

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 October 19, 2009 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”.

**Information has been incorporated by reference in this Prospectus Supplement from documents filed with securities commissions or similar authorities in Canada.** Copies of the documents incorporated herein by reference may be obtained on request without charge from the Vice-President and Corporate Secretary of TransAlta Corporation at Box 1900, Station “M”, 110 – 12<sup>th</sup> Avenue S.W., Calgary, Alberta, Canada, T2P 2M1 (telephone (403) 267-7110) are also available electronically at [www.sedar.com](http://www.sedar.com).

## PROSPECTUS SUPPLEMENT TO THE SHORT FORM BASE SHELF PROSPECTUS DATED OCTOBER 19, 2009

New Issue

December 3, 2010



### TRANSALTA CORPORATION

**\$250,000,000**

### **10,000,000 Cumulative Redeemable Rate Reset First Preferred Shares, Series A**

TransAlta Corporation (the “**Corporation**”) is hereby qualifying the distribution (the “**Offering**”) of 10,000,000 cumulative redeemable rate reset first preferred shares, series A (“**Series A Shares**”) of the Corporation at a price of \$25.00 per Series A Share. See “Details of the Offering” and “Plan of Distribution”.

The holders of Series A Shares will be entitled to receive, as and when declared by the board of directors of the Corporation out of moneys of the Corporation properly applicable to the payment of dividends, fixed cumulative preferential cash dividends for the initial period (the “**Initial Fixed Rate Period**”) from and including the date of issue of the Series A Shares to but excluding March 31, 2016, at an annual rate of \$1.15 per share, payable quarterly on the last day of March, June, September and December in each year (less any tax required to be deducted and withheld by the Corporation). If any such date is not a business day, the dividend will be paid on the next succeeding business day. Assuming an issue date of December 10, 2010, the first dividend, if declared, will be payable March 31, 2011 in the amount of \$0.3497 per share.

For each five-year period after the Initial Fixed Rate Period (each a “**Subsequent Fixed Rate Period**”, as defined herein), the holders of Series A Shares shall be entitled to receive, as and when declared by the board of directors of the Corporation, fixed cumulative preferential cash dividends, payable quarterly on the last day of March, June, September and December in each year, in the amount per share determined by multiplying one-quarter of the Annual Fixed Dividend Rate (as defined herein) for such Subsequent Fixed Rate Period by \$25.00 (less any tax required to be deducted and withheld by the Corporation). The Annual Fixed Dividend Rate for the ensuing Subsequent Fixed Rate Period will be determined by the Corporation on the Fixed Rate Calculation Date (as defined herein) and will be equal to the sum of the Government of Canada Yield (as defined herein) on the Fixed Rate Calculation Date plus a spread of 2.03%. This spread will apply to both the Series A Shares and the Series B Shares described below, and will remain unchanged over the life of the Series A Shares. See “Details of the Offering”.

The Series A Shares shall not be redeemable prior to March 31, 2016. On March 31, 2016, and on March 31 in every fifth year thereafter, the Corporation may, at its option, upon not less than 30 days and not more than 60 days prior written notice, redeem for cash all or any part of the outstanding Series A Shares by the payment of \$25.00 per Series A Share plus all accrued and unpaid dividends (less any tax required to be deducted and withheld by the Corporation). See “Details of the Offering”.

#### **Option to Convert into Series B Shares**

The holders of the Series A Shares will have the right to convert all or any of their shares into cumulative redeemable floating rate first preferred shares, series B of the Corporation (the “**Series B Shares**”), subject to certain conditions, on March 31, 2016 and on March 31 in every fifth year thereafter. The holders of the Series B Shares will be entitled to receive, as and when declared by the board of directors of the Corporation, quarterly floating rate cumulative preferential cash dividends payable on the last day of March, June, September and December in each year (each such quarterly dividend period is referred to as a “**Quarterly Floating Rate Period**”, as defined herein) in the amount per share determined by multiplying the Floating Quarterly Dividend Rate (as defined herein) for such Quarterly Floating Rate Period by \$25.00 and multiplying that product by a fraction, the numerator of which is the actual number of days in such Quarterly Floating Rate Period and the denominator of which is 365 or 366, depending upon the actual number of days in the applicable year (less any tax required to be deducted and withheld by the Corporation). If any such date is not a business day, the dividend will be paid on the next succeeding business day. The Floating Quarterly Dividend Rate will be the annual rate of interest equal to the sum of the T-Bill Rate (as defined herein) on the applicable Floating Rate Calculation Date (as defined herein) plus a spread of 2.03%. See “Details of the Offering”.

