

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

*This prospectus supplement (the "**Prospectus Supplement**"), together with the accompanying short form base shelf prospectus dated May 3, 2016 to which it relates, as amended or supplemented (the "**Prospectus**"), and each document incorporated by reference into this Prospectus Supplement and into the Prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. See "Plan of Distribution".*

*These securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**U.S. Securities Act**") or any state securities laws and may not be offered, sold or delivered, directly or indirectly, within the United States (as defined in Regulation S under the U.S. Securities Act). This Prospectus Supplement does not constitute an offer to sell or a solicitation of an offer to buy any of the Series 9 Shares in the United States. See "Plan of Distribution".*

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

**PROSPECTUS SUPPLEMENT  
TO THE SHORT FORM BASE SHELF PROSPECTUS DATED MAY 3, 2016**

New Issue

July 31, 2017



**\$150,000,000  
6,000,000 Cumulative Minimum Rate Reset Preference Shares, Series 9**

This Prospectus Supplement qualifies the distribution (the "**Offering**") of 6,000,000 Cumulative Minimum Rate Reset Preference Shares, Series 9 (the "**Series 9 Shares**") of Capital Power Corporation (the "**Company**", and together with its subsidiaries, "**Capital Power**") at a price of \$25.00 per Series 9 Share. See "*Details of the Offering*" and "*Plan of Distribution*".

The holders of the Series 9 Shares will be entitled to receive fixed cumulative preferential cash dividends, if, as and when declared by the board of directors of the Company (the "**Board of Directors**"), payable quarterly on the last business day of each of March, June, September and December at an annual rate of \$1.4375 per Series 9 Share for the initial period from and including the Closing Date (as defined herein) to, but excluding, September 30, 2022 (the "**Initial Fixed Rate Period**"). The initial dividend, if declared, will be payable on September 30, 2017 and will be \$0.2048 per Series 9 Share, based on the anticipated closing of the Offering on August 9, 2017.

For each five-year period after the Initial Fixed Rate Period (each, a "**Subsequent Fixed Rate Period**"), the holders of the Series 9 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 Company 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 Company 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 Government of Canada Bond Yield (as defined herein) on the 30th day prior to the first day of a Subsequent Fixed Rate Period plus 4.12%, provided that, in any event, such rate shall not be less than 5.75%. See "*Details of the Offering*".

### **Option to Convert into Cumulative Floating Rate Preference Shares, Series 10**

Holders of the Series 9 Shares will have the right, at their option, to convert their Series 9 Shares into Cumulative Floating Rate Preference Shares, Series 10 (the "**Series 10 Shares**") on the basis of one Series 10 Share for each Series 9 Share, subject to certain conditions, on September 30, 2022 and on September 30 every five years thereafter. Series 10 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 10 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 4.12% per annum (calculated on the basis of the actual number of days in the applicable Quarterly Floating Rate Period divided by 365 or 366, depending upon the actual number of days in the applicable year) determined on the Floating Rate Calculation Date (as defined herein). See "*Details of the Offering*".

The Series 9 Shares and Series 10 Shares are series of shares in the same class. The conversion right entitles holders to elect periodically which of the two series they wish to hold and does not entitle holders to receive a different class or type of securities. Other than the different dividend rights and redemption rights attached thereto, the Series 9 Shares and Series 10 Shares are identical in all material respects.

The Series 9 Shares will not be redeemable by the Company prior to September 30, 2022. On September 30, 2022 and on September 30 every five years thereafter, subject to certain other restrictions set out in "*Details of the Offering – Provisions Common to the Series 9 Shares and the Series 10 Shares – Restrictions on Dividends and Retirement of Shares*", the Company may, at its option, upon not less than 30 days and not more than 60 days prior written notice to the holders of the Series 9 Shares, redeem all or any number of the outstanding Series 9 Shares by the payment of \$25.00 in cash per Series 9 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 Company). See "*Details of the Offering*".

The Series 9 Shares and the Series 10 Shares do not have a fixed maturity date and are not redeemable at the option of the holders thereof. See "*Risk Factors*". The Series 9 Shares and the Series 10 Shares do not carry voting rights (except under limited circumstances), but rank senior to the common shares ("**Common Shares**") and the special limited voting share (the "**Special Limited Voting Share**") of the Company and rank *pari passu* with each other and all other series of cumulative redeemable preference shares of the Company (the "**Preference Shares**"), including the Cumulative Rate Reset Preference Shares, Series 1 (the "**Series 1 Shares**"), the Cumulative Floating Rate Preference Shares, Series 2 (the "**Series 2 Shares**"), the Cumulative Rate Reset Preference Shares, Series 3 (the "**Series 3 Shares**"), the Cumulative Floating Rate Preference Shares, Series 4 (the "**Series 4 Shares**"), the Cumulative Rate Reset Preference Shares, Series 5 (the "**Series 5 Shares**"), the Cumulative Floating Rate Preference Shares, Series 6 (the "**Series 6 Shares**"), the Cumulative Minimum Rate Reset Preference Shares, Series 7 (the "**Series 7 Shares**") and the Cumulative Floating Rate Preference Shares, Series 8 (the "**Series 8 Shares**") with respect to the payment of dividends and the distribution of the assets of the Company on the liquidation, dissolution or winding-up of the Company. As at July 31, 2017, the issued and outstanding capital of the Company consists of 5,000,000 Series 1 Shares, 6,000,000 Series 3 Shares, 8,000,000 Series 5 Shares, 8,000,000 Series 7 Shares, 104,112,480 Common Shares and one Special Limited Voting Share. Certain provisions relating to the Preference Shares as a class, the Series 9 Shares and the Series 10 Shares are summarized under "*Details of the Offering*". Certain provisions of the Common Shares, the Special Limited Voting Share, Series 1 Shares, Series 3 Shares, Series 5 Shares and Series 7 Shares are summarized in the AIF (as defined herein).

The Series 1 Shares, Series 3 Shares, Series 5 Shares and Series 7 Shares are listed and trade on the Toronto Stock Exchange ("**TSX**") under the symbols "CPX.PR.A", "CPX.PR.C", "CPX.PR.E" and "CPX.PR.G", respectively. The Company has applied to the TSX to list the Series 9 Shares and the Series 10 Shares. Listing will be subject to the Company fulfilling all of the listing requirements of the TSX on or before October 27, 2017.

S&P Global Ratings, acting through S&P Global Ratings Canada, a business unit of S&P Global Canada Corp. ("**S&P**"), has assigned a rating of P-3 for the Series 9 Shares and DBRS Limited ("**DBRS**") has assigned a provisional rating of Pfd-3 (low) with a stable trend for the Series 9 Shares. See "*Preferred Share Ratings*".

**Price: \$25.00 per Series 9 Share to yield  
initially 5.75% per annum**

	<b>Price to the Public</b>	<b>Underwriters' fee<sup>(1)</sup></b>	<b>Net Proceeds to the Company<sup>(1)(2)</sup></b>
Per Series 9 Share .....	\$25.00	\$0.75	\$24.25
Total .....	\$150,000,000	\$4,500,000	\$145,500,000

Notes:

- (1) The Underwriters' fee for the Series 9 Shares is \$0.25 for each share sold to certain institutions by closing of the Offering, and \$0.75 per share for all other Series 9 Shares purchased by the Underwriters (as defined herein). The Underwriters' fee indicated in the table assumes that no Series 9 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 9 Shares or the Series 10 Shares may be sold and purchasers may not be able to resell the Series 9 Shares purchased under this Prospectus Supplement or the Series 10 Shares. This may affect the pricing of the Series 9 Shares or the Series 10 Shares in the secondary market, the transparency and availability of trading prices, the liquidity of the Series 9 Shares or the Series 10 Shares, and the extent of issuer regulation. Investing in the Series 9 Shares or the Series 10 Shares involves risks which potential investors should carefully consider. See "Risk Factors".**

The terms of the Offering were determined by negotiation between the Company and TD Securities Inc. and National Bank Financial Inc., on their own behalf and on behalf of CIBC World Markets Inc., RBC Dominion Securities Inc., Scotia Capital Inc., BMO Nesbitt Burns Inc., GMP Securities L.P., HSBC Securities (Canada) Inc., Industrial Alliance Securities Inc. and Raymond James Ltd. (collectively, the "Underwriters"). **The Underwriters may offer the Series 9 Shares at a price lower than that stated above. See "Plan of Distribution".**

Subject to applicable laws, the Underwriters may over-allot or effect transactions which stabilize or maintain the market price of the Series 9 Shares at levels other than that which otherwise might prevail on the open market. Such transactions, if commenced, may be interrupted or discontinued at any time. See "Plan of Distribution".

The Underwriters, as principals, conditionally offer the Series 9 Shares, subject to prior sale, if, as and when issued by the Company 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 Company by Dentons Canada LLP, and on behalf of the Underwriters by Osler, Hoskin & Harcourt LLP.

**Each of TD Securities Inc., National Bank Financial Inc., CIBC World Markets Inc., RBC Dominion Securities Inc., Scotia Capital Inc., BMO Nesbitt Burns Inc. and HSBC Securities (Canada) Inc. is, directly or indirectly, a wholly-owned subsidiary or an affiliate of a Canadian chartered bank or other financial institution that is a lender to Capital Power. Also, two directors of the Company are also directors of an Affiliate Lender (as defined herein). Consequently, the Company may be considered to be a connected issuer of such Underwriters for the purposes of securities regulations in certain provinces of Canada. See "Relationship Between the Company's Lenders and the Underwriters".**

In the opinion of Dentons Canada LLP, counsel to the Company, and Osler, Hoskin & Harcourt LLP, counsel to the Underwriters, subject to the provisions of any particular plan, the Series 9 Shares, if issued on the date hereof, generally would be qualified investments under the Tax Act (as defined herein) for certain tax-exempt trusts. See "Eligibility for Investment".

