

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

These securities have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "**U.S. Securities Act**") or any state securities law, and may not be offered, sold or delivered, directly or indirectly, within the United States of America, its possessions and other areas subject to its jurisdiction or to, or for the account or for the benefit of, a U.S. person without registration or the availability of an exemption from registration. Accordingly, this prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the securities in the United States. Each underwriter has agreed that it will not offer or sell the securities as part of the distribution of securities at any time within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the U.S. Securities Act. See "Plan of Distribution".

**Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada.** Copies of the documents incorporated herein by reference may be obtained on request without charge from the Corporate Secretary of EPCOR Power Services Ltd., which is the general partner of EPCOR Power L.P., at 10065 Jasper Avenue, Edmonton, Alberta T5J 3B1, (telephone (780)-392-5155), and are also available electronically at [www.sedar.com](http://www.sedar.com).

## SHORT FORM PROSPECTUS

New Issue

October 21, 2009

# EPCOR Power L.P.

EPCOR POWER EQUITY LTD.

\$100,000,000

**4,000,000 Cumulative Rate Reset Preferred Shares, Series 2**

This short form prospectus qualifies the distribution (the "**Offering**") of 4,000,000 Cumulative Rate Reset Preferred Shares, Series 2 (the "**Series 2 Shares**") of EPCOR Power Equity Ltd. (the "**Corporation**") at a price of \$25.00 per Series 2 Share. See "*Details of the Offering*" and "*Plan of Distribution*".

The holders of the Series 2 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 \$1.75 per Series 2 Share for the initial five-year period ending on December 31, 2014 (the "**Initial Fixed Rate Period**"). The initial dividend, if declared, will be payable on December 31, 2009 and will be \$0.28288 per Series 2 Share, based on the anticipated closing of this Offering on November 2, 2009.

For each five-year period after the Initial Fixed Rate Period (each, a "**Subsequent Fixed Rate Period**"), the holders of the Series 2 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 4.18%. See "*Details of the Offering*".

### Option to Convert into Cumulative Floating Rate Preferred Shares, Series 3

Holders of the Series 2 Shares will have the right, at their option, to convert their Series 2 Shares into Cumulative Floating Rate Preferred Shares, Series 3 (the "**Series 3 Shares**"), on the basis of one Series 3 Share for each Series 2 Share subject to certain conditions, on December 31, 2014 and on December 31 every five years thereafter. Series 3 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 3 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 4.18% 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 2 Shares will not be redeemable by the Corporation prior to December 31, 2014. On December 31, 2014 and on December 31 every five years thereafter, subject to certain other restrictions set out in "*Details of the Offering - Provisions Common to the Series 2 Shares and the Series 3 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, redeem all or any number of the outstanding Series 2 Shares by the payment of \$25.00 in cash per Series 2 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 2 Shares and the Series 3 Shares do not have a fixed maturity date and are not redeemable at the option of the holders thereof. See "*Risk Factors*". The Series 2 Shares and Series 3 Shares do not carry voting rights (except under limited circumstances), but rank senior to the Class A common shares ("**Common Shares**") of the Corporation and rank *pari passu* with each other and all other series of cumulative redeemable preferred shares of the Corporation (the "**Preferred 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, including the 4.85% cumulative redeemable preferred shares, series 1 (the "**Series 1 Shares**"), and the Series 3 Shares. Immediately following the issue of the Series 2 Shares offered hereunder, the issued and outstanding capital of the Corporation will consist of 5 million Series 1 Shares, the Series 2 Shares and Common Shares. Certain provisions relating to the Preferred Shares as a class, the Series 2 Shares and the Series 3 Shares are summarized under "*Details of the Offering*" and certain provisions of the Common Shares and the Series 1 Shares are summarized under "*Description of Share Capital*".

The Toronto Stock Exchange (the "**TSX**") has conditionally approved the listing of the Series 2 Shares and Series 3 Shares. Listing is subject to the Corporation fulfilling all of the listing requirements of the TSX on or before January 12, 2010. The issued and outstanding limited partnership units (the "**Units**") of EPCOR Power L.P. (the "**Partnership**") and the Series 1 Shares of the Corporation, are listed on the TSX under the symbols "EP.UN" and "EPP.PR.A", respectively. On October 20, 2009, the last trading day before the filing of this short form prospectus, the closing price of the Units and the Series 1 Shares on the TSX was \$14.99 and \$17.35, respectively.

The Series 2 Shares and the Series 3 Shares will be fully and unconditionally guaranteed by the Partnership on a subordinated basis as to (i) payment of dividends, as and when declared, (ii) payment of amounts due on redemption of the Series 2 Shares and Series 3 Shares, and (iii) payment of amounts due on the liquidation, dissolution or winding-up, of the Corporation. As long as the declaration or payment of dividends on the Series 2 Shares or Series 3 Shares are in arrears, the Partnership will not make any distributions on the Units of the Partnership or make any distributions or pay any dividends on securities of any successor entity to the Partnership. The guarantee by the Partnership will be subordinated to all of the senior and subordinated debt of the Partnership and will rank senior to the Units. In addition, should the Partnership convert to a corporation, any preferred shares issued by any successor entity will rank *pari passu* or junior to the guarantee. See "*Details of the Offering*".

Standard & Poor's Rating Services ("**S&P**") has assigned a preliminary rating of P-2 (low) for the Series 2 Shares and DBRS Limited ("**DBRS**") has assigned a rating of Pfd-3 with a negative trend for the Series 2 Shares. In addition, S&P has assigned the Partnership a stability rating of SR-2 and has assigned each of the Partnership and the Corporation a credit rating of BBB+ with a negative outlook. DBRS has assigned the Partnership a stability rating of STA-2 (low) and a credit rating of BBB(high) with a negative trend. See "*Ratings*".

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**Price: \$25.00 per Series 2 Share to yield initially 7.00%**

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	<u>Price to Public</u>	<u>Underwriters' Fee<sup>(1)</sup></u>	<u>Net Proceeds to the Corporation<sup>(1)(2)</sup></u>
Per Series 2 Share.....	\$25.00	\$0.75	\$24.25
Total .....	\$100,000,000	\$3,000,000	\$97,000,000

**Notes:**

- (1) The Underwriters' fee is \$0.25 for each Series 2 Share sold to certain institutions and \$0.75 for all other Series 2 Shares sold. The Underwriters' fee set forth in the table assumes that no Series 2 Shares are sold to such institutions.
- (2) Before deducting expenses of the Offering, estimated to be \$500,000 which, together with the Underwriters' fee, will be paid from the proceeds of the Offering.

**There is currently no market through which the Series 2 Shares or the Series 3 Shares may be sold and purchasers may not be able to resell the Series 2 Shares purchased under this short form prospectus or the Series 3 Shares. This may affect the pricing of the Series 2 Shares or the Series 3 Shares in the secondary market, the transparency and availability of trading prices, the liquidity of the Series 2 Shares or the Series 3 Shares, and the extent of issuer regulation. Investing in the Series 2 Shares or the Series 3 Shares involves risks which potential investors should carefully consider. See "Risk Factors".**

The offering price of the Series 2 Shares was determined by negotiation between the Corporation, the Partnership and CIBC World Markets Inc. and Scotia Capital Inc. on their own behalf and on behalf of BMO Nesbitt Burns Inc., RBC Dominion Securities Inc., TD Securities Inc., HSBC Securities (Canada) Inc., National Bank Financial Inc., Canaccord Capital Corporation and Desjardins Securities Inc. (collectively, the "Underwriters"). **The Underwriters may offer the Series 2 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 2 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 2 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 and the Partnership by Fraser Milner Casgrain LLP, and on behalf of the Underwriters by Macleod Dixon LLP.

**The earnings coverage ratio of the Partnership for the 12-month periods ended December 31, 2008 and June 30, 2009 after giving effect to the issuance of the Series 2 Shares are less than one-to-one. The earnings coverage ratios of the Corporation for the same periods after giving effect to the issuance of the Series 2 Shares are less than one-to-one.** See "*Earnings Coverage Ratio of the Partnership*", "*Earnings Coverage Ratio of the Corporation*" and "*Risk Factors*".

BMO Nesbitt Burns Inc, RBC Dominion Securities Inc. and TD Securities Inc. are each, directly or indirectly, a wholly-owned or majority-owned subsidiary of a Canadian chartered bank which is a lender to the Partnership and certain of its subsidiaries under certain bank credit facilities. In addition, certain of the Underwriters and/or their affiliates have performed investment banking and advisory services for the Partnership, the Corporation and their respective affiliates from time to time for which they have received customary fees and expenses. The Partnership owns all of the issued and outstanding Common Shares of the

**Corporation. Consequently, the Corporation may be considered to be a connected issuer of each of these Underwriters for the purposes of securities legislation in certain provinces. See "*Relationship Among the Corporation and Certain 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 2 Shares and Series 3 Shares will be represented by global certificates issued in registered form to CDS Clearing and Depository Services Inc. ("**CDS**") or its nominee under the book-based system administered by CDS (the "**Book-Entry Only System**"). A purchaser of Series 2 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 2 Shares are purchased. See "*Book-Based System*".

Closing of the Offering is expected to occur on or about November 2, 2009 but in any event not later than November 30, 2009 (the date on which closing of the Offering occurs being referred to herein as the "**Closing Date**").

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

The head office and registered office of the Corporation is located at 10065 Jasper Avenue, Edmonton, Alberta, T5J 3B1. The head office of the Partnership is located at 10065 Jasper Avenue, Edmonton, Alberta, T5J 3B1. The registered office of the Partnership is 200 University Avenue, Suite 1301, Toronto, Ontario, M5H 3C6.

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## CAUTION REGARDING FORWARD-LOOKING INFORMATION

Certain information in this short form prospectus, including documents incorporated by reference herein, is forward-looking and related to anticipated financial performance, events and 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 risks, assumptions and uncertainties, which could cause the Partnership's and the Corporation's actual results and experience to be materially different than the anticipated results.

In particular, forward-looking information and statements include: (i) those noted in the documents incorporated by reference herein, (ii) the sustainability of distributions, including relative to a long-term payout ratio target of 75% of cash provided by operating activities less maintenance capital, (iii) planned capital upgrades at Southport and Roxboro of US\$80 million, (iv) expectations with respect to operating margins at the Roxboro and Southport facilities, (v) management's expectations in respect of new power purchase agreements ("**PPAs**") for the Roxboro and Southport facilities, (vi) anticipated completion of the Roxboro and Southport facility retrofits (vii) planned capital upgrades at Oxnard of US\$20 million, (viii) expectations regarding the in-service timeline and the expected required new investment for additional facilities at Manchief and the development project at the Queen Charlotte Islands, (ix) expectations regarding the cash to be retained by the Partnership as a result of the distribution reduction and proposed distribution reinvestment plan and the expected uses of that cash, (x) expectations regarding the financing of the Partnership's capital expenditures, (xi) the expected benefits arising from the North Island facility natural gas turbine upgrade, including expectations with respect to improved operating efficiency and improved operating margin arising from such upgrade, (xii) management's analysis of the Equistar Chemicals LP's ("**Equistar**") Morris facility and reorganization under Chapter 11 of the US Bankruptcy Code including a third party report in respect of the Equistar Morris facility, (xiii) the costs and availability of waste heat, (xiv) the expected impact of environmental regulations, including anticipated emissions regulations, on the Partnership's operations and the anticipated costs of complying with such regulations, (xv) the expected impact if the Public Service Company of Colorado were to exercise its option to acquire the Manchief power plant, (xvi) expectations regarding the time at which the Partnership will be taxable and the impact of specified investment flow-through ("**SIFT**") taxes, changes to withholding obligations and other tax legislation, (xvii) expected resolution of opacity and particulate matter issues at the Calstock facility and associated costs, (xviii) the Partnership's plans to deal with curtailments of wood waste supply to its Williams Lake and Calstock facilities, (xix) expected capital spending of \$20 million to \$22 million in 2009, (xx) upgrades at North Island which are expected to result in a contribution of \$0.03 to \$0.04 per unit, (xxi) expectations for throughput on the TransCanada Canadian Mainline and related waste heat availability and optimization costs at the Ontario facilities, (xxii) expectation regarding the impact on the Partnership of the economic downturn, including impacts on revenues, expenses, income and cash flow, and capital and credit market uncertainty, (xxiii) expectations regarding renewal of the Partnership's credit facilities, (xxiv) the Partnership's financial expectations for 2009, including cash provided by operating activities, including relative to cash distributions (after accounting for dividends received from Primary Energy Recycling Holdings LLC ("**PERH**")), capital expenditures generally and working capital in 2009, (xxv) expectations that over a five year planning cycle maintenance capital expenditures will average \$18 million to \$20 million annually for the Partnership's existing facilities, (xxvi) expectations regarding accretive cash flows from the Partnership's Morris facility, (xxvii) expectations regarding long term growth in demand for power and generation capacity, and (xxviii) expectations regarding year end working capital requirements.

