be sustained, the prices at which the Series 5 Shares or Series 6 Shares trade may be adversely affected.

#### **The market value of Series 5 Shares and Series 6 Shares will be affected by a number of factors and, accordingly, its trading price will fluctuate**

The value of Series 5 Shares and Series 6 Shares will be affected by the general creditworthiness of the Corporation. The annual MD&A of the Corporation are incorporated by reference in this Prospectus Supplement and the 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 Ratios of the Corporation*", which is relevant to an assessment of the risk that the Corporation will be unable to pay dividends on the Series 5 Shares and Series 6 Shares.

The market value of the Series 5 Shares and Series 6 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 5 Shares or Series 6 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 5 Shares and Series 6 Shares. Assuming all other factors remain unchanged, the market value of the Series 5 Shares and Series 6 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 5 Shares and Series 6 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 may 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 5 Shares and Series 6 Shares in the event of an insolvency or winding-up of the Corporation**

The Series 5 Shares and Series 6 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 5 Shares and Series 6 Shares and other Preference Shares. See "*Consolidated Capitalization of the Corporation*".

#### **The dividend rates on the Series 5 Shares and Series 6 Shares will reset**

The dividend rate for Series 5 Shares and Series 6 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 6 Shares, given their floating interest component, entail risks not associated with investments in the Series 5 Shares. The resetting of the applicable rate on a Series 6 Share may result in a lower yield compared to fixed rate Series 5 Shares. The applicable rate on a Series 6 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 5 Shares and Series 6 Shares may be converted or redeemed without the holders' consent in certain circumstances**

The Series 5 Shares and Series 6 Shares may be redeemed by the Corporation in certain circumstances without the holders' consent. In addition, an investment in the Series 5 Shares may become an investment in Series 6 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 5 Shares into Series 6 Shares, the dividend rate on the Series 6 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 its Series 5 Shares into Series 6 Shares, and vice versa, in certain circumstances. See "*Details of the Offering*".

#### **Neither the Series 5 Shares nor the Series 6 Shares have a fixed redemption date**

Neither the Series 5 Shares nor the Series 6 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 the Partnership 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 the Partnership and the value of its underlying business and assets*".

#### **No Voting Rights**

Holders of Series 5 Shares and Series 6 Shares will generally not have voting rights at meetings of the shareholders of the Corporation except under limited circumstances. Holders of Series 5 Shares and Series 6 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*".

### **CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS**

In the opinion of Gowling Lafleur Henderson 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 5 Shares or Series 6 Shares who acquires such shares as beneficial owner pursuant to this Prospectus Supplement and who, at all relevant times, for purposes of the *Income Tax Act* (Canada) and the regulations thereunder (collectively, the "**Tax Act**"), is, or is deemed to be, resident in Canada, holds the Series 5 Shares or Series 6 Shares, as the case may be,

as capital property, deals with the Corporation and the Underwriters at arm's length, is not affiliated with the Corporation and is not exempt from tax under Part I of the Tax Act (a "**Holder**"). Generally, the Series 5 Shares and Series 6 Shares will be considered to be capital property to a Holder provided that the Holder does not acquire or hold the Series 5 Shares or Series 6 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 5 Shares or Series 6 Shares, as the case may be, might not otherwise qualify as capital property, may be entitled to obtain such qualification for the Series 5 Shares and Series 6 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. Holders whose Series 5 Shares or Series 6 Shares might not otherwise be considered to be capital property should consult their own tax advisors.

This summary is not applicable to a purchaser: (i) that is a "financial institution" (as defined in the Tax Act for purposes of the mark-to-market rules); (ii) an interest in which would be a "tax shelter investment" (as defined in the Tax Act); or (iii) that reports its "Canadian tax results" in a currency other than Canadian currency. Such purchasers should consult their own tax advisors having regard to their particular circumstances. Furthermore, this summary is not applicable to a purchaser 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 5 Shares or Series 6 Shares, as the case may be, outstanding at the time the dividend is received. This summary also assumes that all issued and outstanding Series 5 Shares or Series 6 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 paid and received on the Series 5 Shares or Series 6 Shares, respectively.