**Investing in the Series 9 Shares involves certain risks. See "Risk Factors" in the Prospectus and in this Prospectus Supplement.**

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 9 Shares and Series 10 Shares will be represented in either

certificated or non-certificated form registered in the name of CDS Clearing and Depository Services Inc. ("**CDS**") or its nominee under the book-entry only system administered by CDS (the "**Book-Entry Only System**"). A purchaser of Series 9 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 9 Shares are purchased.

Closing of the Offering is expected to occur on or about August 9, 2017, but in any event not later than August 23, 2017 (the date on which closing of the Offering occurs being referred to herein as the "**Closing Date**").

The head and registered office of the Company is located at Suite 1200, 10423 – 101 Street NW, Edmonton, Alberta, T5H 0E9.

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## ABOUT THIS PROSPECTUS SUPPLEMENT AND THE ACCOMPANYING PROSPECTUS

This document is in two parts. The first part is this Prospectus Supplement, which describes the specific terms of the Series 9 Shares and also adds to and updates certain information contained in the Prospectus and the documents incorporated by reference therein. The second part, the Prospectus, gives more general information. **Capitalized terms used in this Prospectus Supplement that are not defined herein have the meanings ascribed thereto in the Prospectus.**

You should rely only on the information contained in or incorporated by reference into this Prospectus Supplement and the Prospectus. The Company and the Underwriters have not authorized anyone to provide you with different or additional information. The Company and the Underwriters are not making an offer to sell the Series 9 Shares in any jurisdiction where the offer or sale is not permitted. You should not assume that the information appearing in this Prospectus Supplement or the Prospectus, or any documents incorporated by reference herein or therein, is accurate as of any date other than the date on the front of those documents as the Company's business, operating results, financial condition and prospects may have changed since that date.

In this Prospectus Supplement, unless otherwise specified or the context otherwise requires, all dollar amounts are expressed in Canadian dollars. Unless otherwise indicated, all financial information included and incorporated by reference in this Prospectus Supplement and the Prospectus is determined using Canadian generally accepted accounting principles. Unless the context otherwise requires, all references in this Prospectus Supplement to the "**Company**" mean Capital Power Corporation and all references to "**Capital Power**" mean the Company together with its subsidiaries.

### DOCUMENTS INCORPORATED BY REFERENCE

This Prospectus Supplement is incorporated by reference into the Prospectus as of the date hereof and only for the purposes of the distribution of the Series 9 Shares offered hereby. Other documents are also incorporated or deemed to be incorporated by reference into the Prospectus and reference should be made to the Prospectus for full details. See "*Documents Incorporated by Reference*" in the Prospectus. As of the date hereof, the following documents filed with the securities commissions or similar authorities in each of the provinces and territories of Canada are specifically incorporated by reference into and form an integral part of this Prospectus Supplement and the Prospectus:

- (a) the annual information form (the "**AIF**") of the Company for the year ended December 31, 2016 dated March 6, 2017;
- (b) the management information circular of the Company dated March 6, 2017 in connection with the annual meeting of shareholders of the Company held on April 28, 2017;
- (c) the audited consolidated financial statements of the Company as at and for the year ended December 31, 2016, together with the auditors' report thereon;
- (d) the management's discussion and analysis ("**MD&A**") of the Company for the year ended December 31, 2016;
- (e) the unaudited condensed interim consolidated financial statements of the Company as at and for the six month period ended June 30, 2017;
- (f) the MD&A of the Company for the six month period ended June 30, 2017; and
- (g) the "template version" (as such term is defined in National Instrument 41-101 – *General Prospectus Requirements* ("**NI 41-101**")) of the term sheet for the Offering filed on the System for Electronic Document Analysis and Retrieval ("**SEDAR**") on July 27, 2017.

In addition, any template version of any other "marketing materials" (as such term is defined in NI 41-101) filed with the securities commission or similar authority in each of the provinces and territories of Canada in connection with this Offering, after the date hereof but prior to the termination of the distribution, is deemed to be incorporated by reference herein.

All material change reports (excluding confidential material change reports), AIFs, annual financial statements and any auditors' report thereon and related MD&A, interim financial statements and related MD&A, information circulars, business

acquisition reports, any news release issued by the Company that specifically states that it is to be incorporated by reference in this Prospectus Supplement and any other documents as may be required to be incorporated by reference herein under Canadian securities legislation which are filed by the Company with a securities commission or any similar authority in Canada after the date of this Prospectus Supplement and prior to the completion or termination of the Offering shall be deemed to be incorporated by reference into the Prospectus and this Prospectus Supplement.

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

### **MARKETING MATERIALS**

The template version of the term sheet for the Offering or any template version of any other marketing materials that is used in connection with the Offering does not form part of this Prospectus Supplement to the extent that the contents of the template version of such marketing materials have been modified or superseded by a statement contained in this Prospectus Supplement.

### **FORWARD-LOOKING INFORMATION**

Certain statements contained in this Prospectus Supplement and the Prospectus, and in certain documents incorporated by reference into the Prospectus, constitute forward-looking statements. The use of any of the words "anticipate", "continue", "estimate", "expect", "may", "will", "project", "should", "believe" and similar expressions are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Company believes that the expectations reflected in those forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct. The material factors and assumptions relating to and made in respect of the forward-looking statements are disclosed in the AIF and in the MD&A under the heading "*Forward-Looking Information*".

The forward-looking statements contained in this Prospectus Supplement, the Prospectus and the documents incorporated by reference into the Prospectus are expressly qualified by this cautionary statement and by the cautionary statements contained in the AIF and the MD&A under the heading "*Forward-Looking Information*". The forward-looking statements contained in this Prospectus Supplement include, among other things, information relating to (i) expectations related to market stabilization activities by the Underwriters and the market price of the Series 9 Shares; (ii) expectations regarding the closing of the Offering; (iii) expectations regarding the listing of the Series 9 Shares and the Series 10 Shares on the TSX; and (iv) expectations regarding the ratings applied to the Series 9 Shares and the Series 10 Shares.

Readers are cautioned not to place undue reliance on any such forward-looking statements, which speak only as of the date made. The Company does not undertake or accept any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements to reflect any change in the Company's expectations or any change in events, conditions or circumstances on which any such statement is based, except as required by law.

For further information regarding forward-looking statements see the section titled "*Forward-Looking Information*" in the AIF and in the MD&A.

### **CAPITAL POWER CORPORATION**

The Company was incorporated under the Canada Business Corporations Act (the "**CBCA**") on May 1, 2009. The Company's articles were amended on May 6, 2009, June 16, 2009, July 7, 2009, December 10, 2010, December 14, 2012,

March 11, 2013, May 4, 2016, September 28, 2016 and July 31, 2017 to, among other things, create the classes of shares described in this Prospectus Supplement.

Capital Power is a growth-oriented North American power producer headquartered in Edmonton, Alberta. Capital Power develops, acquires, operates and optimizes power generation from a variety of energy sources. Capital Power owns approximately 4,500 megawatts of power generation capacity at 24 facilities and is pursuing contracted generation capacity throughout North America.

### USE OF PROCEEDS

The estimated net proceeds to the Company from the sale of the Series 9 Shares offered hereunder will be approximately \$145,000,000 after deducting the Underwriters' fee of \$4,500,000 and the estimated expenses of the Offering of \$500,000 and assuming that no Series 9 Shares are sold to certain institutions. See "*Plan of Distribution*".

The Company will use the net proceeds raised under the Offering to reduce indebtedness under its Syndicated Credit Facility (as defined herein), which indebtedness was incurred to partially fund the acquisition of the thermal power business of Veresen Inc. See "*Consolidated Capitalization of the Company*" and "*Relationship Between the Company and the Underwriters*".

### CONSOLIDATED CAPITALIZATION OF THE COMPANY

The following table sets forth (i) the consolidated capitalization of the Company as at June 30, 2017; and (ii) the *pro forma* consolidated capitalization of the Company as at June 30, 2017 after giving effect to the Offering.

	As at June 30, 2017 (\$millions)	As at June 30, 2017, after giving effect to the Offering (\$millions) <sup>(1)</sup>
Loans and Borrowings (including current portion)	2,434	2,289
Non-controlling Interests	53	53
Preferred Shares	660	805
Shareholders' Equity	2,436	2,436
Total Shareholders' Equity	3,096	3,241
Total Capitalization	5,583	5,583

Notes:

- (1) Assumes that the application of proceeds from the Offering are used to reduce indebtedness under the Syndicated Credit Facility. See "*Use of Proceeds*".

### PLAN OF DISTRIBUTION

Pursuant to an underwriting agreement (the "**Underwriting Agreement**") dated as of July 31, 2017 between the Company and the Underwriters, the Company has agreed to issue and sell an aggregate of 6,000,000 Series 9 Shares. The Underwriters have severally (and not jointly or jointly and severally) agreed to purchase such Series 9 Shares on the Closing Date, subject to the terms and conditions contained in the Underwriting Agreement. The Underwriting Agreement provides that the Company will pay the Underwriters an underwriting fee of \$0.25 per Series 9 Shares sold to certain institutions and \$0.75 per Series 9 Shares with respect to all other sales, in consideration of their services in connection with the Offering. The terms of the Offering were determined by negotiation between the Company and the Underwriters.