These statements are based on certain assumptions and analysis made by the Partnership and the Corporation in light of its experience and perception of historical trends, current conditions and expected future developments and other factors it believes are appropriate. The material factors and assumptions used to develop these forward-looking statements include: (i) those noted in the documents incorporated by reference herein, (ii) the Partnership's operations, financial position and available credit facilities, (iii) the Partnership's assessment of commodity, currency and power markets, (iv) the markets and regulatory environment in which the Partnership's facilities operate, (v) the state of capital markets, (vi) management's analysis of applicable tax legislation, (vii) the assumption that the currently applicable and proposed tax laws and emissions regulations will not change and will be implemented, (viii) the assumption that counterparties to fuel supply and power purchase agreements will continue to perform their obligations under the agreements, (ix) the level of plant availability and dispatch, (x) the performance of contractors and suppliers, (xi) the renewal or replacement of PPAs and terms of PPAs, (xii) the ability of the Partnership to successfully integrate and realize the benefits of its acquisitions, (xiii) the ability of the

Partnership to implement its strategic initiatives and whether such initiatives will yield the expected benefits, (xiv) expected water flows, (xv) that current third party expectations regarding throughput on the TransCanada Canadian Mainline will continue, (xvi) management's analysis and due diligence of the Equistar Morris facility including the related purchase and supply agreements and Equistar reorganization under Chapter 11 of the U.S. Bankruptcy Code, and (xvii) the ability of the Partnership to adequately source alternative sources of supply of wood waste.

Whether actual results, performance or achievements will conform to the Partnership's and the Corporation's expectations and predictions is subject to a number of known and unknown risks and uncertainties which could cause actual results to differ materially from the Partnership's and the Corporation's expectations. Such risks and uncertainties include, but are not limited to risks relating to (i) the operation of the Partnership's facilities, (ii) plant availability and performance, (iii) the availability and price of energy commodities including natural gas and wood waste, (iv) the performance of counterparties in meeting their obligations under PPAs, (v) competitive factors in the power industry, (vi) economic conditions, including in the markets served by the Partnership's facilities, (vii) developments within the North American capital markets, (viii) the availability and cost of permanent long term financing in respect of acquisitions and investments, (ix) unanticipated maintenance and other expenditures, (x) the Partnership's ability to successfully realize the benefits of acquisitions and investments, (xi) changes in regulatory and government decisions including changes to emission regulations, (xii) waste heat availability and water flows, (xiii) changes in existing and proposed tax and other legislation in Canada and the United States ("U.S.") and including changes in the Canada U.S. tax treaty, (xiv) the tax attributes of and implications of any acquisitions, (xv) the availability and cost of equipment, (xvi) changing demand for natural gas in northern Ontario and areas further to the east and levels of natural gas supply in western Canada available for shipping on the TransCanada Canadian Mainline, (xvii) on-going compliance by the Partnership with its current debt covenants, (xviii) the ability of the Partnership to adequately source alternative sources of supply of wood waste, and (xix) the North Carolina Utilities Commission arbitration or negotiations with Progress Energy Carolinas, Inc. may not result in PPAs with satisfactory or expected financial terms.

Readers are cautioned not to place undue reliance on forward-looking statements as actual results could differ materially from the plans, expectations, estimates or intentions expressed in the forward-looking statements. Forward-looking statements are provided for the purpose of presenting information about management's current expectations and plans relating to the future and readers are cautioned that such statements may not be appropriate for other purposes. Except as required by law, the Partnership disclaims any intention and assumes no obligation to update any forward-looking statement.

#### EXCHANGE RATE DATA

All dollar amounts set forth in this short form prospectus are expressed in Canadian dollars unless otherwise indicated. The following table sets forth, for each period indicated, expressed in Canadian dollars, the high and low exchange rates for one U.S. dollar, during such period, the average of such exchange rates on the last business day of each month during such period and the exchange rate at the end of such period based on the noon rate in Canadian dollars as quoted by the Bank of Canada (the "**Daily Noon Rate**").

	<b>Six Months Ended June 30, 2009</b>	<b>Twelve Months Ended December 31,</b>	
		<b>2008</b>	<b>2007</b>
High.....	1.3000	1.2969	1.1853
Low.....	1.0827	0.9719	0.9170
Average.....	1.2062	1.0660	1.0748
Period End.....	1.1625	1.2246	0.9881

On October 20, 2009, the Daily Noon Rate was US \$1.00 = Cdn. \$1.0500.

## DOCUMENTS INCORPORATED BY REFERENCE

**Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada.** Copies of the documents incorporated herein by reference may be obtained on request without charge from the Corporate Secretary of EPCOR Power Services Ltd. (the "**General Partner**"), which is the general partner of the Partnership, at 10065 Jasper Avenue, Edmonton, Alberta T5J 3B1, (telephone (780) 392-5155) and are also available electronically at [www.sedar.com](http://www.sedar.com).

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

- (a) the Annual Information Form of the Partnership dated March 4, 2009 for the year ended December 31, 2008 (the "**AIF**");
- (b) the audited comparative consolidated financial statements of the Partnership as at and for the years ended December 31, 2008 and 2007, together with the notes thereto and the auditors' report thereon;
- (c) the management's discussion and analysis ("**MD&A**") of the Partnership for the year ended December 31, 2008;
- (d) the unaudited comparative consolidated financial statements of the Partnership as at and for the three and six month periods ended June 30, 2009 and 2008, together with the notes thereto;
- (e) the MD&A ("**Interim MD&A**") of the Partnership for the three and six month periods ended June 30, 2009;
- (f) the material change report of the Partnership dated June 16, 2009 relating to a reduction in distributions on the Units and certain matters relating to the transfer of the interests of EPCOR Utilities Inc. ("**EPCOR**") in the Partnership and certain contractual rights to Capital Power Corporation ("**Capital Power**");
- (g) the material change report of the Partnership dated July 17, 2009 relating to changes in senior management of the General Partner, the acquisition by EPLP Investments Inc. from EPCOR of Units and the common shares of the General Partner and the acquisition by Capital Power of certain companies that provide management and operations services to the Partnership and its subsidiaries; and
- (h) the material change report of the Partnership dated October 14, 2009 relating to the Partnership's revised financial expectations for 2009 and the status of the Partnership's negotiations of new power purchase agreements for the North Carolina facilities.

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

**Any statement contained in this short form prospectus or in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded, for the purposes of this**

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

#### **EXEMPTIVE RELIEF**

Pursuant to section 13.4 of National Instrument 51-102 – *Continuous Disclosure Obligations* ("NI 51-102"), the Corporation is not currently required to file with Canadian securities regulatory authorities separate continuous disclosure information regarding the Corporation, except for material change reports in the event there is a material change in respect of the affairs of the Corporation that is not also a material change in respect of the affairs of the Partnership. Pursuant to a "dual application" for exemptive relief made by the Corporation pursuant to National Policy 11-203 – *Process for Exemptive Relief Applications in Multiple Jurisdictions*, the Corporation has received exemptive relief (the "**Exemptive Relief**") dated October 9, 2009 from or on behalf of each of the securities regulatory authorities in Canada, which Exemptive Relief will, among other things, permit the Corporation to continue to rely on the exemption provided in section 13.4 of NI 51-102 following the issuance of the Series 2 Shares.

The Corporation does not directly satisfy the eligibility criteria contained in Part 2 of National Instrument 44-101 – *Short Form Prospectus Distributions* ("NI 44-101") in order to be able to file a prospectus in the form of a short form prospectus for the distribution of the Series 2 Shares. However, the Partnership will fully and unconditionally guarantee the payments to be made by the Corporation in connection with the Series 2 Shares and the Series 3 Shares, and the Partnership satisfies the prescribed eligibility criteria in section 2.2 of NI 44-101. As a result of the Partnership's guarantee and pursuant to the Exemptive Relief, the Corporation is qualified to avail itself of the short form prospectus provisions of Canadian securities legislation. As required by Canadian securities legislation, the Partnership has certified the content of this short form prospectus (see "*Certificate of the Guarantor*") and various disclosure documents filed by the Partnership under applicable securities legislation are incorporated by reference herein.

The Corporation's financial results are reflected in the consolidated financial results of the Partnership incorporated by reference in this short form prospectus and will be reflected in the consolidated financial results of the Partnership filed by the Partnership subsequent to the date of this short form prospectus as supplemented with consolidating summary financial information to be filed by the Corporation in accordance with section 13.4 of NI 51-102 and the Exemptive Relief. See "*Consolidating Summary Financial Information*."

#### **EPCOR POWER EQUITY LTD.**

The Corporation was incorporated under the laws of the Province of Alberta on June 26, 1998 as 790809 Alberta Ltd. By articles of amendment dated July 6, 1999, September 1, 2005 and April 25, 2007, the Corporation changed its name to TC Power (Castleton) Ltd., EPCOR Power (Castleton) Ltd., and EPCOR Power Equity Ltd., respectively. By articles of amendment dated May 22, 2007, the authorized share capital of the Corporation was amended to create the Preferred Shares as a class issuable in one or more series and to set the terms of the Series 1 Shares. The Corporation operates as a holding company and indirectly holds all of the Partnership's business and power generation and other assets in the United States. The Partnership beneficially owns all of the outstanding Common Shares of the Corporation. The Corporation has inter-company indebtedness owing to the Partnership and has provided guarantees for certain of the Partnership's liabilities. See "*Consolidated Capitalization*".

The Corporation owns, through subsidiaries, the Partnership's interests in the Curtis Palmer, Manchief, Frederickson, Naval Station, North Island, Naval Training Center, Oxnard, Greeley, Kenilworth, Roxboro, Southport and Morris power generating facilities. These facilities have a total owned generating capacity of

approximately 1,080 megawatts (representing approximately 77% of the total generating capacity of the Partnership's assets) and approximately four million pounds per hour of thermal energy (representing 100% of the total thermal energy capacity of the Partnership's assets). In addition, the Corporation holds, through a wholly-owned subsidiary, the Partnership's 14.3% equity interest in PERH, which owns four power plants with an aggregate generation capacity of approximately 283 megawatts and nearly two million pounds per hour of thermal energy and a 50% interest in a pulverized coal facility, all located in the state of Indiana. A wholly-owned subsidiary of the Corporation provides certain management and administrative services to PERH, certain subsidiaries of PERH and to Primary Energy Recycling Corporation ("**PERC**") (which holds the balance of the equity interest in PERH not owned by the Partnership) under a long-term management agreement.

### **EPCOR POWER L.P.**

The Partnership is a limited partnership created under the laws of the Province of Ontario pursuant to a partnership agreement (the "**Partnership Agreement**") dated March 27, 1997, as amended. The Partnership commenced operations on June 18, 1997. The Partnership owns directly, and through subsidiaries, including the Corporation, a portfolio of 19 power generation assets located in Canada and the United States and a 50.15% interest in a power generation asset in Washington State. The Partnership's assets have a total net generating capacity of 1,400 megawatts and approximately four million pounds per hour of thermal energy. In addition, the Partnership, through a wholly-owned subsidiary of the Corporation, holds a 14.3% equity interest in PERH, which owns four power plants with an aggregate generation capacity of approximately 283 megawatts and nearly two million pounds per hour of thermal energy, and a 50% interest in a pulverized coal facility, all located in the state of Indiana. A wholly-owned subsidiary of the Partnership and the Corporation provides certain management and administrative services to PERH, to certain subsidiaries of PERH and to PERC (which holds the balance of the equity interest in PERH not owned by the Partnership) under a long-term management agreement. See "*Recent Developments*".

The Partnership directly owns the Nipigon, Kapuskasing, North Bay, Tunis and Calstock power generating facilities. These facilities have a total generating capacity of approximately 198 megawatts (representing approximately 14% of the total generating capacity of the Partnership's assets).

The Partnership owns through subsidiaries other than the Corporation, the Williams Lake, Mamquam and Queen Charlotte power generating facilities. These facilities have a total generating capacity of approximately 122 megawatts (representing approximately 9% of the total generating capacity of the Partnership's assets).

On July 9, 2009, as part of the transfer by EPCOR of a 27.8% interest in its power generation business to Capital Power (collectively with its subsidiaries, "**CPC**"), (i) EPLP Investments Inc. ("**EPLP Investments**") acquired 16,513,504 Units in the capital of the Partnership, representing 30.6% of the total outstanding Units of the Partnership, and all of the common shares of the General Partner, and (ii) CPC acquired 100% ownership of the companies that provide management and operations services to the Partnership and its subsidiaries pursuant to management and operations agreements. EPCOR owns all of the 51 voting, non-participating shares of EPLP Investments and CPC owns all of the 49 voting, participating shares of EPLP Investments.