This summary is based upon the facts set out in this Prospectus Supplement, the current provisions of the Tax Act, all specific proposals to amend the Tax Act 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**") prior to the date hereof. 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 5 Shares or Series 6 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 5 Shares or Series 6 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. By notice in writing on the Corporation's website, the Corporation has designated all dividends paid by the Corporation to be "eligible dividends" within the meaning of the Tax Act unless otherwise notified. Prospective purchasers are urged to consult their own tax advisors in this respect.

Dividends received by a Holder who is an individual or trust (other than certain trusts) may give rise to a liability for alternative minimum tax.

Dividends (including deemed dividends) on the Series 5 Shares and the Series 6 Shares received by a Holder which is 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 33⅓% refundable tax under Part IV of the Tax Act on dividends received (or deemed to be received) on the Series 5 Shares or the Series 6 Shares to the extent such dividends are deductible in computing its taxable income.

The Series 5 Shares and the Series 6 Shares will be taxable preferred shares as defined in the Tax Act. The terms of the Series 5 Shares and the Series 6 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 5 Shares and Series 6 Shares.

### **Dispositions**

Generally, a Holder who disposes of or is deemed to dispose of Series 5 Shares or Series 6 Shares (including on redemption, but not on conversion for Series 5 Shares or Series 6 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 5 Shares or Series 6 Shares will generally 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 5 Shares or the Series 6 Shares. See "*Redemption*" below.

If the Holder is a corporation, the amount of any capital loss may, in certain circumstances, be reduced by the amount of any dividends, including deemed dividends, which have been received on such shares to the extent and in the manner provided for in the Tax Act. Similar rules may apply where a Series 5 Share or Series 6 Share is owned by a partnership or trust of which a corporation, trust or partnership is a member or beneficiary. Such Holders should consult their own tax advisors.

Generally, one-half of any capital gain will be included in computing the Holder's income as a taxable capital gain and one-half of any 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.

Canadian-controlled private corporations are liable for tax, a portion of which may be refundable, on their "aggregate investment income" (which is defined in the Tax Act to include an amount in respect of taxable capital gains, but not dividends or deemed dividends, that are deductible in computing taxable income).

Capital gains realized by an individual or trust (other than certain specified trusts) may give rise to a liability for alternative minimum tax.

### **Redemption**

If the Corporation redeems Series 5 Shares or Series 6 Shares or otherwise acquires Series 5 Shares or the Series 6 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 5 Shares into Series 6 Shares and the Series 6 Shares into Series 5 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 6 Shares or Series 5 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 5 Shares or Series 6 Shares, as the case may be, immediately before the conversion. For the purpose of determining the adjusted cost base of a Holder's shares of a particular series of shares of the Corporation, when additional shares of that series are acquired (including on conversion), the cost of newly acquired shares of that series will be averaged with the adjusted cost base of all shares of that series owned by the Holder as capital property immediately before that time.

### **ELIGIBILITY FOR INVESTMENT**

In the opinion of Gowling Lafleur Henderson LLP, counsel to the Corporation, and Osler, Hoskin & Harcourt LLP, counsel to the Underwriters, the Series 5 Shares and the Series 6 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 Prospectus Supplement, would be qualified investments under the Tax Act for a trust governed by a registered retirement savings plan ("RRSP"), a registered retirement income fund ("RRIF"), a registered education savings plan, a registered disability savings plan, a deferred profit sharing plan and a tax-free savings account ("TFSA"). The Series 5 Shares and the Series 6 Shares issuable on conversion of Series 5 Shares will not be a "prohibited investment" for a TFSA, RRSP or RRIF provided that the holder of the TFSA or the annuitant under the RRSP or RRIF (i) deals at arm's length with the Corporation for purposes of the Tax Act, and (ii) does not have a significant interest (within the meaning of the Tax Act) in (A) the Corporation, or (B) in any corporation, partnership or trust with which the Corporation does not deal at arm's length for purposes of the Tax Act. Proposed amendments to the Tax Act released on December 21, 2012 would delete the condition set forth in (ii)(B) above.