The obligations of the Underwriters are several and neither joint nor joint and several and may be terminated at their discretion upon the occurrence of certain stated events, including if: (i) an enquiry, action, suit, investigation or other



proceeding, whether formal or informal, is instituted, announced or threatened or any order is made by any federal, provincial or other Governmental Authority (as such term is defined in the Underwriting Agreement) in relation to Capital Power, or there is any change of law, or interpretation or administration thereof, or there is a suspension or material limitation, imposed by law or securities regulators, in trading in securities generally on the TSX or a general moratorium on commercial banking activities declared by Canadian or U.S. federal authorities or a material disruption in commercial banking or securities settlement or clearance services in Canada or the United States, which may operate to prevent or restrict the distribution or trading of the Series 9 Shares or which, in the reasonable opinion of any of the Underwriters, might be expected to have a significant adverse effect on the market price or value of the Series 9 Shares; (ii) there should develop, occur or come into effect or existence any event, action, state, condition or occurrence of national or international consequence or any governmental action, change of applicable law or regulation, inquiry or other occurrence of any nature whatsoever which, in the reasonable opinion of any of the Underwriters, seriously adversely affects, or may seriously adversely affect, the financial markets or the business, operations or affairs of Capital Power; (iii) there shall occur, be discovered by the Underwriters or be announced by the Company any material change or change in a material fact which, in the reasonable opinion of any of the Underwriters, is expected to result in the purchasers of a material number of Series 9 Shares exercising their right under applicable Canadian Securities Laws to withdraw from their purchase of Series 9 Shares, or is expected to have a significant adverse effect on the market price or value of the Series 9 Shares; (iv) there shall occur any downgrading in the credit rating of the Company from any designated rating organization, or if any such organization shall have publicly announced that it has under surveillance or review, with possible negative implications, its credit rating of the Company; (v) by the Closing Date it shall occur that the Company has not confirmed in a form acceptable to the Underwriters, acting reasonably, that the Series 9 Shares have been assigned a final Canadian preferred share rating by S&P of P-3 or better and have been assigned a final rating by DBRS Limited of Pfd-3(low) with a Stable trend or better; or (vi) the Series 9 Shares have been placed on a ratings alert or other comparable downgrade warning by any of S&P or DBRS Limited. If an Underwriter fails or refuses to purchase the Series 9 Shares which it has agreed to purchase, the other Underwriters may, but are not obligated to, purchase such Series 9 Shares, on a *pro rata* basis, provided that, if the aggregate number of Series 9 Shares not purchased is less than or equal to 10% of the aggregate number of Series 9 Shares agreed to be purchased by the Underwriters, then each of the other Underwriters is obligated to purchase severally the Series 9 Shares not taken up, on a *pro rata* basis or in such other proportion as they may otherwise agree as between themselves. The Underwriters are, however, obligated to take up and pay for all Series 9 Shares if any Series 9 Shares are purchased under the Underwriting Agreement. The Underwriting Agreement also provides that the Company will indemnify the Underwriters and their respective affiliates and each of the directors, officers, agents and employees of the Underwriters against certain liabilities and expenses in connection with the Offering on customary terms and conditions.

The Underwriters propose to offer the Series 9 Shares initially at the offering price specified on the cover page of this Prospectus Supplement. After the Underwriters have made a reasonable effort to sell all of the Series 9 Shares offered by this Prospectus Supplement at the price specified on the cover page of this Prospectus Supplement, the offering price may be decreased and may be further changed from time to time to an amount not greater than that set out on the cover page of this Prospectus Supplement, and the compensation realized by the Underwriters will be decreased by the amount that the aggregate price paid by purchasers for the Series 9 Shares is less than the gross proceeds paid by the Underwriters to the Company. Any such reduction will not affect the net proceeds received by the Company.

Subscriptions for Series 9 Shares will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice.

**There is currently no market through which the Series 9 Shares or Series 10 Shares may be sold and purchasers may not be able to resell the Series 9 Shares purchased under this Prospectus Supplement or the Series 10 Shares. See "Risk Factors". The Company has applied to the TSX to list the Series 9 Shares and the Series 10 Shares. Listing will be subject to the Company fulfilling all of the listing requirements of the TSX on or before October 27, 2017.**

The Company has agreed that, subject to certain exceptions, during the period beginning on the Closing Date and ending on the date that is 90 days after the Closing Date, it shall not, directly or indirectly, without the prior written consent of TD Securities Inc. and National Bank Financial Inc., on behalf of the Underwriters, whose consent shall not be unreasonably withheld, issue or sell or offer, grant any option, warrant or other right to purchase or agree to issue or sell, or otherwise lend, transfer, assign, pledge or dispose of (including, without limitation, by making any short sale, engaging in any hedging, monetization or derivative transaction or entering into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Preference Shares (including Series 9 Shares or Series 10 Shares) or securities convertible into, exchangeable for, or otherwise exercisable into Preference Shares (including Series 9 Shares or Series 10 Shares), whether or not cash settled), in a public offering or by way of private placement or otherwise, any Preference Shares (including Series 9 Shares or Series 10 Shares) or other securities convertible into, exchangeable for, or

otherwise exercisable into Preference Shares (including Series 9 Shares or Series 10 Shares), or agree to do any of the foregoing or publicly announce any intention to do any of the foregoing.

In connection with the Offering, the Underwriters may over-allocate or effect transactions which stabilize or maintain the market price of the Series 9 Shares at levels other than those which otherwise might prevail on the open market, including:

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

Stabilizing transactions consist of bids or purchases made for the purpose of preventing or retarding a decline in the market price of the Series 9 Shares while the Offering is in progress. These transactions may also include making short sales of Series 9 Shares, which involve the sale by the Underwriters of a greater number of Series 9 Shares than they are required to purchase in the Offering.

The Underwriters must close out any naked short position by purchasing Series 9 Shares in the open market. A naked short position is more likely to be created if the Underwriters are concerned that there may be downward pressure on the price of the Series 9 Shares in the open market that could adversely affect investors who purchase in the Offering.

In addition, in accordance with rules and policy statements of certain Canadian securities regulators, the Underwriters may not, at any time during the period of distribution, bid for or purchase Series 9 Shares. The foregoing restriction is, however, subject to exceptions where the bid or purchase is not made for the purpose of creating actual or apparent active trading in, or raising the price of, the Series 9 Shares. These exceptions include a bid or purchase permitted under the by-laws and rules of applicable regulatory authorities and the TSX, including the Universal Market Integrity Rules for Canadian Marketplaces, relating to market stabilization and passive market making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution. As a result of these activities, the price of the Series 9 Shares offered hereby may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued by the Underwriters at any time.

The Series 9 Shares have not been and will not be registered under the U.S. Securities Act, or any state securities laws. Accordingly, the Series 9 Shares may not be offered or sold within the United States.

## **RELATIONSHIP BETWEEN THE COMPANY AND THE UNDERWRITERS**

Each of TD Securities Inc., National Bank Financial Inc., CIBC World Markets Inc., RBC Dominion Securities Inc., Scotia Capital Inc., BMO Nesbitt Burns Inc. and HSBC Securities (Canada) Inc. is, directly or indirectly, a wholly-owned subsidiary or an affiliate of a Canadian chartered bank or other financial institution (collectively, the "**Affiliate Lenders**") that is a lender to Capital Power. Also, two directors of the Company are also directors of an Affiliate Lender. Consequently, the Company may be considered to be a "connected issuer" of such Underwriters for the purposes of Canadian securities legislation. The net proceeds of this Offering will be used to reduce Capital Power's existing indebtedness under an unsecured committed credit facility made available pursuant to an amended and restated credit agreement dated July 26, 2016 with various lenders including the Affiliate Lenders (the "**Syndicated Credit Facility**"). See "*Use of Proceeds*".

On July 28, 2017, approximately \$713 million was drawn under Capital Power's credit facilities. Capital Power is in compliance with all material terms of the agreements governing its credit facilities and has not been in default or otherwise in breach of such agreements since their execution. Capital Power's financial position has not changed materially since the indebtedness under its credit facilities was incurred.

The decision to distribute the Series 9 Shares offered hereby and the determination of the terms of the distribution were made through negotiations primarily amongst the Company and the Underwriters. The Affiliate Lenders had no involvement in such decision or determination, but have been advised of the Offering and the terms thereof. As a consequence of this Offering, each of TD Securities Inc., National Bank Financial Inc., CIBC World Markets Inc., RBC Dominion Securities

Inc., Scotia Capital Inc., BMO Nesbitt Burns Inc. and HSBC Securities (Canada) Inc. will receive its proportionate share of the Underwriters' fee payable by the Company to the Underwriters.

### EARNINGS COVERAGE RATIOS OF THE COMPANY

The following earnings coverage ratios have been calculated on a consolidated basis for the 12-month periods ended December 31, 2016 and June 30, 2017 and are derived from audited financial information, in the case of December 31, 2016, and unaudited financial information, in the case of June 30, 2017. The following ratios give *pro forma* effect to the issuance of the Series 9 Shares pursuant to this Prospectus Supplement.