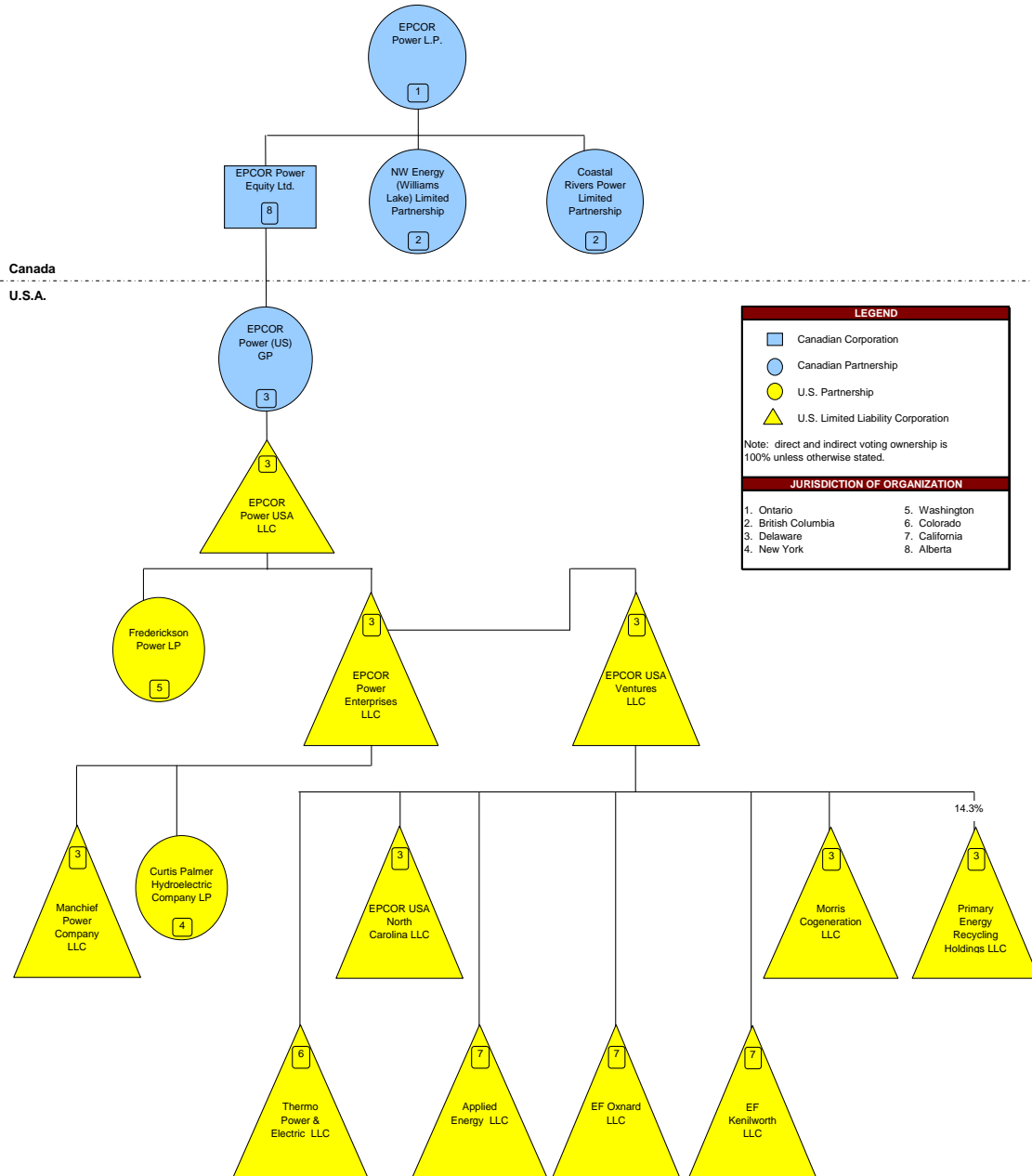
The General Partner is responsible for overseeing the management of the Partnership and cash distributions to Unitholders. The General Partner has engaged CP Regional Power Services L.P. and Capital Power Operations (U.S.A.) Inc., both wholly-owned subsidiaries of Capital Power, to perform management and administrative services of the Partnership and to operate and maintain the power plants pursuant to management and operations agreements.

Where opportunities arise, the Partnership will seek to grow its asset base by expanding capacity at existing plants and pursuing acquisition or development opportunities that meet the Partnership's investment criteria. These criteria include generation assets that have relatively stable and predictable cash flows, and risk profiles similar to the assets already owned by the Partnership with predictable capital expenditures and long operating lives.

For additional information regarding the Partnership, see the Partnership's AIF incorporated by reference in this short form prospectus.

## CORPORATE STRUCTURE

The following chart illustrates, on a simplified basis, as at the date hereof, the structure of the Partnership and the Corporation, (including the jurisdiction of establishment/incorporation of entities material to the business of the Partnership, all of which are, except where otherwise noted, directly or indirectly, wholly-owned by the Partnership).



**Note:**

1. Series 1 Shares of the Corporation have been issued to the public.

## RECENT DEVELOPMENTS

### North Carolina Power Generation Facilities

The PPAs for the North Carolina facilities expire on December 31, 2009. The Partnership and Progress Energy Carolinas, Inc. ("**Progress**") have been in negotiations but, to date, have been unable to finalize new PPAs that are acceptable to both parties. As a result, the Partnership will be applying to the North Carolina Utilities Commission ("**NCUC**") to arbitrate. The Partnership remains optimistic that either a NCUC arbitration ruling or further negotiations with Progress will result in new PPAs for the Roxboro and Southport facilities. However, it is not certain at this time whether the final contract terms will achieve previous expectations of accretion from the North Carolina enhancement project as previously disclosed. The Partnership's current financial expectations for 2009 will be approximately 5 per cent lower than its previous 2009 financial guidance provided in March 2009. The revised expectations primarily reflect lower expected operating margins at the North Carolina generation facilities (Southport and Roxboro).

### PERH and PERC Management Arrangements

The Corporation has converted all of its common and preferred interests in PERH to a 14.3% common equity interest in PERH in connection with a recapitalization of PERH pursuant to which all previously outstanding common and preferred interests in PERH, including those held by the Corporation and PERC, were converted to new common equity interests. Concurrently with the PERH recapitalization, certain changes were made to the long-term management agreement pursuant to which a wholly-owned subsidiary of the Corporation provides management and administrative services to PERH, certain subsidiaries of PERH and to PERC. The changes include: (i) PERH has assumed responsibility for certain management functions, (ii) the parties agreed that PERH can terminate the management agreement for a specified price, declining over time, if the Corporation agrees to sell its interest in PERH, and (iii) the allocation agreement among the Partnership, PERC and certain other parties, together with the rights of first offer in respect of certain projects of the Partnership granted to PERC and to PERH under the management agreement and the allocation agreement, has been terminated. PERC has announced that the US\$131 million term loan facility in a PERH subsidiary has been amended to extend the maturity date of the loan from August 24, 2009 to February 24, 2009.

### Monthly Partnership Distributions

The limited partnership agreement of the Partnership was amended to provide for monthly rather than quarterly distributions of distributable cash. The amount of the Partnership's distribution per Unit on an annualized basis will not be affected by the change to monthly distributions. A copy of the amended and restated limited partnership agreement is available electronically at [www.sedar.com](http://www.sedar.com).

## CONSOLIDATING SUMMARY FINANCIAL INFORMATION

The tables below contain consolidating summary financial information for the six months ended June 30, 2009 and 2008 and the years ended December 31, 2008 and 2007 for (i) the Partnership, (ii) the Corporation and its subsidiaries on a consolidated basis, (iii) the Partnership's subsidiaries, other than the Corporation, on a combined basis, (iv) consolidating adjustments, and (v) the Partnership and all of its subsidiaries on a consolidated basis, in each case for the periods indicated. Such summary financial information for the Partnership and the Corporation and all other subsidiaries is intended to provide investors with meaningful and comparable financial information about the Partnership and its subsidiaries. This summary financial information should be read in conjunction with the Partnership's unaudited interim consolidated financial statements as at and for the three and six months ended June 30, 2009 and 2008 and the audited consolidated financial statements as at and for the years ended December 31, 2008 and 2007, each of which are incorporated by reference herein.

**For the three and six months ended June 30, 2009 and 2008 (in millions of Canadian dollars)<sup>(1)</sup>**

For the three months ended June 30:

	Partnership <sup>(2)</sup>		Corporation (consolidated)		Subsidiaries of the Partnership other than the Corporation <sup>(3)</sup>		Consolidating adjustments <sup>(4)</sup>		Partnership (consolidated)	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	Total Revenue	70.7	47.7	78.9	83.4	15.6	12.8	-	-	165.2
Net Income (loss)	42.8	104.9	4.3	3.4	6.2	3.2	(10.5)	(6.6)	42.8	104.9

For the six months ended June 30:

	Partnership <sup>(2)</sup>		Corporation (consolidated)		Subsidiaries of the Partnership other than the Corporation <sup>(3)</sup>		Consolidating adjustments <sup>(4)</sup>		Partnership (consolidated)	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	Total Revenue	94.5	79.7	169.3	156.2	29.0	26.1	-	-	292.8
Net Income (loss)	9.5	158.3	(0.5)	(22.6)	10.4	8.8	(9.9)	13.8	9.5	158.3

As at:

	Partnership <sup>(2)</sup>		Corporation (consolidated)		Subsidiaries of the Partnership other than the Corporation <sup>(3)</sup>		Consolidating adjustments <sup>(4)</sup>		Partnership (consolidated)	
	Jun 30, 2009	Dec 31, 2008	Jun 30, 2009	Dec 31, 2008	Jun 30, 2009	Dec 31, 2008	Jun 30, 2009	Dec 31, 2008	Jun 30, 2009	Dec 31, 2008
	Current Assets	23.6	46.3	65.0	111.3	136.3	116.4	(137.5)	(154.8)	87.4
Long-term Assets	1,069.8	1,135.9	1,009.4	1,065.9	275.4	281.3	(744.0)	(793.1)	1,610.6	1,690.0
Current Liabilities	172.1	208.6	53.3	62.8	7.0	3.0	(137.5)	(154.7)	94.9	119.7
Long-term Liabilities	357.6	341.4	897.3	980.0	6.4	6.9	(343.9)	(393.1)	917.4	935.2

**For the twelve months ended December 31, 2008 and 2007 (in millions of Canadian dollars)<sup>(1)</sup>**

(in millions of dollars) (unaudited)	Partnership <sup>(2)</sup>		Corporation (consolidated)		Subsidiaries of the Partnership other than the Corporation <sup>(3)</sup>		Consolidating adjustments <sup>(4)</sup>		Partnership (consolidated)	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	Total Revenue	104.3	193.6	340.1	300.1	54.9	56.1	-	-	499.3
Net Income (loss)	(67.8)	30.8	(70.8)	88.6	21.0	20.7	49.8	(109.3)	(67.8)	30.8
Current Assets	46.3	79.1	111.3	98.0	116.4	84.5	(154.8)	(111.2)	119.2	150.4
Long-term Assets	1,135.9	1,284.5	1,065.9	1,013.3	281.3	293.0	(793.1)	(888.2)	1,690.0	1,702.6
Current Liabilities	208.6	164.4	62.8	36.2	3.0	2.9	(154.7)	(109.1)	119.7	94.4
Long-term Liabilities	341.4	293.4	980.0	751.5	6.9	7.8	(393.1)	(321.8)	935.2	730.9

**Notes:**

- (1) The consolidating summary financial information above is unaudited and is prepared in accordance with Canadian generally accepted accounting principles. The Partnership's independent auditor has not performed a review of this consolidating summary financial information.
- (2) This column accounts for investments in all subsidiaries of the Partnership under the equity method.
- (3) This column accounts for investments in all subsidiaries of the Partnership (other than the Corporation) on a consolidated basis.
- (4) This column includes the necessary amounts to eliminate the intercompany balances between the Partnership, the Corporation and other subsidiaries to arrive at the information for the Partnership on a consolidated basis.

## USE OF PROCEEDS

The net proceeds to the Corporation from the sale of the Series 2 Shares offered hereby are estimated to be \$96,500,000, after deducting the Underwriters' fee of \$3,000,000 and the estimated expenses of the Offering of \$500,000 and assuming that no Series 2 Shares are sold to certain institutions as described under "*Plan of Distribution*". The Underwriters' fee and the expenses of this Offering will be paid out of the proceeds of this Offering. The Corporation will use approximately 80% of the net proceeds from the Offering to repay US dollar denominated amounts drawn under its revolving credit facility and the remainder of the net proceeds from the Offering will be paid by the Corporation to the Partnership as a repayment of inter-company indebtedness and used by the Partnership to repay amounts drawn under its revolving credit facilities. Amounts drawn under the credit facilities were used to fund the acquisition of the Morris power generating facility and capital expenditures at the Roxboro, Southport and North Island power generating facilities. Any amounts not drawn under the revolving credit facilities will be available to fund future capital expenditures of the Partnership. See "*EPCOR Power L.P.*", "*Consolidated Capitalization of the Corporation*" and "*Consolidated Capitalization of the Partnership*".