**Prospective investors who intend to hold Series 5 Shares or Series 6 Shares issuable on conversion of Series 5 Shares in their TFSA, RRSP or RRIF should consult their own tax advisors having regard to their own particular circumstances.**

### **BOOK-ENTRY ONLY SYSTEM**

Registration of interests in and transfers of the Series 5 Shares and Series 6 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 global certificate or book entry only certificate registered in the name of CDS evidencing the aggregate number of Series 5 Shares subscribed for under this Offering. Series 5 Shares and Series 6 Shares must be acquired, transferred and surrendered for redemption, conversion or retraction through a CDS Participant. All rights of an owner of Series 5 Shares or Series 6 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 5 Shares or Series 6 Shares. Upon an acquisition of any Series 5 Shares or Series 6 Shares, the owner will receive only the customary confirmation. References in this Prospectus Supplement to a holder of Series 5 Shares or Series 6 Shares mean, unless the context otherwise requires, the owner of the beneficial interest in such shares.

The ability of a beneficial owner of Series 5 Shares or Series 6 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 5 Shares and Series 6 Shares through the book-entry only system, in which event certificates for Series 5 Shares and Series 6 Shares in fully registered form will be issued to the beneficial owners of such shares or their nominees.

#### **LEGAL MATTERS**

Certain legal matters relating to the issue and sale of the securities offered hereby will be passed upon on behalf of the Corporation by Gowling Lafleur Henderson LLP and on behalf of the Underwriters by Osler, Hoskin & Harcourt LLP. As of the date hereof, the partners and associates of Gowling Lafleur Henderson 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.

#### **AUDITORS, REGISTRAR AND TRANSFER AGENT**

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

The transfer agent and registrar for the Series 5 Shares and Series 6 Shares is Computershare Trust Company of Canada at its principal transfer offices in Calgary, Alberta and Toronto, Ontario.

#### **PURCHASERS' STATUTORY RIGHTS**

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 prospectus supplement of Capital Power Corporation (the "**Corporation**") dated March 7, 2013 to the short form base shelf prospectus dated February 16, 2012 relating to the qualification for distribution of Cumulative Rate Reset Preference Shares, Series 5 of the Corporation. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the incorporation by reference in the above-mentioned prospectus supplement of our report to the shareholders of the Corporation on the consolidated statements of financial position of the Corporation as at December 31, 2012 and 2011 and the consolidated statements of income, comprehensive income, changes in equity, and cash flows for the years ended December 31, 2012 and 2011. Our report is dated March 1, 2013.

(Signed) "KPMG LLP"  
Chartered Accountants

Edmonton, Canada  
March 7, 2013

**CERTIFICATE OF THE UNDERWRITERS**

Dated: March 7, 2013

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

RBC DOMINION SECURITIES INC.

SCOTIA CAPITAL INC.

By: (Signed) Robert Nicholson

By: (Signed) Thomas I. Kurfurst

BMO NESBITT BURNS INC.

CIBC WORLD MARKETS INC.

TD SECURITIES INC.

By: (Signed) Aaron M. Engen

By: (Signed) Kelsen Vallee

By: (Signed) Harold R. Holloway

NATIONAL BANK FINANCIAL INC.

By: (Signed) Iain Watson

HSBC SECURITIES (CANADA) INC.

By: (Signed) Greg Gannett

CANACCORD GENUITY CORP.

DESJARDINS SECURITIES INC.

By: (Signed) Steven Winokur

By: (Signed) A. Thomas Little