	<b>Twelve Month Period Ended</b>	
	<b>December 31, 2016</b>	<b>June 30, 2017</b>
Earnings coverage.....	1.5x	1.8x

The Company's dividend requirements on all of its Preference Shares, after giving effect to the issue of the Series 9 Shares to be distributed under this Prospectus Supplement, and adjusted to a before-tax equivalent using an effective income tax rate of 27% for 2016, amounted to approximately \$56 million for the 12 months ended December 31, 2016. The Company's interest requirements on long term debt after giving effect to the adjustments amounted to approximately \$87 million for the 12 months ended December 31, 2016. The consolidated earnings of the Company for the 12 months ended December 31, 2016 before interest on long term debt, income taxes and non-controlling interest amounted to approximately \$218 million, which is approximately 1.5 times the Company's consolidated interest requirements and dividend obligations.

The Company's dividend requirements on all of its Preference Shares, after giving effect to the issue of the Series 9 Shares to be distributed under this Prospectus Supplement, and adjusted to a before-tax equivalent using an effective income tax rate of 27%, amounted to approximately \$56 million for the 12 months ended June 30, 2017. The Company's interest requirements on long term debt after giving effect to the adjustments amounted to approximately \$95 million for the 12 months ended June 30, 2017. The consolidated earnings of the Company for the 12 months ended June 30, 2017 before interest on long term debt, income taxes and non-controlling interest amounted to approximately \$273 million, which is approximately 1.8 times the Company's consolidated interest requirements and dividend obligations.

### PREFERRED SHARE RATINGS

The Series 9 Shares have been given a Canadian scale rating of P-3 by S&P. Such P-3 rating is the tenth highest of twenty ratings used by S&P in its Canadian preferred share rating scale. According to S&P, a P-3 rating indicates that, although the obligation is less vulnerable to non-payment than other speculative issues, it faces major ongoing uncertainties or exposure to adverse business, financial, or economic conditions, which could lead to the obligor's inadequate capacity to meet its financial commitment on the obligation.

The Series 9 Shares have been given a provisional rating of Pfd-3 (low) with a stable trend by DBRS. The Pfd-3 (low) rating is the third highest of six rating categories used by DBRS for preferred shares. According to DBRS, preferred shares rated Pfd-3 (low) are of adequate credit quality. While protection of dividends and principal is still considered acceptable, the issuing entity is more susceptible to adverse changes in financial and economic conditions, and there may be other adverse conditions present which detract from debt protection. DBRS further subcategorizes each rating by the designation of "high" and "low" to indicate where an entity falls within the rating category. The absence of either a "high" or "low" designation indicates the rating is in the middle of the category. The rating trend indicates the direction in which DBRS considers the rating is headed should present tendencies continue, or in some cases, unless challenges are addressed.

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

The Company made payments to each of DBRS and S&P in connection with obtaining the aforementioned ratings and over the past two years has made payments in respect of certain other services provided to the Company by each of DBRS and S&P. Additional information relating to such other ratings is included under the heading "Ratings" in the AIF.

## DETAILS OF THE OFFERING

The following is a summary of the material rights, privileges, restrictions and conditions of the Series 9 Shares and the Series 10 Shares that will be set forth in the articles of amendment of the Company creating the Series 9 Shares and the Series 10 Shares. Copies of the articles of amendment of the Company pursuant to which the Series 9 Shares and the Series 10 Shares will be created will be filed by the Company with the Canadian securities regulatory authorities and available at [www.sedar.com](http://www.sedar.com).

### *Description of the Preference Shares as a Class*

#### *Issuance in Series*

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

#### *Priority*

With respect to the payment of dividends and the distribution of the assets of the Company in the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or any other distribution of the assets of the Company for the purpose of winding-up its affairs, the Preference Shares of each series (including the Series 1 Shares, Series 2 Shares, Series 3 Shares, Series 4 Shares, Series 5 Shares, Series 6 Shares, Series 7 Shares, Series 8 Shares, Series 9 Shares and Series 10 Shares) rank on a parity with the Preference Shares of every other series and in priority to the Common Shares and the shares of any other class ranking junior to the Preference Shares.

#### *Voting Rights*

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

#### *Modification*

The rights, privileges, restrictions and conditions attached to the Preference Shares as a class may only be amended with the prior approval of the holders of the Preference Shares in addition to any other approvals required by law or court order. The approval of the holders of the Preference Shares to any matter referred to in the Preference Share class provisions may be given by a resolution passed by an affirmative vote of at least two-thirds of the votes cast at a meeting of the holders of the Preference Shares duly called and held for that purpose at which the holders of at least 10% of the outstanding Preference Shares are present in person or represented by proxy or, if no quorum is present at such meeting, at an adjourned meeting at which the holders of Preference Shares then present would form the necessary quorum.

## *Provisions Unique to the Series 9 Shares as a Series*

### *Defined Terms*

The following definitions are relevant to the Series 9 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 4.12%, provided that, in any event, such rate shall not be less than 5.75%.

**"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 Company by two registered Canadian investment dealers selected by the Company as being the annual yield to maturity on such date, compounded semi-annually, which a non-callable Government of Canada bond would carry if issued, in Canadian dollars in Canada, at 100% of its principal amount on such date with a term to maturity of five years.

**"Initial Fixed Rate Period"** means the period from and including the Closing Date to, but excluding, September 30, 2022.

**"Subsequent Fixed Rate Period"** means the period from and including September 30, 2022 to, but excluding, September 30, 2027 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, September 30 every five years thereafter.

### *Issue Price*

The issue price per Series 9 Share is \$25.00.

### *Dividends*

During the Initial Fixed Rate Period, the holders of Series 9 Shares will be entitled to receive fixed, cumulative, preferential cash dividends, if, as and when declared by the Board of Directors, at a rate per annum of 5.75% or \$1.4375 per Series 9 Share, payable in quarterly installments on the last business day of each of March, June, September and December in each year. Assuming an issue date of August 9, 2017, the first such dividend, if declared, will be paid on September 30, 2017 in the amount of \$0.2048 per Series 9 Share.

During each Subsequent Fixed Rate Period, the holders of the Series 9 Shares will be entitled to receive fixed cumulative preferential cash dividends if, as and when declared by the Board of Directors payable quarterly on the last business day of each of March, June, September and December in each year, in an amount per share determined by multiplying one quarter of the Annual Fixed Dividend Rate applicable to such Subsequent Fixed Rate Period by \$25.00.

The Company 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 Company and upon all holders of Series 9 Shares. The Company 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 9 Shares.

The dividends on Series 9 Shares will accrue on a daily basis. If, on any dividend payment date, the dividends accrued to such date are not paid in full on all of the Series 9 Shares then outstanding, such dividends, or the unpaid portion thereof, will

be paid on a subsequent date or dates determined by the Board of Directors on which the Company will have sufficient funds properly applicable to the payment of such dividends.

Payments of dividends and other amounts in respect of the Series 9 Shares will be made by the Company to CDS, or its nominee, as the case may be, as registered holder of the Series 9 Shares. As long as CDS, or its nominee, is the registered holder of the Series 9 Shares, CDS, or its nominee, as the case may be, will be considered the sole owner of the Series 9 Shares for the purposes of receiving payment on the Series 9 Shares.

#### *Redemption of Series 9 Shares*

The Series 9 Shares will not be redeemable prior to September 30, 2022. Subject to the provisions described below under "*Provisions Common to the Series 9 Shares and the Series 10 Shares – Restrictions on Dividends and Retirement of Shares*", on September 30, 2022 and on September 30 every five years thereafter, the Company may redeem all or any number of the outstanding Series 9 Shares, at the Company'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 9 Shares do not have a fixed maturity date and are not redeemable at the option of the holders of Series 9 Shares. See "*Risk Factors*".

#### *Notice and Pro Rata Redemption*

The Company will give written notice of any redemption to registered holders of the Series 9 Shares not more than 60 days and not less than 30 days prior to the redemption date.

Where less than all of the outstanding Series 9 Shares are to be redeemed, the Series 9 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 9 Shares into Series 10 Shares*

Holders of Series 9 Shares will have the right, at their option, on September 30, 2022 (the "**Initial Series 9 Conversion Date**") and on September 30 every five years thereafter (each such date, together with the Initial Series 9 Conversion Date, a "**Series 9 Conversion Date**"), to convert, subject to the automatic conversion and restrictions on conversion described below and the payment or delivery to the Company of evidence of payment of the tax (if any) payable, all or any of their Series 9 Shares registered in their name into Series 10 Shares on the basis of one Series 10 Share for each Series 9 Share converted. Notice of a holder's election (each notice, an "**Election Notice**") to convert Series 9 Shares must be received by the Company not earlier than the 30th day and not later than 5:00 p.m. (Toronto time) on the 15th day preceding the applicable Series 9 Conversion Date. An Election Notice is irrevocable once received by the Company. If the Company does not receive an Election Notice within the specified time, the Series 9 Shares shall be deemed not to have been converted (subject to automatic conversion described below).

The Company will, not more than 60 and not less than 30 days prior to each Series 9 Conversion Date, give notice in writing to the then registered holders of the Series 9 Shares of the Series 9 Conversion Date and a form of Election Notice. On the 30th day prior to each Series 9 Conversion Date, the Company will give notice in writing to the then registered holders of the Series 9 Shares of the Annual Fixed Dividend Rate for the next Subsequent Fixed Rate Period and the Floating Quarterly Dividend Rate applicable to the Series 10 Shares for the next Quarterly Floating Rate Period.

Upon exercise by a registered holder of its right to convert Series 9 Shares into Series 10 Shares (and upon an automatic conversion), the Company reserves the right not to deliver Series 10 Shares to any person whose address is in, or whom the Company 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 Company to take any action to comply with the securities or analogous laws of such jurisdiction.