## CONSOLIDATED CAPITALIZATION OF THE CORPORATION

The following table sets forth the consolidated capitalization of the Corporation as at June 30, 2009 and the pro forma consolidated capitalization of the Corporation as at June 30, 2009, after giving effect to the Offering and the repayment of indebtedness using the net proceeds of the Offering:

	<b>Authorized</b>	<b>As at June 30, 2009 (unaudited)</b>	<b>As at June 30, 2009, after giving effect to the Offering (unaudited)</b>
Common equity .....	Unlimited	\$1.8 million (121 million shares)	\$101.8 million <sup>(1)</sup> (221 million shares)
Preferred shares, issuable in series	Unlimited		
Series 1 Shares <sup>(2)</sup> .....	5.75 million shares	\$122.0 million (5.0 million shares)	\$122.0 million (5.0 million shares)
Series 2 Shares <sup>(3)(6)</sup> .....	4.0 million shares	-	\$96.5 million (4.0 million shares)
Series 3 Shares <sup>(3)</sup> .....	4.0 million shares	-	-
Long term debt <sup>(9)</sup> (including current portion)			
External debt <sup>(4)(7)(8)</sup> .....		\$540.0 million	\$476.5 million
Due to the Partnership <sup>(5)(8)</sup> .....		\$343.2 million	\$210.2 million <sup>(1)</sup>

**Notes:**

- (1) On October 13, 2009, the Corporation issued 100 million Common Shares to the Partnership in consideration for the settlement of \$100 million of indebtedness owing from the Corporation to the Partnership. Common equity and Due to the Partnership amounts as at June 30, 2009, after giving effect to the Offering, are stated after giving effect to this issuance of Common Shares and settlement of indebtedness.
- (2) The payment of certain amounts relating to the Series 1 Shares is fully and unconditionally guaranteed by the Partnership.
- (3) The payment of certain amounts relating to the Series 2 Shares and Series 3 Shares will be fully and unconditionally guaranteed by the Partnership. See "*Details of the Offering – Provisions common to the Series 2 Shares and the Series 3 Shares – Partnership Guarantee*".
- (4) External debt includes a \$125 million revolving credit facility with a Canadian chartered bank. See "*Consolidated Capitalization of the Partnership*", Note (4). As at June 30, 2009, approximately US\$55 million was owed under this credit facility by an indirect wholly-owned subsidiary of the Corporation. In addition, external debt (less amortized debt issue costs) consists of US\$190 million of 5.90% senior unsecured notes due in 2014 of an indirect wholly-owned subsidiary of the Corporation, US\$150 million of 5.87% senior unsecured notes due in 2017 of an indirect wholly-owned subsidiary of the Corporation and US\$75 million of 5.97% senior unsecured notes due in 2019 of an indirect wholly-owned subsidiary of the Corporation. The notes are fully and unconditionally guaranteed as to payment of principal, premium, if any, and interest on a senior unsecured basis by the Partnership.
- (5) As at June 30, 2009, due to the Partnership consisted of two loans as follows: US\$68.5 million maturing in 2012 at an interest rate of 5.75% and US\$228.9 million due in 2027 at a floating interest rate equal to three-month LIBOR plus a spread.

- (6) Assumes that no Series 2 Shares are sold to certain institutions as described under "*Plan of Distribution*".
- (7) The Corporation has provided full and unconditional guarantees to the lenders under the Partnership's three revolving credit facilities and two demand credit facilities of all amounts and liabilities owing thereunder, including principal and interest. See "*Consolidated Capitalization of the Partnership*", Note (4). In addition, the Corporation has provided (i) a full and unconditional guarantee in respect of all amounts and liabilities owing under the medium term notes issued, or which may be issued, by the Partnership under the note indenture of the Partnership dated June 15, 2006 (see "*Consolidated Capitalization of the Partnership*", Note (4)), and (ii) all amounts and liabilities, if any, that may become payable by the Partnership under the guarantee provided by the Partnership in respect of amounts owing under the notes referred to in Note (4) above. See also "*Risk Factors*".
- (8) Approximately 80% of the net proceeds of the Offering will be used by the Corporation to repay amounts drawn under its revolving credit facility and the remainder of the net proceeds of the Offering will be paid by the Corporation to the Partnership as a repayment of inter-company indebtedness and used by the Partnership to repay amounts drawn under its revolving credit facilities. See "*Use of Proceeds*".
- (9) The Corporation's consolidated long term debt is denominated in U.S. dollars. U.S. dollar denominated amounts of long term debt, expressed in Canadian dollars, as at June 30, 2009, before giving effect to the Offering, was \$883.2 million and as at June 30, 2009, after giving effect to the Offering, was \$686.7 million. On October 20, 2009, the Daily Noon Rate was U.S. \$1.00 = \$1.0500. Based on the Daily Noon Rate on October 20, 2009, the Corporation's U.S. dollar denominated long term debt expressed in Canadian dollars as at June 30, 2009, before giving effect to the Offering, would be \$803.5 million and as June 30, 2009, after giving effect to the Offering, would be \$607.0 million.

## CONSOLIDATED CAPITALIZATION OF THE PARTNERSHIP

The following table sets forth the consolidated capitalization of the Partnership as at June 30, 2009 and the pro forma consolidated capitalization of the Partnership as at June 30, 2009, after giving effect to the Offering and the repayment of indebtedness using the net proceeds of the Offering:

	Authorized	As at June 30, 2009 (unaudited)	As at June 30, 2009, after giving effect to the Offering (unaudited)
Partner's equity .....	Unlimited	\$563.7 million (53.9 million Units)	\$563.7 million (53.9 million Units)
Preferred shares issued by a subsidiary company	Unlimited		
Series 1 Shares <sup>(1)</sup> .....	5.75 million shares	\$122.0 million (5.0 million shares)	\$122.0 million (5.0 million shares)
Series 2 Shares <sup>(2)(5)</sup> .....	4.0 million shares	-	\$96.5 million (4.0 million shares)
Series 3 Shares <sup>(2)</sup> .....	4.0 million shares	-	-
Long term debt <sup>(3)(4)(6)(7)</sup> (including current portion) ....		\$806.2 million	\$709.7 million

**Notes:**

- (1) The payment of certain amounts relating to the Series 1 Shares is fully and unconditionally guaranteed by the Partnership. See "*Description of Share Capital – Series 1 Shares*".
- (2) The payment of certain amounts relating to the Series 2 Shares and Series 3 Shares will be fully and unconditionally guaranteed by the Partnership. See "*Details of the Offering – Provisions common to the Series 2 Shares and the Series 3 Shares – Partnership Guarantee*".
- (3) Long term debt includes \$210 million of unsecured medium term notes issued under a note indenture (the "**Note Indenture**") dated June 15, 2006. The \$210 million principal amount of medium term notes outstanding are due June 23, 2036 and bear interest at 5.95% per annum. The Note Indenture does not limit the aggregate principal amount of medium term notes that may be issued thereunder. Additional medium term notes maturing at varying dates and bearing interest at different rates, in each case as determined by the Partnership, may be issued under the Note Indenture. Long term debt also includes US\$190 million of 5.90% senior unsecured notes due in 2014 of an indirect wholly-owned subsidiary of the Corporation, US\$150 million of 5.87% senior unsecured notes due in 2017 of an indirect wholly-owned subsidiary of the Corporation and US\$75 million of 5.97% senior unsecured notes due in 2019 of an indirect wholly-owned subsidiary of the Corporation, and \$2 million of a secured term loan due 2010. The notes are fully and unconditionally guaranteed as to payment of principal, premium, if any, and interest on a senior unsecured basis by the Partnership.
- (4) Consists of two \$100 million revolving credit facilities and one \$125 million revolving credit facility with three Canadian chartered banks, a \$20 million demand credit facility with a Canadian chartered bank and a US\$20 million demand credit facility with a U.S. bank. Each of the revolving credit facilities are unsecured, bear interest at market rates and have two-year terms maturing in 2011, subject to extension. As at June 30, 2009, approximately \$119.9 million was owed under the revolving credit facilities. Under the revolving credit facilities, the Partnership must maintain a debt-to-capitalization ratio of not more than 65% as at the end of each quarter. In the event the Partnership is assigned a rating of less than BBB+ by S&P and BBB(high) by DBRS, the Partnership must also maintain a ratio of EBITDA (earnings before interest, income taxes, depreciation and amortization as defined in the respective credit facilities) to interest expense of not less than 2.5 to 1.0, measured quarterly. As at June 30, 2009, the Partnership was in compliance with these financial covenants. The demand credit facilities are unsecured and bear interest at floating rates plus a spread. As at June 30, 2009, nil was owed under the demand credit facilities.
- (5) Assumes that no Series 2 Shares are sold to certain institutions as described under "*Plan of Distribution*".
- (6) Approximately 80% of the net proceeds of the Offering will be used by the Corporation to repay amounts drawn under its revolving credit facility and the remainder of the net proceeds of the Offering will be paid by the Corporation to the Partnership as a repayment of inter-company indebtedness and used by the Partnership to repay amounts drawn under its revolving credit facilities. See "*Use of Proceeds*".
- (7) A portion of the Partnership's consolidated long term debt is denominated in U.S. dollars. U.S. dollar denominated amounts of long term debt, expressed in Canadian dollars, as at June 30, 2009, before giving effect to the Offering, was \$540.0 million and as at June 30, 2009, after giving effect to the Offering, was \$476.5 million. On October 20, 2009, the Daily Noon Rate was U.S. \$1.00 = \$1.0500. Based on the Daily Noon Rate on October 20, 2009, the Partnership's U.S. dollar denominated long term debt expressed in Canadian dollars as at June 30, 2009, before giving effect to the Offering, would be \$491.3 million and as at June 30, 2009, after giving effect to the Offering, would be \$433.5 million.

## **EARNINGS COVERAGE RATIO OF THE PARTNERSHIP**

The following consolidated earnings coverage ratios are calculated for the 12-month periods ended December 31, 2008 and June 30, 2009 after giving effect to the issuance of \$100 million Series 2 Shares as if this transaction had occurred on January 1, 2008 and July 1, 2008, respectively.

After giving effect to such issuance and assuming the declaration of dividends, the interest requirements and indirect dividend obligations for the Partnership, adjusted to a before tax equivalent using an effective income tax rate of 31.0%, amounted to \$39.0 million and \$18.9 million, respectively, for the 12-month period ended December 31, 2008 and \$41.4 million and \$18.9 million, respectively, for the 12-month period ended June 30, 2009. The consolidated loss of the Partnership for the 12-month period ended December 31, 2008 before interest on long-term debt and income taxes amounted to \$60.4 million. The consolidated earnings coverage ratio of the Partnership for the 12-month period ended December 31, 2008 after giving effect to the issuance of the Series 2 Shares is less than one-to-one being -1.0. Additional earnings before interest and taxes of \$118.3 million would be required to achieve a one-to-one earnings coverage ratio for the 12 month period ended December 31, 2008. The consolidated loss of the Partnership for the 12-month period ended June 30, 2009 before interest on long-term debt and income taxes amounted to \$228.1 million. The consolidated earnings coverage ratio of the Partnership for the 12-month period ended June 30, 2009 after giving effect to the issuance of the Series 2 Shares is less than one-to-one being -3.8. Additional earnings before interest and taxes of \$288.4 million would be required to achieve a one-to-one earnings coverage ratio for the 12 month period ended June 30, 2009.

## **EARNINGS COVERAGE RATIO OF THE CORPORATION**

The following consolidated earnings coverage ratios are calculated for the 12-month periods ended December 31, 2008 and June 30, 2009 giving effect to the issuance of \$100 million Series 2 Shares as if this transaction had occurred on January 1, 2008 and July 1, 2008, respectively.

After giving effect to such issuance and assuming the declaration of dividends, the interest requirements and dividend obligations for the Corporation, adjusted to a before-tax equivalent using an effective income tax rate of 31.0%, amounted to \$33.8 million and \$18.9 million, respectively, for the 12-month period ended December 31, 2008 and \$38.0 million and \$18.9 million, respectively, for the 12-month period ended June 30, 2009. The consolidated loss of the Corporation for the 12-month period ended December 31, 2008 before interest on long-term debt and income taxes amounted to \$47.8 million. The consolidated earnings coverage ratio of the Corporation for the 12-month period ended December 31, 2008 after giving effect to the issuance of the Series 2 Shares is less than one-to-one being -0.9. Additional earnings before interest on long-term debt and income taxes of \$100.5 million would be required to achieve a one-to-one earnings coverage ratio. The consolidated loss of the Corporation for the 12-month period ended June 30, 2009 before interest on long-term debt and income taxes amounted to \$22.9 million. The consolidated earnings coverage ratio of the Corporation for the 12-month period ended June 30, 2009 after giving effect to the issuance of the Series 2 Shares is less than one-to-one being -0.4. Additional earnings before interest on long-term debt and income taxes of \$79.8 million would be required to achieve a one-to-one earnings coverage ratio. Earnings before interest on long-term debt and income taxes is net of non-cash depreciation expense of \$51.5 million and \$54.1 million for the 12-month periods ended December 31, 2008 and June 30, 2009, respectively.