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

If the Company determines that there would remain outstanding on a Series 9 Conversion Date, including the Initial Series 9 Conversion Date, less than 1,000,000 Series 9 Shares, after having taken into account all Election Notices in respect of Series

9 Shares tendered for conversion into Series 10 Shares and all Election Notices in respect of Series 10 Shares tendered for conversion into Series 9 Shares in each case received by the Company during the time fixed therefor, then, all, but not part, of the remaining outstanding Series 9 Shares will automatically be converted into Series 10 Shares on the basis of one Series 10 Share for each Series 9 Share on the applicable Series 9 Conversion Date. The Company will give notice in writing of the automatic conversion to all registered holders of the Series 9 Shares at least seven days prior to the Series 9 Conversion Date.

Furthermore, holders of Series 9 Shares will not be entitled to convert their shares into Series 10 Shares if the Company determines that there would remain outstanding on a Series 9 Conversion Date, including the Initial Series 9 Conversion Date, less than 1,000,000 Series 10 Shares after having taken into account all Election Notices in respect of Series 9 Shares tendered for conversion into Series 10 Shares and all Election Notices in respect of Series 10 Shares tendered for conversion into Series 9 Shares in each case received by the Company during the time fixed therefor. The Company will give notice in writing of the inability to convert Series 9 Shares to all registered holders of the Series 9 Shares at least seven days prior to the applicable Series 9 Conversion Date.

If the Company gives notice to registered holders of the Series 9 Shares of the redemption of all outstanding Series 9 Shares, the Company will not be required to give notice as provided hereunder to the registered holders of the Series 9 Shares of any dividend rates or of the conversion right of holders of Series 9 Shares and the right of any holder of Series 9 Shares to convert such shares will terminate.

### ***Provisions Unique to the Series 10 Shares as a Series***

#### *Defined Terms*

The following definitions are relevant to the Series 10 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 4.12% per annum adjusted to reflect the Quarterly Floating Rate Period (calculated on the basis of the actual number of days in such Quarterly Floating Rate Period divided by 365 or 366 depending upon the actual number of days in the applicable year).

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

**"Quarterly Commencement Date"** means the last day of March, June, September and December in each year, commencing September 30, 2022.

**"Quarterly Floating Rate Period"** means the period from and including September 30, 2022 to, but excluding, the next Quarterly Commencement Date, and thereafter the period from and including the day immediately following the end of the immediately preceding Quarterly Floating Rate Period to, but excluding, the next Quarterly Commencement Date.

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

#### *Issue Price*

The Series 10 Shares will have an issue price of \$25.00.

In the event of a conversion of a Series 9 Share to a Series 10 Share the amount to be deducted from the stated capital account maintained for the Series 9 Shares and added to the stated capital account maintained for the Series 10 Shares will be \$25.00 per share so converted.

## *Dividends*

The holders of Series 10 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 Company on the relevant Floating Rate Calculation Date. Such determination will, in the absence of manifest error, be final and binding upon the Company and upon all holders of Series 10 Shares.

The dividends on Series 10 Shares will accrue on a daily basis. If, on any dividend payment date, the dividends accrued to such date are not paid in full on all of the Series 10 Shares then outstanding, such dividends, or the unpaid portion thereof, will be paid on a subsequent date or dates determined by the Board of Directors on which the Company will have sufficient funds properly applicable to the payment of such dividends.

Payments of dividends and other amounts in respect of the Series 10 Shares will be made by the Company to CDS, or its nominee, as the case may be, as registered holder of the Series 10 Shares. As long as CDS, or its nominee, is the registered holder of the Series 10 Shares, CDS, or its nominee, as the case may be, will be considered the sole owner of the Series 10 Shares for the purposes of receiving payment on the Series 10 Shares.

## *Redemption of Series 10 Shares*

Subject to the provisions described below under "*Provisions Common to the Series 9 Shares and the Series 10 Shares – Restrictions on Dividends and Retirement of Shares*", on September 30, 2027 and on each Series 10 Conversion Date (as defined herein) thereafter, the Company may redeem all or any number of the outstanding Series 10 Shares, at the Company'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 September 30, 2022 that is not a Series 10 Conversion Date, the Company may redeem all or any number of the outstanding Series 10 Shares, at the Company'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 10 Shares do not have a fixed maturity date and are not redeemable at the option of the holders of Series 10 Shares. See "*Risk Factors*".

## *Notice and Pro Rata Redemption*

The Company will give notice of any redemption to registered holders of the Series 10 Shares not more than 60 days and not less than 30 days prior to the redemption date.

Where only a part of the outstanding Series 10 Shares is at any time to be redeemed, the Series 10 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 10 Shares into Series 9 Shares*

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

Holders of Series 10 Shares will have the right, at their option, on September 30, 2027 and on September 30 every five years thereafter (each such date a "**Series 10 Conversion Date**"), to convert, subject to the automatic conversion and restrictions on conversion described below and the payment or delivery to the Company of evidence of payment of the tax (if any) payable, all or any of their Series 10 Shares into Series 9 Shares on the basis of one Series 9 Share for each Series 10 Share converted. A holder's Election Notice to convert Series 10 Shares must be received by the Company not earlier than the 30th day and not later than 5:00 p.m. (Toronto time) on the 15th day preceding the applicable Series 10 Conversion Date. An Election Notice



is irrevocable once received by the Company. If the Company does not receive an Election Notice within the specified time, the Series 10 Shares shall be deemed not to have been converted (subject to automatic conversion described below).

The Company will, not more than 60 and not less than 30 days prior to each Series 10 Conversion Date, give notice in writing to the then registered holders of the Series 10 Shares of the Series 10 Conversion Date and a form of Election Notice. On the 30th day prior to each Series 10 Conversion Date, the Company will give notice in writing to the then registered holders of the Series 10 Shares of the Floating Quarterly Dividend Rate for the next Quarterly Floating Rate Period and the Annual Fixed Dividend Rate applicable to the Series 9 Shares for the next Subsequent Fixed Rate Period.

Upon exercise by a registered holder of its right to convert Series 10 Shares into Series 9 Shares (and upon an automatic conversion), the Company reserves the right not to deliver Series 9 Shares to any person whose address is in, or whom the Company 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 Company to take any action to comply with the securities or analogous laws of such jurisdiction.

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

If the Company determines that there would remain outstanding on a Series 10 Conversion Date less than 1,000,000 Series 10 Shares, after having taken into account all Election Notices in respect of Series 10 Shares tendered for conversion into Series 9 Shares and all Election Notices in respect of Series 9 Shares tendered for conversion into Series 10 Shares, in each case received by the Company during the time fixed therefor, then, all, but not part, of the remaining outstanding Series 10 Shares will automatically be converted into Series 9 Shares on the basis of one Series 9 Share for each Series 10 Share on the applicable Series 10 Conversion Date. The Company will give notice in writing of the automatic conversion to all registered holders of the Series 10 Shares at least seven days prior to the Series 10 Conversion Date.

Furthermore, holders of Series 10 Shares will not be entitled to convert their shares into Series 9 Shares if the Company determines that there would remain outstanding on a Series 10 Conversion Date less than 1,000,000 Series 9 Shares after having taken into account all Election Notices in respect of Series 10 Shares tendered for conversion into Series 9 Shares and all Election Notices in respect of Series 9 Shares tendered for conversion into Series 10 Shares, in each case received by the Company during the time fixed therefor. The Company will give notice in writing of the inability to convert Series 10 Shares to all registered holders of the Series 10 Shares at least seven days prior to the applicable Series 10 Conversion Date.

If the Company gives notice to registered holders of the Series 10 Shares of the redemption of all outstanding Series 10 Shares, the Company will not be required to give notice as provided hereunder to the registered holders of the Series 10 Shares of any dividend rates or of the conversion right of holders of Series 10 Shares and the right of any holder of Series 10 Shares to convert such shares will terminate.

#### **Provisions Common to the Series 9 Shares and the Series 10 Shares**

##### *Purchase for Cancellation*

Subject to applicable law and the provisions described under "*Details of the Offering – Provisions Common to the Series 9 Shares and the Series 10 Shares – Restriction on Dividends and Retirement of Shares*", the Company may at any time or times purchase for cancellation all or any number of the outstanding Series 9 Shares or Series 10 Shares on the open market, by private agreement, pursuant to tenders received by the Company upon an invitation for tenders addressed to all holders of the Series 9 Shares or Series 10 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 Company or any other distribution of assets of the Company among its shareholders for the purpose of winding-up its affairs, subject to the prior satisfaction of the claims of all creditors of the Company and of holders of shares of the Company ranking prior to the Series 9 Shares and the Series 10 Shares, the holders of Series 9 Shares and Series 10 Shares will be entitled to payment of an amount equal to \$25.00 per Series 9 Share or Series 10 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 Company), before any amount may be paid or any assets of the Company are distributed to the holders of any shares ranking junior as to capital to the Series 9 Shares and the

Series 10 Shares. After payment of such amounts, the holders of Series 9 Shares and Series 10 Shares will not be entitled to share in any further distribution of the assets of the Company.