## **RATINGS**

The Series 2 Shares have been given a Canadian scale preliminary rating of P-2 (low) by S&P. Such P-2 (low) rating is the sixth highest of eighteen ratings used by S&P in its Canadian preferred share rating scale. According to S&P, a P-2 (low) rating indicates that, although the obligation is considered to exhibit adequate protection parameters, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation.

The Series 2 Shares have been given a rating of Pfd-3 with a negative trend by DBRS. The Pfd-3 rating is the third highest of six rating categories used by DBRS for preferred shares. According to DBRS, preferred shares rated Pfd-3 are of adequate credit quality and, while protection of dividends and principal is still considered acceptable for such preferred shares, the issuing entity of preferred shares with a Pfd-3 rating is considered to be

more susceptible to adverse changes in financial and economic conditions, and there may be other adverse conditions present which detract from debt protection. 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.

S&P has assigned the Partnership a stability rating of SR-2, which is the second highest rating of seven categories and indicates that the Partnership has a very high level of stability of distributable cash flow generation relative to other rated Canadian income funds. DBRS has assigned the Partnership a stability rating of STA-2 (low). STA-2 is the second highest of seven categories in DBRS's rating system for income fund stability. DBRS further subcategorizes each rating category by the designation "high", "middle" and "low" to indicate where an entity falls within the rating category. According to DBRS, income funds rated STA-2 have very good distributions per unit stability and sustainability, exhibit performance that is only slightly below the STA-1 category, typically show above-average strength in areas of consideration, and possess levels of distributable income per unit that are not likely to be significantly negatively affected by foreseeable events. According to DBRS, income funds rated STA-2 are above average in many, if not most, areas of consideration.

S&P has assigned each of the Partnership and the Corporation a credit rating of BBB+ with a negative outlook. The "BBB" rating is the fourth highest rating out of 10 rating categories for S&P's long term issuer credit ratings. According to S&P, an obligor rated "BBB" has adequate capacity to meet its financial commitments. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitments. The addition of a plus (+) or minus (-) sign shows the relative standing within the major rating categories. The negative outlook highlights the potential that the long-term rating may be lowered. DBRS has assigned the Partnership's long term debt a credit rating of BBB(high) with a negative trend. This rating is DBRS' fourth highest of 10 categories. Long-term debt rated "BBB" by DBRS is of adequate credit quality. According to DBRS, protection of interest and principal is considered acceptable, but the entity is fairly susceptible to adverse changes in financial and economic conditions, or there may be other adverse conditions present which reduce the strength of the entity and its rated securities. The assignment of a "high" or "low" modifier indicates the relative standing within the rating 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*".

## **MARKET FOR SECURITIES**

The Units and the Series 1 Shares are listed for trading on the TSX under the symbols "EP.UN" and "EPP.PR.A", respectively.

### **Trading price and volume**

The following tables show the monthly range of high and low prices per Unit and Series 1 Share at the close of market, as well as total monthly volumes and average daily volumes of Units and Series 1 Shares traded on the TSX for the 12-month period before the date of this short form prospectus.

*Units*

<b>Month</b>	<b>Price per Unit (\$)</b>		<b>Units Total Monthly Volume</b>	<b>Units Average Daily Volume</b>
	<b>Monthly High</b>	<b>Monthly Low</b>		
2008				
October	20.65	16.19	1,870,586	85,027
November	20.30	17.24	1,576,282	78,814
December	18.40	15.50	1,673,911	79,710
2009				
January	18.98	17.05	1,062,885	50,614
February	17.72	15.20	910,665	47,930
March	16.25	12.90	1,344,236	61,102
April	13.98	11.70	2,553,199	121,581
May	13.74	11.65	2,942,413	147,121
June	16.21	12.80	3,667,280	166,695
July	15.50	13.62	1,582,839	71,947
August	16.30	14.68	1,217,997	60,900
September	15.97	15.02	1,461,185	69,580
October 1-20	15.29	13.90	1,411,012	108,539

*Series 1 Shares*

<b>Month</b>	<b>Price per Share (\$)</b>		<b>Shares Total Monthly Volume</b>	<b>Shares Average Daily Volume</b>
	<b>Monthly High</b>	<b>Monthly Low</b>		
2008				
October	17.40	14.40	335,592	15,254
November	15.95	13.40	124,401	6,220
December	14.50	12.20	214,898	10,233
2009				
January	15.00	14.64	205,044	9,764
February	15.00	14.45	132,411	6,969
March	14.70	13.30	94,157	4,280
April	15.98	13.50	251,057	11,955
May	17.64	15.12	190,259	9,513
June	18.74	16.50	124,349	5,652
July	18.45	16.87	184,268	8,376
August	19.74	17.95	89,684	4,484
September	18.74	17.40	125,983	5,999
October 1-20	17.94	16.80	87,918	6,763

## DESCRIPTION OF SHARE CAPITAL

The Corporation is authorized to issue an unlimited number of Common Shares and an unlimited number of Preferred Shares issuable in series, of which up to 5,750,000 Series 1 Shares have been authorized for issuance. Prior to the issuance of the Series 2 Shares, the articles of incorporation of the Corporation will be amended to create the Series 2 Shares and the Series 3 Shares as additional series of Preferred Shares. The following is a summary of the rights, privileges, restrictions and conditions attached to the Common Shares and the Series 1 Shares.

### Common Shares

Holder of Common Shares are entitled to one vote for each such share held on all votes taken at meetings of the shareholders of the Corporation, except meetings at which only the holders of a specified class or series of shares of the Corporation are entitled to vote. As of October 21, 2009, 221,000,000 Common Shares were issued and outstanding, all of which are directly held by the Partnership. Subject to the rights of holders of Preferred Shares or any series thereof, and other shares of the Corporation ranking prior to the Common Shares, the holders of Common Shares are entitled to dividends as may be declared from time to time by the Board of Directors and, upon the dissolution or winding-up of the Corporation, to receive the remaining property of the Corporation.

### Series 1 Shares

As of October 21, 2009, 5,000,000 Series 1 Shares were issued and outstanding. The holders of the Series 1 Shares are entitled to receive fixed cumulative preferential cash dividends, if, as and when declared by the Board of Directors of the Corporation, in an amount equal to \$1.2125 per Series 1 Share per annum, which accrues from and including the date of original issue, payable quarterly on the last business day of March, June, September and December of each year. Except as required by law and in certain limited circumstances where the Corporation has failed to pay eight quarterly dividends on the Series 1 Shares, the holders of Series 1 Shares are not entitled to vote at any meeting of shareholders of the Corporation. On the liquidation, dissolution or winding-up of the Corporation, subject to the satisfaction of claims of creditors and holders of shares of the Corporation ranking senior to the Series 1 Shares, holders of Series 1 Shares are entitled to receive a fixed amount of \$25.00 per share, plus accrued and unpaid dividends (less any tax required to be deducted and withheld by the Corporation).

The Series 1 Shares are fully and unconditionally guaranteed by the Partnership on a subordinated basis as to (i) payment of dividends, as and when declared, (ii) payment of amounts due on redemption of the Series 1 Shares, and (iii) payment of amounts due on liquidation, dissolution or winding up of the Corporation. The obligations of the Partnership under the guarantee constitute direct, unsecured, subordinated and known obligations of the Partnership, which obligations are to be paid and settled before distributions are to be made by the Partnership of any of its remaining assets among its unitholders. As long as the declaration or payment of dividends on the Series 1 Shares are in arrears, the Partnership will not make any distributions on the Units or make any distributions or pay any dividends on securities of any successor entity to the Partnership. The guarantee by the Partnership is subordinated to all of the senior and subordinated debt of the Partnership and ranks senior to the Units. In addition, should the Partnership convert to a corporation, any preferred shares issued by any successor entity will rank *pari passu* or junior to the guarantee.

On and after June 30, 2012, the Corporation may, at its option, upon not less than 30 days and not more than 60 days prior written notice, redeem for cash the Series 1 Shares, in whole at any time or in part from time to time, upon payment of the redemption price specified below. Such redemption may be made upon payment in cash of \$26.00 per Series 1 Share if redeemed on or after June 30, 2012, but before June 30, 2013, \$25.75 per Series 1 Share if redeemed on or after June 30, 2013, but before June 30, 2014, \$25.50 per Series 1 Share if redeemed on or after June 30, 2014, but before June 30, 2015, \$25.25 per Series 1 Share if redeemed on or after June 30, 2015, but before June 30, 2016 and \$25.00 per Series 1 Share thereafter, plus, in each case, all accrued and unpaid dividends up to but excluding the date fixed for redemption (less any tax required to be deducted and withheld by the Corporation).

## DETAILS OF THE OFFERING

The following is a summary of the material rights, privileges, restrictions and conditions of the Series 2 Shares and the Series 3 Shares that will be set forth in the articles of incorporation of the Corporation once amended to create the Series 2 Shares and the Series 3 Shares. Copies of the articles of amendment of the Corporation pursuant to which the Series 2 Shares and the Series 3 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 Preferred Shares as a Class

#### *Issuance in Series*

The Board of Directors may at any time and from time to time issue Preferred Shares in one or more series. Prior to issuing Preferred 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 Preferred 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 Preferred Shares of each series (including the Series 1 Shares, Series 2 Shares and the Series 3 Shares) rank on a parity with the Preferred Shares of every other series and in priority to the Common Shares and the shares of any other class ranking junior to the Preferred Shares.

#### *Voting Rights*

The holders of Preferred 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 *Business Corporations Act* (Alberta), 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 Preferred Shares. Under the *Business Corporations Act* (Alberta), the holders of Preferred 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 *Business Corporations Act* (Alberta), 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 Preferred Shares as a class, the holders of existing series of Preferred Shares which are outstanding are entitled to one vote in respect of each Preferred Share held. In addition, the rights, privileges, restrictions and conditions attached to a series of Preferred 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 Preferred Shares as a class may only be amended with the prior approval of the holders of the Preferred Shares in addition to any other approvals required by law or court order. The approval of the holders of the Preferred Shares to any matter referred to in the Preferred Share class provisions may be given by a resolution passed by an affirmative vote of at least two-thirds of the votes cast at a meeting of the holders of the Preferred Shares duly called and held for that purpose at which the holders of at least 10% of the outstanding Preferred 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 Preferred Shares then present would form the necessary quorum.

## **Provisions Unique to the Series 2 Shares as a Series**

### ***Defined Terms***

The following definitions are relevant to the Series 2 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 4.18%.

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

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

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

**"Initial Fixed Rate Period"** means the period from and including the closing date of this Offering to, but excluding, December 31, 2014.

**"Subsequent Fixed Rate Period"** means the period from and including December 31, 2014 to, but excluding, December 31, 2019 and each five year period thereafter from and including the day immediately following the end of the immediately preceding Subsequent Fixed Rate Period to, but excluding, December 31 in the fifth year thereafter.

### ***Issue Price***

The issue price per Series 2 Share is \$25.00.

### ***Dividends***

During the Initial Fixed Rate Period, the holders of Series 2 Shares will be entitled to receive fixed, cumulative, preferential cash dividends, if, as and when declared by the Board of Directors, payable quarterly on the last business day of each of March, June, September and December in each year at a rate per annum of 7.00%, or \$1.75 per Series 2 Share per annum. Assuming an issue date of November 2, 2009, the first such dividend, if declared, will be paid on December 31, 2009 in the amount of \$0.28288 per share.

During each Subsequent Fixed Rate Period, the holders of the Series 2 Shares will be entitled to receive fixed cumulative preferential cash dividends if, as and when declared by the Board of Directors payable quarterly on the last business day of each of March, June, September and December in each year, in an amount per share per annum determined by multiplying the Annual Fixed Dividend Rate applicable to such Subsequent Fixed Rate Period by \$25.00.

The Corporation will determine the Annual Fixed Dividend Rate applicable to a Subsequent Fixed Rate Period on the Fixed Rate Calculation Date. Such determination will, in the absence of manifest error, be final and

binding upon the Corporation and upon all holders of Series 2 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 2 Shares.

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

### ***Redemption of Series 2 Shares***

The Series 2 Shares will not be redeemable prior to December 31, 2014. Subject to the provisions described below under "*Provisions Common to the Series 2 Shares and the Series 3 Shares – Restrictions on Dividends and Retirement of Shares*", on December 31, 2014 and on each December 31 every fifth year thereafter, the Corporation may redeem all or any number of the outstanding Series 2 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 2 Shares do not have a fixed maturity date and are not redeemable at the option of the holders of Series 2 Shares. See "*Risk Factors*".

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

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

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

### ***Conversion of Series 2 Shares into Series 3 Shares***

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

Holders of Series 2 Shares will have the right, at their option, on December 31, 2014 (the "**Initial Series 2 Conversion Date**") and on December 31 every fifth year thereafter (each such date, together with the Initial Series 2 Conversion Date, a "**Series 2 Conversion Date**"), to convert, subject to the automatic conversion and restrictions on conversion described below and the payment or delivery to the Corporation of evidence of payment of the tax (if any) payable, all or any of their Series 2 Shares registered in their name into Series 3 Shares on the basis of one Series 3 Share for each Series 2 Share converted. Notice of a holder's election (each notice, an "**Election Notice**") to convert Series 2 Shares must be received by the Corporation not earlier than the 30th day and not later than 5:00 p.m. (Toronto time) on the 15th day preceding the applicable Series 2 Conversion Date. An Election Notice is irrevocable once received by the Corporation. If the Corporation does not receive an Election Notice within the specified time, the Series 2 Shares shall be deemed not to have been converted (subject to automatic conversion described below).

The Corporation will, not more than 60 and not less than 30 days prior to each Series 2 Conversion Date, give notice in writing to the then registered holders of the Series 2 Shares of the Series 2 Conversion Date and a form of Election Notice. On the 30th day prior to each Series 2 Conversion Date, the Corporation will give notice in writing to the then registered holders of the Series 2 Shares of the Annual Fixed Dividend Rate for the next Subsequent Fixed Rate Period and the Floating Quarterly Dividend Rate (as defined below) applicable to the Series 3 Shares for the next Quarterly Floating Rate Period (as defined below).

Upon exercise by a registered holder of its right to convert Series 2 Shares into Series 3 Shares (and upon an automatic conversion), the Corporation reserves the right not to deliver Series 3 Shares to any person whose

address is in, or whom the Corporation or its transfer agent has reason to believe is a resident of, any jurisdiction outside Canada, to the extent that such issue would require the Corporation to take any action to comply with the securities or analogous laws of such jurisdiction.

### **Automatic Conversion and Restrictions on Conversion**

If the Corporation determines that there would remain outstanding on a Series 2 Conversion Date, including the Initial Series 2 Conversion Date, less than 1,000,000 Series 2 Shares, after having taken into account all Election Notices in respect of Series 2 Shares tendered for conversion into Series 3 Shares and all Election Notices in respect of Series 3 Shares tendered for conversion into Series 2 Shares in each case received by the Corporation during the time fixed therefor, then, all, but not part, of the remaining outstanding Series 2 Shares will automatically be converted into Series 3 Shares on the basis of one Series 3 Share for each Series 2 Share on the applicable Series 2 Conversion Date. The Corporation will give notice in writing of the automatic conversion to all registered holders of the Series 2 Shares at least seven days prior to the Series 2 Conversion Date.

Furthermore, holders of Series 2 Shares will not be entitled to convert their shares into Series 3 Shares if the Corporation determines that there would remain outstanding on a Series 2 Conversion Date, including the Initial Series 2 Conversion Date, less than 1,000,000 Series 3 Shares after having taken into account all Election Notices in respect of Series 2 Shares tendered for conversion into Series 3 Shares and all Election Notices in respect of Series 3 Shares tendered for conversion into Series 2 Shares in each case received by the Corporation during the time fixed therefor. The Corporation will give notice in writing of the inability to convert Series 2 Shares to all registered holders of the Series 2 Shares at least seven days prior to the applicable Series 2 Conversion Date.

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

### **Provisions Unique to the Series 3 Shares as a Series**

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

The following definitions are relevant to the Series 3 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 4.18% per annum (calculated on the basis of the actual number of days in such Quarterly Floating Rate Period divided by 365).

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

***"Quarterly Commencement Date"*** means the last day of March, June, September and December in each year, commencing December 31, 2014.

***"Quarterly Floating Rate Period"*** means the period from and including December 31, 2014 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.

### ***Issue Price***

In the event of a conversion of a Series 2 Share to a Series 3 Share the amount to be deducted from the stated capital account maintained for the Series 2 Shares and added to the stated capital account maintained for the Series 3 Shares will be \$25.00 per share so converted.

### ***Dividends***

The holders of Series 3 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 3 Shares.

Payments of dividends and other amounts in respect of the Series 3 Shares will be made by the Corporation to CDS, or its nominee, as the case may be, as registered holder of the Series 3 Shares. As long as CDS, or its nominee, is the registered holder of the Series 3 Shares, CDS, or its nominee, as the case may be, will be considered the sole owner of the Series 3 Shares for the purposes of receiving payment on the Series 3 Shares.

### ***Redemption of Series 3 Shares***

Subject to the provisions described below under "*Provisions Common to the Series 2 Shares and the Series 3 Shares – Restrictions on Dividends and Retirement of Shares*", on December 31, 2019 and on each Series 3 Conversion Date (as defined below) thereafter, the Corporation may redeem all or any number of the outstanding Series 3 Shares, at the Corporation's option, by the payment of an amount in cash of \$25.00 per share together with all declared and unpaid dividends to, but excluding, the date fixed for redemption (less tax, if any, required to be deducted and withheld).

On any date after December 31, 2014 that is not a Series 3 Conversion Date, the Corporation may redeem all or any number of the outstanding Series 3 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 3 Shares do not have a fixed maturity date and are not redeemable at the option of the holders of Series 3 Shares. See "*Risk Factors*".

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

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

Where a part only of the outstanding Series 3 Shares is at any time to be redeemed, the Series 3 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 3 Shares into Series 2 Shares***

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

Holders of Series 3 Shares will have the right, at their option, on December 31, 2019 and on December 31 every fifth year thereafter (each such date a "**Series 3 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 3 Shares into Series 2 Shares on the basis of one Series 2 Share for each Series 3 Share converted. A holder's Election Notice to convert Series 3 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 3 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 3 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 3 Conversion Date, give notice in writing to the then registered holders of the Series 3 Shares of the Series 3 Conversion Date and a form of Election Notice. On the 30th day prior to each Series 3 Conversion Date, the Corporation will give notice in writing to the then registered holders of the Series 3 Shares of the Floating Quarterly Dividend Rate for the next Quarterly Floating Rate Period and the Annual Fixed Dividend Rate applicable to the Series 2 Shares for the next Subsequent Fixed Rate Period.

Upon exercise by a registered holder of its right to convert Series 3 Shares into Series 2 Shares (and upon an automatic conversion), the Corporation reserves the right not to deliver Series 2 Shares to any person whose address is in, or whom the Corporation or its transfer agent has reason to believe is a resident of, any jurisdiction outside Canada, to the extent that such issue would require the Corporation to take any action to comply with the securities or analogous laws of such jurisdiction.

#### **Automatic Conversion and Restrictions on Conversion**

If the Corporation determines that there would remain outstanding on a Series 3 Conversion Date less than 1,000,000 Series 3 Shares, after having taken into account all Election Notices in respect of Series 3 Shares tendered for conversion into Series 2 Shares and all Election Notices in respect of Series 2 Shares tendered for conversion into Series 3 Shares, in each case received by the Corporation during the time fixed therefor, then, all, but not part, of the remaining outstanding Series 3 Shares will automatically be converted into Series 2 Shares on the basis of one Series 2 Share for each Series 3 Share on the applicable Series 3 Conversion Date. The Corporation will give notice in writing of the automatic conversion to all registered holders of the Series 3 Shares at least seven days prior to the Series 3 Conversion Date.

Furthermore, holders of Series 3 Shares will not be entitled to convert their shares into Series 2 Shares if the Corporation determines that there would remain outstanding on a Series 3 Conversion Date less than 1,000,000 Series 2 Shares after having taken into account all Election Notices in respect of Series 3 Shares tendered for conversion into Series 2 Shares and all Election Notices in respect of Series 2 Shares tendered for conversion into Series 3 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 3 Shares to all registered holders of the Series 3 Shares at least seven days prior to the applicable Series 3 Conversion Date.

If the Corporation gives notice to registered holders of the Series 3 Shares of the redemption of all outstanding Series 3 Shares, the Corporation will not be required to give notice as provided hereunder to the registered holders of the Series 3 Shares of any dividend rates or of the conversion right of holders of Series 3 Shares and the right of any holder of Series 3 Shares to convert such shares will terminate.

#### **Provisions Common to the Series 2 Shares and the Series 3 Shares**

##### ***Partnership Guarantee***

Each Series 2 Share and Series 3 Share will be fully and unconditionally guaranteed by the Partnership on a subordinated basis as to (i) the payment of dividends, as and when declared, (ii) the payment of the redemption price (and all declared and unpaid dividends thereon to but excluding the date fixed for redemption) on a redemption of the Series 2 Shares or Series 3 Shares for cash, and (iii) the payment of the amounts due in the event of the liquidation, dissolution and winding up, whether voluntary or involuntary, of the Corporation (the "**Guarantee**"). The obligations of the Partnership under the Guarantee will constitute direct, unsecured, subordinated and known obligations of the Partnership, which obligations are to be paid and settled before distributions are to be made by the

Partnership of any of its remaining assets among its unitholders. As long as the declaration or payment of dividends on the Series 2 Shares or Series 3 Shares are in arrears, the Partnership will not make any distributions on the Units or make any distributions or pay any dividends on securities of any successor entity to the Partnership. The Guarantee will be subordinated to all of the senior and subordinated debt of the Partnership and will rank senior to the Units. The Guarantee will rank on a pro rata and *pari passu* basis with the obligations of the Partnership under the guarantee provided by the Partnership in respect of the Series 1 Shares, and under similar guarantees that may be provided by the Partnership in respect of other Preferred Shares. See "*Description of Share Capital – Series 1 Shares*". In addition, should the Partnership convert to a corporation, any preferred shares issued by any successor entity will rank *pari passu* or junior to the Guarantee.

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

Subject to applicable law and the provisions described under "*Details of the Offering – Provisions Common to the Series 2 Shares and the Series 3 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 2 Shares or Series 3 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 2 Shares or Series 3 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 2 Shares and the Series 3 Shares, the holders of Series 2 Shares and Series 3 Shares will be entitled to payment of an amount equal to \$25.00 per Series 2 Share or Series 3 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 2 Shares and the Series 3 Shares. After payment of such amounts, the holders of Series 2 Shares and Series 3 Shares will not be entitled to share in any further distribution of the assets of the Corporation.

The payment of amounts to the holders of the Series 2 Shares and Series 3 Shares upon the liquidation, dissolution and winding-up of the Corporation will be fully and unconditionally guaranteed by the Partnership. See "*Partnership Guarantee*".

#### ***Restrictions on Dividends and Retirement of Shares***

So long as any of the Series 2 Shares or Series 3 Shares are outstanding, the Corporation will not, without the approval of the holders of the Series 2 Shares or Series 3 Shares given as described under "*Details of the Offering – Provisions Common to the Series 2 Shares and the Series 3 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 2 Shares or Series 3 Shares (other than stock dividends payable in shares of the Corporation ranking as to dividends and capital junior to the Series 2 Shares or Series 3 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 2 Shares or Series 3 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 2 Shares or Series 3 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 2 Shares or Series 3 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 2 Shares or Series 3 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 Preferred Shares, ranking as to dividends or capital on a parity with the Series 2 Shares or Series 3 Shares; or
- (e) issue any additional Series 2 Shares or Series 3 Shares or any shares ranking as to the payment of dividends or capital prior to or on parity with the Series 2 Shares or Series 3 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 2 Shares or Series 3 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 Preferred Shares as a class, the holders of the Series 2 Shares or Series 3 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 2 Shares or Series 3 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 2 Shares or Series 3 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 2 Shares or Series 3 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 2 Shares or Series 3 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 2 Shares or Series 3 Shares shall be entitled to voting rights attached to Preferred Shares as a class. See "*Details of the Offering - Description of the Preferred Shares as a Class - Voting Rights*". In such circumstances (except in the case of a dissolution), holders of Series 2 Shares or Series 3 Shares, as appropriate, will be entitled to vote separately as a series if the Series 2 Shares or Series 3 Shares, as appropriate, are affected in a manner different from other series of Preferred Shares.

### ***Modification of Series***

The approval of all amendments to the rights, privileges, restrictions and conditions attaching to the Series 2 Shares and the Series 3 Shares as a series and any other approval to be given by the holders of the Series 2 Shares or Series 3 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 2 Shares or Series 3 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 2 Shares or Series 3 Shares, as applicable, then present would form the necessary quorum. At any meeting of holders of Series 2 Shares or Series 3 Shares as a series, each such holder shall be entitled to one vote in respect of each Series 2 Share or Series 3 Share, as applicable, held.

### ***Tax Election***

The Series 2 Shares and the Series 3 Shares will be "taxable preferred shares" as defined in the *Income Tax Act* (Canada) (the "**Tax Act**") for purposes of the tax under Part IV.1 of the Tax Act applicable to certain corporate holders of such shares. The Corporation will take any required actions, which may include the filing of the necessary election under Part VI.1 of the Tax Act, to ensure that holders that are corporations will not be subject to tax under Part IV.1 of the Tax Act on dividends received (or deemed to be received) by such holder on the Series 2 Shares or Series 3 Shares. The terms of the Series 2 Shares and the Series 3 Shares allow 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 2 Shares and Series 3 Shares. See "*Certain Canadian Federal Income Tax Considerations*".