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

So long as any of the Series 9 Shares or Series 10 Shares are outstanding, the Company will not, without the approval of the holders of the Series 9 Shares or Series 10 Shares given as described under "*Details of the Offering – Provisions Common to the Series 9 Shares and the Series 10 Shares – Modification of Series*":

- (a) declare, pay or set apart for payment any dividends on any shares of the Company ranking as to dividends junior to the Series 9 Shares or Series 10 Shares (other than stock dividends payable in shares of the Company ranking as to dividends and capital junior to the Series 9 Shares or Series 10 Shares);
- (b) except out of the net cash proceeds of a substantially concurrent issue of shares of the Company ranking as to return of capital and dividends junior to the Series 9 Shares or Series 10 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 Company ranking as to capital junior to the Series 9 Shares or Series 10 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 9 Shares or Series 10 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 9 Shares or Series 10 Shares, redeem or call for redemption, purchase or otherwise pay off or retire for value or make any return of capital in respect of any Preference Shares, ranking as to dividends or capital on a parity with the Series 9 Shares or Series 10 Shares; or
- (e) except for the issuance of Series 9 Shares as a result of the conversion of the Series 10 Shares in accordance with their terms or the issuance of Series 10 Shares as a result of the conversion of the Series 9 Shares in accordance with their terms, create or issue any additional Series 9 Shares or Series 10 Shares or any shares ranking as to the payment of dividends or repayment of capital prior to or on parity with the Series 9 Shares or Series 10 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 9 Shares or Series 10 Shares have been declared and paid or monies set apart for payment.

#### *Voting Rights*

Except as otherwise required by law or in the conditions attaching to the Preference Shares as a class, the holders of the Series 9 Shares or Series 10 Shares will not be entitled to receive notice of, attend at, or vote at, any meeting of shareholders of the Company, unless and until the Company shall have failed to pay eight quarterly dividends on the Series 9 Shares or Series 10 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 Company 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 9 Shares or Series 10 Shares, as appropriate will be entitled to receive notice of all meetings of shareholders of the Company 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 Company on the basis of one vote for each Series 9 Share or Series 10 Share held, until all such arrears of such dividends have been paid, whereupon such rights will cease unless and until the Company shall again fail to pay eight quarterly dividends on the Series 9 Shares or Series 10 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 9 Shares or Series 10 Shares shall be entitled to voting rights attached to Preference Shares as a class. See "*Details of the Offering – Description of the Preference Shares as a Class – Voting Rights*". In such circumstances (except in the case of a dissolution), holders of Series 9 Shares or Series 10 Shares, as appropriate, will be entitled to vote separately as a series if the Series 9 Shares or Series 10 Shares, as appropriate, are affected in a manner different from other series of Preference Shares.

### *Modification of Series*

The approval of all amendments to the rights, privileges, restrictions and conditions attaching to the Series 9 Shares and the Series 10 Shares as a series and any other approval to be given by the holders of the Series 9 Shares or Series 10 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 9 Shares or Series 10 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 9 Shares or Series 10 Shares, as applicable, then present would form the necessary quorum. At any meeting of holders of Series 9 Shares or Series 10 Shares as a series, each such holder shall be entitled to one vote in respect of each Series 9 Share or Series 10 Share, as applicable, held.

### *Tax Election*

The Series 9 Shares and the Series 10 Shares will be "taxable preferred shares" as defined in the Tax Act for purposes of the tax under Part IV.1 of the Tax Act applicable to certain corporate holders of such shares. The terms of the Series 9 Shares and the Series 10 Shares require the Company 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 9 Shares and Series 10 Shares. See "*Certain Canadian Federal Income Tax Considerations*".

### *Non-Business Days*

If any action or payment, other than payment of a dividend in connection with the Series 9 Shares or the Series 10 Shares, is required to be taken or paid by the Company or any matter, consequence or other thing is provided to occur, in respect of the Series 9 Shares or the Series 10 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 Company has its head office (a "**non-business day**"), then such action or payment will be taken or made and such matter, consequence or other thing will occur on the immediately following day which is not a non-business day.

## **MARKET FOR SECURITIES**

The outstanding Common Shares, Series 1 Shares, Series 3 Shares, Series 5 Shares and Series 7 Shares are listed and trade on the TSX under the symbol "CPX", "CPX.PR.A", "CPX.PR.C", "CPX.PR.E" and "CPX.PR.G" respectively. The following table sets forth certain trading information for the Common Shares, Series 1 Shares, Series 3 Shares, Series 5 and Series 7 Shares during the periods indicated as reported by the TSX. For additional trading information relating to the Common Shares, see "*Market for Securities*" in the Prospectus.

<u>Period</u>	<u>Common Share Price High</u>	<u>Common Share Price Low</u>	<u>Volume Traded</u>
<b>2016</b>			
July .....	\$21.12	\$18.95	4,271,513
August .....	\$22.16	\$20.63	5,502,659
September .....	\$21.75	\$20.12	6,235,989
October .....	\$21.75	\$20.32	5,055,197
November .....	\$23.79	\$19.90	8,673,595
December .....	\$24.49	\$22.77	9,545,055
<b>2017</b>			
January .....	\$25.16	\$23.15	6,081,312
February .....	\$26.30	\$24.50	4,836,925
March .....	\$26.43	\$25.27	6,067,441
April .....	\$26.14	\$24.05	6,031,884
May .....	\$25.96	\$24.69	4,422,200
June .....	\$25.61	\$24.20	4,309,375
July (to July 28) .....	\$25.39	\$23.81	3,511,134

<u>Period</u>	<u>Series 1 Share Price High</u>	<u>Series 1 Share Price Low</u>	<u>Volume Traded</u>
<b>2016</b>			
July .....	\$11.37	\$10.08	90,776
August .....	\$11.94	\$11.20	141,700
September .....	\$12.23	\$11.25	84,856
October .....	\$12.90	\$11.70	110,337
November .....	\$13.44	\$11.67	162,449
December .....	\$13.95	\$13.16	150,718
<b>2017</b>			
January .....	\$15.40	\$13.75	94,557
February .....	\$15.84	\$14.98	197,222
March .....	\$15.80	\$15.27	90,096
April .....	\$16.76	\$15.54	74,060
May .....	\$15.74	\$15.20	46,950
June .....	\$16.33	\$15.23	104,255
July (to July 28) .....	\$16.80	\$15.96	54,465

<u>Period</u>	<u>Series 3 Share Price High</u>	<u>Series 3 Share Price Low</u>	<u>Volume Traded</u>
<b>2016</b>			
July .....	\$15.34	\$13.75	100,954
August .....	\$15.58	\$14.92	158,068
September .....	\$15.40	\$14.40	249,698
October .....	\$16.48	\$15.06	155,028
November .....	\$17.46	\$15.55	254,326
December .....	\$19.11	\$17.25	259,671
<b>2017</b>			
January .....	\$20.51	\$18.81	137,334
February .....	\$20.44	\$19.78	129,246
March .....	\$20.84	\$19.86	161,908
April .....	\$21.32	\$19.76	101,167
May .....	\$19.80	\$19.18	152,231
June .....	\$20.51	\$18.80	132,109
July (to July 28) .....	\$21.19	\$20.43	50,281

<u>Period</u>	<u>Series 5 Share Price High</u>	<u>Series 5 Share Price Low</u>	<u>Volume Traded</u>
<b>2016</b>			
July .....	\$14.73	\$13.17	164,077
August .....	\$15.15	\$14.54	186,478
September .....	\$15.09	\$14.08	216,896
October .....	\$16.25	\$14.90	233,916
November .....	\$17.00	\$15.21	285,621
December .....	\$18.39	\$16.70	344,565
<b>2017</b>			
January .....	\$20.16	\$18.13	256,703
February .....	\$20.00	\$19.31	159,391
March .....	\$20.43	\$19.42	156,498
April .....	\$20.69	\$19.25	147,942
May .....	\$19.28	\$18.60	109,287
June .....	\$19.95	\$18.10	217,791
July (to July 28) .....	\$20.68	\$19.94	185,475

<u>Period</u>	<u>Series 7 Share Price High</u>	<u>Series 7 Share Price Low</u>	<u>Volume Traded</u>
<b>2016</b>			
October .....	\$25.05	\$24.75	1,450,468
November .....	\$25.23	\$24.52	585,577
December.....	\$25.55	\$24.89	359,799
<b>2017</b>			
January.....	\$26.21	\$25.30	415,247
February.....	\$26.10	\$25.50	146,633
March.....	\$26.19	\$25.65	222,070
April.....	\$26.20	\$25.60	174,929
May.....	\$26.00	\$25.51	213,584
June.....	\$26.10	\$25.43	368,427
July (to July 28).....	\$25.90	\$25.50	78,118

## RISK FACTORS

An investment in the Series 9 Shares is subject to a number of risks. In addition to the other information contained in and incorporated by reference into this Prospectus Supplement and the Prospectus, you should consider carefully the risk factors set forth under the heading "*Risks and Risk Management*" in the Company's MD&A for the year ended December 31, 2016.

### Preferred Share Rating

The preferred share ratings applied to the Series 9 Shares are an assessment, by the rating agencies, of the Company's ability to pay its obligations. The ratings are based on certain assumptions about the future performance and capital structure of the Company that may or may not reflect the actual performance or capital structure of the Company. Changes in ratings of the Series 9 Shares or Series 10 Shares may affect the market price or value and the liquidity of the Series 9 Shares or Series 10 Shares. There is no assurance that any rating assigned to the Series 9 Shares or Series 10 Shares will remain in effect for any given period of time or that any rating will not be lowered or withdrawn entirely by the relevant rating agency. See "*Preferred Share Ratings*".