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

If any action or payment is required to be taken or paid by the Corporation or any matter, consequence or other thing is provided to occur, in respect of the Series 2 Shares or the Series 3 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.

## **RISK FACTORS**

An investment in the Series 2 Shares or Series 3 Shares is subject to a number of risks. Investors should consider carefully before investing in the Series 2 Shares or Series 3 Shares the risks described below as well as the other information in this short form prospectus and the documents incorporated by reference herein, including, without limitation, the risk factors described in the AIF of the Partnership at pages 22 to 29 and in the MD&A of the Partnership for the year ended December 31, 2008 at pages 39 to 49 and in the Interim MD&A of the Partnership for the period ended June 30, 2009 at pages 21 to 22.

### **Credit Rating**

The credit ratings applied to the Series 2 Shares are an assessment, by the rating agencies, of the Corporation's ability to pay its obligations. The credit ratings are based on certain assumptions about the future performance and capital structure of the Corporation or the Partnership, that may or may not reflect the actual performance or capital structure of the Corporation or the Partnership. Changes in credit ratings of the Series 2 Shares or Series 3 Shares may affect the market price or value and the liquidity of the Series 2 Shares or Series 3 Shares. There is no assurance that any credit rating assigned to the Series 2 Shares or Series 3 Shares will remain in effect for any given period of time or that any rating will not be lowered or withdrawn entirely by the relevant rating agency.

### **The Corporation's ability to meet its financial obligations is dependent on receipt of funds from its principal subsidiaries 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 interest and to meet its obligations depends to a significant extent upon receipt of sufficient funds from its principal subsidiaries, the amount of intercompany debt between the Corporation and its subsidiaries, the returns generated by its investments (including by way of interest and dividends thereon received and the proceeds of disposition thereof), its ability to raise additional capital and the value of its underlying business and assets, being the U.S. operating entities which carry on a portion of the Partnership's power generation business. Accordingly, the likelihood that holders of the Series 2 Shares or Series 3 Shares will receive dividends will depend to a significant extent upon the financial position and creditworthiness of the principal subsidiaries and affiliates of the Corporation, including the Partnership. The payment of interest and dividends by certain of these principal subsidiaries or investee entities to the Corporation is also subject to restrictions set forth in certain laws and regulations which require that solvency and capital standards be maintained by such companies. As disclosed under the heading "*Earnings Coverage Ratio of the Corporation*", the Corporation's earnings coverage ratio for the 12

month periods ended December 31, 2008 and June 30, 2009 is less than one to one. As disclosed under the heading "*Earnings Coverage Ratio of the Partnership*", the Partnership's earnings coverage ratio for the 12 month periods ended December 31, 2008 and June 30, 2009 is less than one-to-one. Should the value of the underlying assets of the Corporation 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 2 Shares and the Series 3 Shares or upon liquidation, dissolution or winding up of the Corporation, subject to the ability of the Partnership to pay such amounts under the Guarantee. See "*Details of the Offering – Provisions Common to the Series 2 Shares and the Series 3 Shares – Partnership Guarantee*", "*Earnings Coverage Ratio of the Partnership*", and "*Earnings Coverage Ratio of the Corporation*".

#### **Declaration of Payment of Dividends**

Holders of Series 2 Shares and Series 3 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*".

#### **Limitations and Restrictions under the Guarantee**

Although the Series 2 Shares and Series 3 Shares carry cumulative dividends, the Corporation may not be in a position pursuant to law to declare and pay such dividends as contemplated in this short form prospectus. While the payment of such dividends has been guaranteed by the Partnership, such Guarantee only becomes exercisable when such dividends are declared by the Board of Directors of the Corporation or, upon the redemption of the Series 2 Shares or Series 3 Shares or upon the liquidation, dissolution or winding-up of the Corporation.

Payment under the Guarantee will also depend, to some extent, on the receipt by the Partnership of sufficient funds from its indirect subsidiaries, including the Corporation and its operating subsidiaries.

The Partnership has agreed pursuant to the Guarantee that, as long as dividends on Series 2 Shares or Series 3 Shares are in arrears, the Partnership will not make any distributions on the Units or pay any dividends on shares of any successor entity to the Partnership. A failure by the Partnership to pay such distributions or dividends may have an adverse effect on the Partnership, the Corporation and the market values of the Units, Series 2 Shares or Series 3 Shares.

#### **There is currently no trading market for the Series 2 Shares or Series 3 Shares**

There is currently no trading market for the Series 2 Shares or Series 3 Shares. No assurance can be given that an active or liquid trading market for the Series 2 Shares or Series 3 Shares will develop or be sustained. If an active or liquid market for the Series 2 Shares or Series 3 Shares fails to develop or be sustained, the prices at which the Series 2 Shares or Series 3 Shares trade may be adversely affected.

#### **The market value of Series 2 Shares and Series 3 Shares will be affected by a number of factors and, accordingly, its trading price will fluctuate**

The value of Series 2 Shares and Series 3 Shares will be affected by the general creditworthiness of the Corporation and the Partnership. The MD&A and the Interim MD&A of the Partnership are incorporated by reference in this short form prospectus. These analyses discuss, among other things, known material trends and events, and risks or uncertainties that are reasonably expected to have a material effect on the business, financial condition or results of operations of the Corporation and of the Partnership. See also the discussion under "*Earnings Coverage Ratio of the Partnership*" and "*Earnings Coverage Ratio of the Corporation*", which are relevant to an

assessment of the risk that the Corporation will be unable to pay dividends on the Series 2 Shares and Series 3 Shares or that the Partnership will be unable to pay under the Guarantee.

The market value of the Series 2 Shares and Series 3 Shares, as with other preferred shares, is primarily affected by changes (actual or anticipated) in prevailing interest rates and in the credit rating assigned to such shares. Real or anticipated changes in credit ratings on the Series 2 Shares or Series 3 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 2 Shares and Series 3 Shares. Assuming all other factors remain unchanged, the market value of the Series 2 Shares and Series 3 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 2 Shares and Series 3 Shares may also depend on the market price of the Units. It is impossible to predict whether the price of the Units will rise or fall. Trading prices of the Units will be influenced by the Partnership's financial results and by complex and interrelated political, economic, financial and other factors that can affect the capital markets generally, the stock exchanges on which the Units are traded and the market segment of which the Partnership is a part.

#### **Creditors of the Corporation rank ahead of holders of Series 2 Shares and Series 3 Shares in the event of an insolvency or winding-up of the Corporation**

The Series 2 Shares and Series 3 Shares will rank equally with other Preferred 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, including inter-company debt and amounts, if any, owing by the Corporation under such guarantees, before payments may be made on Series 2 Shares and Series 3 Shares and other Preferred Shares. See "*Consolidated Capitalization*".

#### **The dividend rates on the Series 2 Shares and Series 3 Shares will reset**

The dividend rate for Series 2 Shares and Series 3 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 3 Shares, given their floating interest component, entail risks not associated with investments in the Series 2 Shares. The resetting of the applicable rate on a Series 3 Share may result in a lower yield compared to fixed rate Series 2 Shares. The applicable rate on a Series 3 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 2 Shares and Series 3 Shares may be converted or redeemed without the holders' consent in certain circumstances**

The Series 2 Shares and Series 3 Shares may be redeemed by the Corporation in certain circumstances without the holders' consent. In addition, an investment in the Series 2 Shares may become an investment in Series 3 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 2 Shares into Series 3 Shares, the dividend rate on the Series 3 Shares will be a floating rate that is adjusted quarterly by reference to the T-Bill Rate which may vary from time to time. In addition, a holder may be prevented from converting their Series 2 Shares into Series 3 Shares, and vice versa, in certain circumstances. See "*Details of the Offering*".

## **Neither the Series 2 Shares nor the Series 3 Shares have a fixed redemption date**

Neither the Series 2 Shares nor the Series 3 Shares have a fixed redemption date, nor are such shares retractable at the option of the holders thereof. The ability of a holder to liquidate its holdings of such shares may be limited. The Corporation's ability to meet its financial obligations is dependent on receipt of funds from its principal subsidiaries and its ability to raise additional capital. See "*Details of the Offering*" and "*Risk Factors – The Corporation's ability to meet its financial obligations is dependent on receipt of funds from its principal subsidiaries and the value of its underlying business and assets*".

## **No Voting Rights**

Holders of Series 2 Shares and Series 3 Shares will generally not have voting rights at meetings of the shareholders of the Corporation except under limited circumstances. Holders of Series 2 Shares and Series 3 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*".

## **Conflicts of Interest**

The Partnership owns all of the issued and outstanding Common Shares of the Corporation. Certain of the officers of the General Partner are officers and directors of the Corporation. As a result of these relationships, the potential for conflicts of interest may arise, including in dealings with the General Partner and the Partnership. Members of the board of directors of the Corporation who are officers or directors of the General Partner must declare their interest in such transactions and refrain from voting on these transactions.

## **RELATIONSHIP AMONG THE CORPORATION AND CERTAIN UNDERWRITERS**

BMO Nesbitt Burns Inc., RBC Dominion Securities Inc. and TD Securities Inc. are each, directly or indirectly, wholly-owned or majority-owned subsidiaries of Canadian chartered banks which are lenders to the Partnership under three revolving credit facilities (the "**Revolving Credit Facilities**"). As at June 30, 2009, approximately \$119.9 million was owed under the Revolving Credit Facilities.

RBC Dominion Securities Inc. is, directly or indirectly, a wholly-owned or majority-owned subsidiary of a Canadian chartered bank which is a lender to the Partnership under a \$20 million demand credit facility (the "**Demand Credit Facility**" and, together with the Revolving Credit Facilities, the "**Credit Facilities**"). As at June 30, 2009, nil was owed under the Demand Credit Facility.

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

The Partnership owns all of the issued and outstanding Common Shares of the Corporation. As a consequence of the relationship among such Underwriters, the lenders under the Credit Facilities and the Partnership, the Corporation may be considered to be a "connected issuer" of each such Underwriter under applicable securities legislation in certain provinces.

The Partnership is in compliance with the terms of the agreements governing the Credit Facilities and none of the lenders has waived any breach by the Partnership of such agreements since their execution. The financial position of the Partnership has not changed substantially and adversely since the indebtedness under the facilities was incurred.

The decision to distribute the Series 2 Shares offered hereby and the determination of the terms of the distribution were made through negotiations primarily amongst the Corporation, the Partnership and CIBC World Markets Inc. and Scotia Capital Inc., on their own behalf and on behalf of the other Underwriters. The lenders under

the Credit Facilities did not have any involvement in such decision or determination, but have been advised of the Offering and the terms thereof. As a consequence of this Offering, each of BMO Nesbitt Burns Inc., RBC Dominion Securities Inc. and TD Securities Inc. will receive its share of the Underwriters' fee. The net proceeds of the Offering will be used to repay, indirectly, a portion of the Credit Facilities. See "*Use of Proceeds*".

## PLAN OF DISTRIBUTION

Pursuant to an underwriting agreement (the "**Underwriting Agreement**") dated October 13, 2009 among the Corporation, the General Partner, on its own behalf and on behalf of the Partnership, and the Underwriters, the Corporation has agreed to issue and sell an aggregate of 4,000,000 Series 2 Shares to the Underwriters, and the Underwriters have severally and not jointly agreed to purchase such Series 2 Shares on November 2, 2009, or on such other date as may be agreed among the parties to the Underwriting Agreement, but in any event, no later than November 30, 2009. Delivery of the Series 2 Shares is conditional upon payment on the Closing Date of \$25.00 per Series 2 Share by the Underwriters to the Corporation. The Underwriting Agreement provides that the Corporation will pay the Underwriters a fee of \$0.25 per Series 2 Share sold to certain institutions and \$0.75 per Series 2 Share with respect to all other sales, in consideration of their services in connection with the Offering.

The obligations of the Underwriters under the Underwriting Agreement are several and not joint and may be terminated at their discretion upon the occurrence of certain stated events. If one or more of the Underwriters fails to purchase its allotment of the Series 2 Shares that it has agreed to purchase, and the number of such Series 2 Shares is less than 10% of the total number of Series 2 Shares being offered, the non-defaulting Underwriters are obligated severally, in their respective proportions, to purchase the Series 2 Shares which such defaulting Underwriter or Underwriters fail to purchase. If one or more of the Underwriters fails to purchase its allotment of the Series 2 Shares and the number of such Series 2 Shares exceeds 10% of the total number of Series 2 Shares being offered, the remaining Underwriters may, but are not obligated to, purchase such Series 2 Shares. The Underwriters are, however, obligated to take up and pay for all Series 2 Shares if any are purchased under the Underwriting Agreement. The Underwriting Agreement also provides that the Corporation, Partnership and the General Partner will indemnify the Underwriters and their directors, officers, agents, shareholders and employees against certain liabilities and expenses.

The Corporation has agreed that, subject to certain exceptions, it will not offer or sell, or announce the issue or sale of, Preferred Shares (including Series 2 Shares or Series 3 Shares) or any securities giving the right to acquire Preferred Shares (including Series 2 Shares or Series 3 Shares) for a period of 90 days following the Closing Date without the consent of the Underwriters, which consent may not be unreasonably withheld or delayed.

**There is currently no market through which the Series 2 Shares or Series 3 Shares may be sold and purchasers may not be able to resell the Series 2 Shares purchased under this short form prospectus or the Series 3 Shares.** See "*Risk Factors*". The TSX has conditionally approved the listing of the Series 2 Shares and Series 3 Shares. Listing is subject to the Corporation fulfilling all of the listing requirements of the TSX on or before January 12, 2010.

The decision to distribute the Series 2 Shares offered hereby and the determination of the terms of the distribution were made through negotiations between the Corporation, the Partnership and CIBC World Markets Inc. and Scotia Capital Inc., on their own behalf and on behalf of the other Underwriters.

The Underwriters propose to offer the Series 2 Shares initially at the offering price specified on the cover page of this short form prospectus. After the Underwriters have made a reasonable effort to sell all of the Series 2 Shares at the price specified on the cover page, 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, and the compensation realized by the Underwriters will be decreased by the amount that the aggregate price paid by purchasers for the Series 2 Shares is less than the price paid by the Underwriters to the Corporation. Any such reduction will not affect the proceeds received by the Corporation.

The Series 2 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 in the United States or to U.S. persons. In addition, the Series 2

Shares may not be offered or sold to any persons who are not residents of Canada or partnerships which are not Canadian partnerships for purposes of the Tax Act.

Pursuant to policy statements of certain securities regulators, the Underwriters may not, throughout the period of distribution, bid for or purchase Series 2 Shares. The policy statements allow certain exceptions to the foregoing prohibitions. The Underwriters may only avail themselves of such exceptions on the condition that the bid or purchase not be engaged in for the purpose of creating actual or apparent active trading in, or raising the price of, the Series 2 Shares. These exceptions include a bid or purchase permitted under the Universal Market Integrity Rules for Canadian Marketplaces of the Investment Industry Regulatory Organization of Canada, 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. Pursuant to the first mentioned exception, in connection with the Offering, the Underwriters may over-allot or effect transactions which stabilize or maintain the market price of the Series 2 Shares at levels other than those which otherwise might prevail on the open market. Such transactions, if commenced, may be discontinued at any time.

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

In the opinion of Fraser Milner Casgrain LLP, counsel to the Corporation, and Macleod Dixon LLP, counsel to the Underwriters, the following is, at the date hereof, a fair summary of the principal Canadian federal income tax considerations generally applicable to a purchaser of Series 2 Shares or Series 3 Shares who acquires such shares pursuant to this short form prospectus (a "**Holder**") and who, at all relevant times, for purposes of the Tax Act, is, or is deemed to be, resident in Canada, holds the Series 2 Shares or Series 3 Shares, as the case may be, as capital property, deals with the Corporation at arm's length and is not affiliated with the Corporation. Generally, the Series 2 Shares and Series 3 Shares will be considered to be capital property to a Holder provided that the Holder does not hold the Series 2 Shares or Series 3 Shares, as the case may be, in the course of carrying on a business and has not acquired them in one or more transactions considered to be an adventure in the nature of trade. Certain Holders who are resident in Canada whose Series 2 Shares or Series 3 Shares, as the case may be, might not otherwise qualify as capital property may be entitled to obtain such qualification for the Series 2 Shares and Series 3 Shares and all other "Canadian Securities", as defined in the Tax Act, in certain circumstances, by making an irrevocable election permitted by subsection 39(4) of the Tax Act.

This summary is not applicable to a Holder that is a "financial institution" (as defined in the Tax Act for purposes of the mark-to-market rules), a specified financial institution (as defined in the Tax Act), a Holder whose interest in the Series 2 Shares or Series 3 Shares, as the case may be, is a "tax shelter investment" (as defined in the Tax Act) or a Holder which has made a "functional currency" election under the Tax Act. Such Holders should consult their own tax advisors having regard to their particular circumstances.

Furthermore, this summary is not applicable to a purchaser that is a corporation 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 2 Shares or the Series 3 Shares outstanding at the time the dividend is received. This summary also assumes that all issued and outstanding Series 2 Shares and Series 3 Shares are listed on a designated stock exchange in Canada (as defined in the Tax Act) at such times as dividends (including deemed dividends) are received on such shares.

This summary is based upon the facts set out in this short form prospectus, the current provisions of the Tax Act and the Regulations thereunder (the "**Regulations**") in force at the date of this short form prospectus, all specific proposals to amend the Tax Act and Regulations publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof and counsel's understanding and assessing of the current administrative practices published in writing by the Canada Revenue Agency (the "**CRA**"). This summary assumes that all proposed amendments will be enacted in the form proposed. There can be no assurance that the proposed amendments will be implemented in their current form or at all. This summary does not otherwise take into account or anticipate any changes in law or practice, whether by judicial, governmental or legislative decision or action or changes in the administrative policies or assessment 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. 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 2 Shares or Series 3 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 2 Shares or Series 3 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 "eligible dividends". Eligible dividends generally include dividends received from public corporations resident in Canada to the extent such corporations have business income subject to the general corporate tax rate. The Corporation will notify shareholders, in accordance with the Tax Act, of the extent to which dividends on the Series 2 Shares or the Series 3 Shares are eligible dividends. Prospective purchasers are urged to consult their own tax advisors in this respect.

The Series 2 Shares and the Series 3 Shares will be taxable preferred shares as defined in the Tax Act. The Corporation will take any required actions, which may include the filing of the necessary election under Part VI.1 of the Tax Act, to ensure that Holders that are corporations will not be subject to tax under Part IV.1 of the Tax Act on dividends received (or deemed to be received) by such Holder on the Series 2 Shares and the Series 3 Shares.

Dividends (including deemed dividends) on the Series 2 Shares and the Series 3 Shares received by a corporation will be included in computing the corporation's income and will generally be deductible in computing the taxable income of the corporation.

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

Dividends received by an individual may give rise to a liability for alternative minimum tax.

### *Dispositions*

A Holder who disposes of or is deemed to dispose of Series 2 Shares (either on redemption for cash on maturity or otherwise, but not on conversion for Series 3 Shares or other shares of the Corporation or any successor corporation) will generally realize a capital gain (or sustain a capital loss) to the extent that the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of such shares to the Holder. The amount of any deemed dividend arising on the redemption or purchase for cancellation by the Corporation of Series 2 Shares or Series 3 Shares will not be included in computing the Holder's proceeds of disposition to any shareholder for purposes of computing the capital gain or capital loss arising on the disposition of the Series 2 Shares or the Series 3 Shares. See "*Redemption*" below.

Generally, one-half of any such capital gain will be included in computing the Holder's income as a taxable capital gain and one-half of any such capital loss may be deducted from the Holder's taxable capital gains in accordance with the rules contained in the Tax Act. Capital gains realized by an individual may give rise to a liability for minimum tax. Any such capital loss may in certain circumstances be reduced by the amount of any dividends, including deemed dividends, which have been received on such shares.

A "Canadian controlled private corporation" as defined in the Tax Act may be subject to an additional refundable tax of 6 2/3% on investment income, including taxable capital gains.

### ***Redemption***

If the Corporation redeems Series 2 Shares or Series 3 Shares for cash or otherwise acquires Series 2 Shares or the Series 3 Shares other than 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 2 Shares into Series 3 Shares will be deemed not to be a disposition and accordingly will not give rise to any capital gain or capital loss. The cost to a holder of Series 3 Shares received on the conversion will be deemed to be equal to the holder's adjusted cost base of the converted Series 2 Shares, immediately before the conversion.

## **ELIGIBILITY FOR INVESTMENT**

In the opinion of Fraser Milner Casgrain LLP, counsel to the Corporation, and Macleod Dixon LLP, counsel to the Underwriters, the Series 2 Shares and the Series 3 Shares, provided they are listed on a designated stock exchange (which currently includes the TSX), if issued on the date of this short form prospectus, would be qualified investments under the Tax Act and the Regulations thereunder for trusts governed by registered retirement savings plans, registered retirement income funds, registered education savings plans, registered disability savings plans, deferred profit sharing plans and tax-free savings accounts. However, the holder of a tax-free savings account that governs a trust which holds Series 2 Shares or Series 3 Shares will be subject to a penalty tax if the holder does not deal at arm's length with the Corporation for the purposes of the Tax Act or, if the holder has a significant interest, within the meaning of the Tax Act, in the Corporation or in a corporation, partnership or trust with which the Corporation does not deal at arm's length for the purposes of the Tax Act.

## **BOOK-BASED SYSTEM**

Registration of interests in and transfers of the Series 2 Shares and Series 3 Shares will only be made through the book-entry only system administered by CDS, the whole subject to applicable law. On the date of closing of this Offering, the Corporation will deliver to CDS a certificate evidencing the aggregate number of Series 2 Shares subscribed for under this Offering. Series 2 Shares and Series 3 Shares must be acquired, transferred and surrendered for redemption, conversion or retraction through a CDS Participant. All rights of an owner of Series 2 Shares or Series 3 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 2 Shares or Series 3 Shares. Upon an acquisition of any Series 2 Shares or Series 3 Shares, the owner will receive only the customary confirmation. References in this short form prospectus to a holder of Series 2 Shares or Series 3 Shares mean, unless the context otherwise requires, the owner of the beneficial interest in such shares.

The ability of a beneficial owner of Series 2 Shares or Series 3 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 2 Shares and Series 3 Shares through the book-entry only system, in which event certificates for Series 2 Shares and Series 3 Shares in fully registered form will be issued to the beneficial owners of such shares or their nominees.

## **EXPERTS**

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

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

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

The transfer agent and registrar of the Series 2 Shares and Series 3 Shares is Computershare Trust Company of Canada at its principal transfer offices in Calgary and Toronto.

## **STATUTORY RIGHTS OF RESCISSION AND WITHDRAWAL**

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

## AUDITORS' CONSENT

We have read the short form prospectus of EPCOR Power Equity Ltd. (the "**Corporation**") dated October 21, 2009 relating to the qualification for distribution of 4,000,000 Cumulative Rate Reset Preferred Shares, Series 2 of the Corporation. We have complied with Canadian generally accepted standards for an auditors' involvement with offering documents.

We consent to the incorporation by reference in the above-mentioned short form prospectus of our report to the partners of EPCOR Power L.P. (the "**Partnership**") on the consolidated balance sheets of the Partnership as at December 31, 2008 and 2007 and the consolidated statements of income, cash flow, partners' equity and comprehensive income and loss for each of the years then ended. Our report is dated March 4, 2009.

Edmonton, Canada  
October 21, 2009

(signed) KPMG LLP  
Chartered Accountants

**CERTIFICATE OF EPCOR POWER EQUITY LTD.**

Dated: October 21, 2009

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

EPCOR POWER EQUITY LTD.

(Signed) Stuart Lee  
President (as Chief Executive  
Officer)

(Signed) Tony Scozzafava  
Chief Financial Officer

On behalf of the Board of Directors of  
EPCOR POWER EQUITY LTD.

(Signed) Brian Vaasjo  
Director

(Signed) William Kenny  
Director

**CERTIFICATE OF THE GUARANTOR**

Dated: October 21, 2009

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

EPCOR POWER L.P.

(Signed) Stuart A. Lee  
President (as Chief Executive  
Officer)

(Signed) Tony Scozzafava  
(Chief Financial Officer)

By its general partner:  
EPCOR POWER SERVICES LTD.

(Signed) Stuart A. Lee  
President (as Chief Executive  
Officer)

(Signed) Tony Scozzafava  
Chief Financial Officer

On behalf of the Board of Directors of  
EPCOR POWER SERVICES LTD.

(Signed) Brian T. Vaasjo  
Director

(Signed) James Oosterbaan  
Director

## CERTIFICATE OF UNDERWRITERS

Dated: October 21, 2009

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

CIBC WORLD MARKETS INC.

By: (Signed) Paul Langley

SCOTIA CAPITAL INC.

By: (Signed) Thomas I. Kurfurst

BMO NESBITT BURNS INC.

By: (Signed) Aaron M. Engen

RBC DOMINION SECURITIES INC.

By: (Signed) Robert Nicholson

TD SECURITIES INC.

By: (Signed) Harold R. Holloway

HSBC SECURITIES (CANADA)  
INC.

By: (Signed) Rod A. McIsaac

NATIONAL BANK FINANCIAL  
INC.

By: (Signed) Iain Watson

CANACCORD CAPITAL  
CORPORATION

By: (Signed) Stephen J.  
Swaffield

DESJARDINS SECURITIES INC.

By: (Signed) Duane Lee