### **The Company's ability to meet its financial obligations is dependent on receipt of funds from its subsidiaries, including the Partnership and the value of its underlying business and assets**

As the Company operates as a holding company, the Company's ability to pay dividends and other operating expenses and to meet its obligations depends to a significant extent upon receipt of sufficient funds from its subsidiaries, including Capital Power L.P. (the "**Partnership**"), its ability to raise additional capital and the value of its underlying business and assets. Accordingly, the likelihood that holders of the Series 9 Shares or Series 10 Shares will receive dividends will depend to a significant extent upon the financial position and creditworthiness of subsidiaries, including the Partnership, and its underlying business and assets. Should the value of the underlying assets of the Company's subsidiaries, including the Partnership, decrease substantially, the Company may not legally be in a position to declare or pay its dividends or pay amounts due upon redemption of the Series 9 Shares and the Series 10 Shares or upon liquidation, dissolution or winding-up of the Company. See "*Earnings Coverage Ratios of the Company*".

### Declaration of Payment of Dividends

Holders of Series 9 Shares and Series 10 Shares do not have a right to dividends on such shares unless declared by the Board of Directors. The declaration of dividends is in the discretion of the Board of Directors even if the Company has sufficient funds, net of its liabilities, to pay such dividends.

The Company may not declare or pay a dividend if there are reasonable grounds for believing that (i) the Company is, or would after the payment be, unable to pay its liabilities as they become due, or (ii) the realizable value of the Company's assets would thereby be less than the aggregate of its liabilities and stated capital of its outstanding shares. Liabilities of the Company will include those arising in the course of its business, indebtedness, including inter-company debt, and amounts, if

any, that are owing by the Company under guarantees in respect of which a demand for payment has been made. See "*Consolidated Capitalization of the Company*".

### **Limitations on Preference Shares**

Although the Series 9 Shares and Series 10 Shares carry cumulative dividends, the Company may not be in a position pursuant to law to declare and pay such dividends as contemplated in this Prospectus Supplement and Prospectus.

### **There is currently no trading market for the Series 9 Shares or Series 10 Shares**

There is currently no trading market for the Series 9 Shares or Series 10 Shares. No assurance can be given that an active or liquid trading market for the Series 9 Shares or Series 10 Shares will develop or be sustained. If an active or liquid market for the Series 9 Shares or Series 10 Shares fails to develop or be sustained, the prices at which the Series 9 Shares or Series 10 Shares trade may be adversely affected.

### **The market value of Series 9 Shares and Series 10 Shares will be affected by a number of factors and, accordingly, its trading price will fluctuate**

The value of Series 9 Shares and Series 10 Shares will be affected by the general creditworthiness of the Company. The annual MD&A of the Company and the MD&A for the six month period ended June 30, 2017 are incorporated by reference in this Prospectus Supplement and the Prospectus. These analyses discuss, among other things, known material trends and events, and risks or uncertainties that are reasonably expected to have a material effect on the business, financial condition or results of operations of the Company. See also the discussion under "*Earnings Coverage Ratios of the Company*", which is relevant to an assessment of the risk that the Company will be unable to pay dividends on the Series 9 Shares and Series 10 Shares.

The market value of the Series 9 Shares and Series 10 Shares, as with other preferred shares, is primarily affected by changes (actual or anticipated) in prevailing interest rates and in the rating assigned to such shares. Real or anticipated changes in ratings on the Series 9 Shares or Series 10 Shares may also affect the cost at which the Company 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 9 Shares and Series 10 Shares. Assuming all other factors remain unchanged, the market value of the Series 9 Shares and Series 10 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 9 Shares and Series 10 Shares may also depend on the market price of the Common Shares. It is impossible to predict whether the price of the Common Shares will rise or fall. Trading prices of the Common Shares will be influenced by the Company's financial results and by complex and interrelated political, economic, financial and other factors that may affect the capital markets generally, the stock exchanges on which the Common Shares are traded and the market segment of which the Company is a part.

### **Creditors of the Company rank ahead of holders of Series 9 Shares and Series 10 Shares in the event of an insolvency or winding-up of the Company**

The Series 9 Shares and Series 10 Shares will rank equally with other Preference Shares of the Company that may be outstanding in the event of an insolvency or winding-up of the Company. If the Company becomes insolvent or is wound-up, or if the Company is required to pay under guarantees provided by the Company, the Company's assets must be used to pay debt and amounts, if any, owing by the Company under such guarantees, before payments may be made on Series 9 Shares and Series 10 Shares and other Preference Shares. See "*Consolidated Capitalization of the Company*".

### **The dividend rates on the Series 9 Shares and Series 10 Shares will reset**

The dividend rate for Series 9 Shares and Series 10 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 10 Shares, given their floating interest component, entail risks not associated with investments in the Series 9 Shares. The resetting of the applicable rate on a Series 10 Share may result in a lower yield compared to fixed rate Series 9 Shares. The applicable rate on a Series 10 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 Company has no control.

**The Series 9 Shares and Series 10 Shares may be converted or redeemed without the holders' consent in certain circumstances**

The Series 9 Shares and Series 10 Shares may be redeemed by the Company in certain circumstances without the holders' consent. In addition, an investment in the Series 9 Shares may become an investment in Series 10 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 9 Shares into Series 10 Shares, the dividend rate on the Series 10 Shares will be a floating rate that is adjusted quarterly by reference to the T-Bill Rate which may vary from time to time. In addition, a holder may be prevented from converting its Series 9 Shares into Series 10 Shares, and *vice versa*, in certain circumstances. See "*Details of the Offering*".

**Neither the Series 9 Shares nor the Series 10 Shares have a fixed redemption date**

Neither the Series 9 Shares nor the Series 10 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 Company's ability to meet its financial obligations is dependent on receipt of funds from its subsidiaries, including the Partnership, and its ability to raise additional capital. See "*Details of the Offering*" and "*Risk Factors – The Company's ability to meet its financial obligations is dependent on receipt of funds from its subsidiaries, including the Partnership and the value of its underlying business and assets*".

**No Voting Rights**

Holders of Series 9 Shares and Series 10 Shares will generally not have voting rights at meetings of the shareholders of the Company except under limited circumstances. Holders of Series 9 Shares and Series 10 Shares will have no right to elect the Board of Directors of the Company on an annual or other ongoing basis. See "*Details of the Offering*".

**CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS**

In the opinion of Dentons Canada LLP, counsel to the Company, and Osler, Hoskin & Harcourt LLP, counsel to the Underwriters, the following is, at the date hereof, a summary of the principal Canadian federal income tax considerations generally applicable to a purchaser of Series 9 Shares or Series 10 Shares who acquires such shares as beneficial owner pursuant to this Prospectus Supplement and who, at all relevant times, for purposes of the *Income Tax Act* (Canada) and the regulations thereunder (collectively, the "**Tax Act**"), is, or is deemed to be, resident in Canada, holds the Series 9 Shares or Series 10 Shares, as the case may be, as capital property, deals with the Company and the Underwriters at arm's length, is not affiliated with the Company and is not exempt from tax under Part I of the Tax Act (a "**Holder**"). Generally, the Series 9 Shares and Series 10 Shares will be considered to be capital property to a Holder provided that the Holder does not acquire or hold the Series 9 Shares or Series 10 Shares, as the case may be, in the course of carrying on a business or as part of an adventure or concern in the nature of trade. Certain Holders who are resident in Canada, whose Series 9 Shares or Series 10 Shares, as the case may be, might not otherwise qualify as capital property, may be entitled to obtain such qualification for the Series 9 Shares and Series 10 Shares and all other "Canadian securities", as defined in the Tax Act, in certain circumstances, by making an irrevocable election permitted by subsection 39(4) of the Tax Act. Holders whose Series 9 Shares or Series 10 Shares might not otherwise be considered to be capital property should consult their own tax advisors.

This summary is not applicable to a Holder: (i) that is a "financial institution", as defined in the Tax Act for the purpose of the "mark-to-market property" rules; (ii) an interest in which would be a "tax shelter investment" as defined in the Tax Act; (iii) that is a "specified financial institution" as defined in the Tax Act; (iv) which has made a "functional currency" election under the Tax Act to determine its Canadian tax results in a currency other than Canadian currency; or (v) that enters into a "derivative forward agreement", as such term is defined in the Tax Act, in respect of the Series 9 Shares or Series 10 Shares. Any such Holder should consult its own tax advisors having regard to their particular circumstances. This summary also assumes that all issued and outstanding Series 9 Shares or Series 10 Shares will be listed on a "designated stock exchange" in Canada (under the Tax Act, which currently includes the TSX) at all relevant times.

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

**This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular Holder, and no representations with respect to the income tax consequences to any particular Holder are made. This summary is not exhaustive of all Canadian federal income tax considerations. Accordingly, prospective purchasers should consult their own tax advisors for advice with respect to the tax consequences to them of acquiring, holding and disposing of Series 9 Shares or Series 10 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 9 Shares or Series 10 Shares by an individual (other than certain trusts) will be included in the individual's income and will be subject to the gross-up and dividend tax credit rules normally applicable to taxable dividends received from taxable Canadian corporations. In certain circumstances, such individuals will be entitled to an enhanced dividend tax credit in respect of dividends designated by the Company to be "eligible dividends" in accordance with the provisions of the Tax Act. By notice in writing on the Company's website, the Company has designated all dividends paid by the Company to be "eligible dividends" within the meaning of the Tax Act unless otherwise notified. Prospective purchasers are urged to consult their own tax advisors in this respect.

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

Dividends (including deemed dividends) on the Series 9 Shares and the Series 10 Shares received by a Holder which is a corporation will be included in computing the corporation's income and will generally be deductible in computing the taxable income of the corporation. In certain circumstances, subsection 55(2) of the Tax Act will treat a taxable dividend received by a Holder that is a corporation as proceeds of disposition potentially giving rise to a capital gain. Holders that are corporations should consult their own tax advisors with respect to the potential application of these rules having regard to their own circumstances. A Holder that is a "private corporation" (as defined in the Tax Act), or any other corporation controlled (whether by reason of a beneficial interest in one or more trusts or otherwise) by or for the benefit of an individual (other than a trust) or a related group of individuals (other than trusts), will generally be liable to pay a 38<sup>1</sup>/<sub>3</sub>% refundable tax under Part IV of the Tax Act on dividends received (or deemed to be received) on the Series 9 Shares or the Series 10 Shares to the extent such dividends are deductible in computing its taxable income.

The Series 9 Shares and the Series 10 Shares will be taxable preferred shares as defined in the Tax Act. The terms of the Series 9 Shares and the Series 10 Shares require the Company to make the necessary election under Part VI.1 of the Tax Act so that Holders that are corporations will not be subject to tax under Part IV.1 of the Tax Act on dividends paid (or deemed to be paid) by the Company on the Series 9 Shares and Series 10 Shares.

### **Dispositions**

Generally, a Holder who disposes of or is deemed to dispose of Series 9 Shares or Series 10 Shares (including on redemption, but not on conversion for Series 9 Shares or Series 10 Shares, as the case may be, or other shares of the Company) will realize a capital gain (or sustain a capital loss) to the extent that the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of such shares to the Holder. The amount of any deemed dividend arising on the redemption, acquisition or purchase for cancellation by the Company of Series 9 Shares or Series 10 Shares will generally not be included in computing the Holder's proceeds of disposition to any shareholder for purposes of computing the capital gain or capital loss arising on the disposition of the Series 9 Shares or the Series 10 Shares. See "*Certain Canadian Federal Income Tax Considerations – Redemption*" below.



If the Holder is a corporation, the amount of any capital loss may, in certain circumstances, be reduced by the amount of any dividends, including deemed dividends, which have been received on such shares to the extent and in the manner provided for in the Tax Act. Similar rules may apply where a Series 9 Share or Series 10 Share is owned by a partnership or trust of which a corporation, trust or partnership is a member or beneficiary. Such Holders should consult their own tax advisors.

Generally, one-half of any capital gain will be included in computing the Holder's income as a taxable capital gain and one-half of any capital loss realized in a taxation year will be deducted from the Holder's taxable capital gains for the year. Any excess of allowable capital losses over taxable capital gains of the Holder for the year may be carried back up to three years and forward indefinitely and deducted against net taxable capital gains of the Holder in those other years in accordance with the detailed rules in the Tax Act.

A Holder that is, throughout the relevant taxation year, a "Canadian-controlled private corporation", as defined in the Tax Act, may be liable to pay the refundable tax of  $10\frac{2}{3}\%$  on its "aggregate investment income", which is defined in the Tax Act to include taxable capital gains, but not dividends or deemed dividends that are deductible in computing taxable income.

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

### **Redemption**

If the Company redeems Series 9 Shares or Series 10 Shares or otherwise acquires Series 9 Shares or the Series 10 Shares (other than on a conversion or by a purchase in the manner in which shares are normally purchased by a member of the public in the open market), the Holder will be deemed to have received a dividend equal to the amount, if any, paid by the Company 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 "*Certain Canadian Federal Income Tax Considerations – 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 9 Shares into Series 10 Shares and the Series 10 Shares into Series 9 Shares will be deemed under the Tax Act not to be a disposition of property and accordingly will not give rise to any capital gain or capital loss. The cost to a holder of Series 10 Shares or Series 9 Shares, as the case may be, received on the conversion will be deemed to be equal to the holder's adjusted cost base of the converted Series 9 Shares or Series 10 Shares, as the case may be, immediately before the conversion. For the purpose of determining the adjusted cost base of a Holder's shares of a particular series of shares of the Company, when additional shares of that series are acquired (including on conversion), the cost of newly acquired shares of that series will be averaged with the adjusted cost base of all shares of that series owned by the Holder as capital property immediately before that time.

## **ELIGIBILITY FOR INVESTMENT**

In the opinion of Dentons Canada LLP, counsel to the Company, and Osler, Hoskin & Harcourt LLP, counsel to the Underwriters, the Series 9 Shares and the Series 10 Shares, provided they are listed on a designated stock exchange (which currently includes the TSX) or the Company is a public corporation, if issued on the date of this Prospectus Supplement, would be qualified investments under the Tax Act for a trust governed by a registered retirement savings plan ("RRSP"), a registered retirement income fund ("RRIF"), a registered education savings plan ("RESP"), a registered disability savings plan ("RDSP"), a deferred profit sharing plan and a tax-free savings account ("TFSA").

Notwithstanding that the Series 9 Shares and Series 10 Shares may be qualified investments for a trust governed by an RRSP, RRIF or a TFSA, the annuitant under an RRSP or RRIF or the holder of a TFSA may be subject to a penalty tax if such Series 9 Shares or Series 10 Shares are "prohibited investments" for the RRSP, RRIF or TFSA within the meaning of the Tax Act. The Series 9 Shares and Series 10 Shares will generally not be a "prohibited investment" provided that the annuitant under the RRSP or RRIF or the holder of the TFSA, as the case may be, deals at arm's length with the Company for purposes of the Tax Act and does not have a "significant interest" (as defined in the Tax Act) in the Company.

On March 22, 2017, the Minister of Finance (Canada) announced proposals ("**Tax Proposals**") to amend the Tax Act to have the "prohibited investment" rules and other anti-avoidance rules that are currently applicable to RRSPs, RRIFs and TFSAs also apply to RESPs and RDSPs. The Tax Proposals are intended to apply to transactions occurring and investments acquired after March 22, 2017, subject to certain transitional rules.

**Prospective investors who intend to hold Series 9 Shares or Series 10 Shares issuable on conversion of Series 9 Shares in a TFSA, RRSP, RRIF, RESP or RDSP should consult their own tax advisors having regard to their own particular circumstances.**

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

Registration of interests in and transfers of the Series 9 Shares and Series 10 Shares will only be made through the book-entry only system administered by CDS, the whole subject to applicable law. On the Closing Date, the Company will deliver to CDS in certificated or non-certificated form registered in the name of CDS, the aggregate number of Series 9 Shares subscribed for under this Offering. Series 9 Shares and Series 10 Shares must be acquired, transferred and surrendered for redemption, conversion or retraction through a CDS Participant. All rights of an owner of Series 9 Shares or Series 10 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 9 Shares or Series 10 Shares. Upon an acquisition of any Series 9 Shares or Series 10 Shares, the owner will receive only the customary confirmation. References in this Prospectus Supplement to a holder of Series 9 Shares or Series 10 Shares mean, unless the context otherwise requires, the owner of the beneficial interest in such shares.

The ability of a beneficial owner of Series 9 Shares or Series 10 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 Company has the option to terminate registration of the Series 9 Shares and Series 10 Shares through the book-entry only system, in which event certificates for Series 9 Shares and Series 10 Shares in fully registered form will be issued to the beneficial owners of such shares or their nominees.

### **LEGAL MATTERS**

Certain legal matters in connection with the Series 9 Shares offered hereby will be passed upon on behalf of the Company by Dentons Canada LLP, and on behalf of the Underwriters by Osler, Hoskin & Harcourt LLP.

The partners and associates of Dentons Canada LLP, as a group, beneficially own, directly or indirectly, less than 1% of the outstanding securities of any class or series of the Company. The partners and associates of Osler, Hoskin & Harcourt LLP, as a group beneficially own, directly or indirectly, less than 1% of the outstanding securities of any class or series of the Company.

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

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

The transfer agent and registrar for the Series 9 Shares and Series 10 Shares is Computershare Trust Company of Canada at its principal transfer offices in Calgary, Alberta and Toronto, Ontario.

### **AGENT FOR SERVICE OF PROCESS IN CANADA**

Keith Trent, a director of the Company, resides outside of Canada, and has appointed the Company (Suite 1200, 10423 – 101 Street NW, Edmonton, Alberta, T5H 0E9) as his agent for service of process. Purchasers are advised that it may not be possible for investors to enforce judgments obtained in Canada against any person that resides outside of Canada, even if the party has appointed an agent for service of process.

## **PURCHASERS' STATUTORY RIGHTS**

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

**UNDERWRITERS' CERTIFICATE**

Dated: July 31, 2017

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

**TD SECURITIES INC.**

(Signed) By: "*Harold R. Holloway*"

**NATIONAL BANK FINANCIAL INC.**

(Signed) By: "*Iain Watson*"

**CIBC WORLD  
MARKETS INC.**

(Signed) By: "*David  
Williams*"

**RBC DOMINION SECURITIES INC.**

(Signed) By: "*Robert Nicholson*"

**SCOTIA CAPITAL  
INC.**

(Signed) By: "*Thomas  
Kurfurst*"

**BMO NESBITT BURNS INC.**

(Signed) By: "*Aaron M. Engen*"

**GMP SECURITIES L.P.**

(Signed) By: "*Erik B.  
Bakke*"

**HSBC SECURITIES  
(CANADA) INC.**

(Signed) By: "*Greg Gannett*"

**INDUSTRIAL ALLIANCE  
SECURITIES INC.**

(Signed) By: "*Fred Westra*"

**RAYMOND  
JAMES LTD.**

(Signed) By: "*James A.  
Tower*"