The Series A Shares and Series B 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 A Shares and Series B Shares are identical in all material respects.

(continued on next page)

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**Price: \$25.00 per Series A Share to initially yield 4.60% per annum**

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	Price to the Public	Underwriting Commission <sup>(1)</sup>	Net Proceeds to the Corporation <sup>(2)</sup>
Per Series A Share	\$25.00	\$0.75	\$24.25
<b>Total<sup>(3)</sup></b>	<b>\$250,000,000</b>	<b>\$7,500,000</b>	<b>\$242,500,000</b>

(1) The Underwriters' fee for the Series A 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 A Shares purchased by the Underwriters (as defined herein). The Underwriters' fee indicated in the table and in note 3 below assumes that no Series A Shares are sold to such institutions.

(2) Before deducting the estimated expenses of the Offering of approximately \$300,000. The expenses of the Offering and the Underwriters' fee will be paid from the general funds of the Corporation.

(3) The Corporation has granted to the Underwriters (as defined below) an option (the "**Underwriters' Option**"), exercisable at any time up to 48 hours prior to the closing time of the Offering on the Offering Closing Date, to purchase up to an additional 2,000,000 Series A Shares at the offering price. If the Underwriters' Option is exercised in full, the total price to the public, the Underwriters' fee and the net proceeds to the Corporation, before expenses of the Offering, will be \$300,000,000, \$9,000,000 and \$291,000,000, respectively. See "Plan of Distribution". The distribution of the Series A Shares that may be issued on the exercise of the Underwriters' Option are also qualified under the Prospectus, as supplemented by this Prospectus Supplement.

Underwriters' Position	Maximum Size or Number of Securities Held	Exercise Period/Acquisition Date	Exercise Price or Average Acquisition Price
Underwriters' Option	Option to acquire up to an additional 2,000,000 Series A Shares	Until 48 hours prior to the closing time for the Offering	\$25.00

**There is no market through which the Series A Shares may be sold and purchasers may not be able to resell Series A Shares purchased under this Prospectus Supplement. This may affect the pricing of the Series A Shares in the secondary market, the transparency and availability of trading prices, the liquidity of the Series A Shares and the extent of issuer regulation. See "Risk Factors".**

The Corporation has applied to the Toronto Stock Exchange (the "**TSX**") to list the Series A Shares and Series B Shares described in this Prospectus Supplement. Listing will be subject to the Corporation fulfilling all the listing requirements of the TSX. There can be no assurance that the Series A Shares and Series B Shares will be accepted for listing on the TSX.

It is currently anticipated that the closing date of the Offering (the "**Offering Closing Date**") will be on or about December 10, 2010, or such later date as the Corporation and the Underwriters may agree but in any event not later than December 17 2010. See "Details of the Offering".

The terms of the Offering were determined by negotiations between the Corporation and CIBC World Markets Inc., RBC Dominion Securities Inc., Scotia Capital Inc., BMO Nesbitt Burns Inc., HSBC Securities (Canada) Inc., National Bank Financial Inc., TD Securities Inc., Canaccord Genuity Corp. and Macquarie Capital Markets Canada Ltd. (collectively, the "**Underwriters**").

The Underwriters, as principals, conditionally offer the Series A Shares, subject to prior sale, if, as and when issued by the Corporation to, and accepted by, the Underwriters in accordance with the conditions contained in the Underwriting Agreement referred to under "Plan of Distribution", and subject to the approval of certain legal matters relating to the Offering on behalf of the Corporation by McCarthy Tétrault LLP and on behalf of the Underwriters by Blake, Cassels and Graydon LLP.

Subscriptions for Series A Shares will be received subject to rejection or allotment in whole or in part and the Underwriters reserve the right to close the subscription books at any time without notice. Book entry only certificates representing the Series A Shares will be issued in registered form to CDS Clearing and Depository Services Inc. ("**CDS**") or its nominee and will be deposited with CDS on the Offering Closing Date. A purchaser of Series A Shares will receive only a customer confirmation from a registered dealer which is a CDS participant and from or through which the Series A Shares are purchased. See "Depository Services".

Subject to applicable laws, the Underwriters may, in connection with the Offering, over-allot or effect transactions which stabilize or maintain the market price of the Series A Shares at levels other than those which might otherwise prevail on the open market. **The Underwriters propose to offer the Series A Shares initially at the offering price specified above. After a reasonable effort has been made to sell all of the Series A Shares at the price specified, the Underwriters may reduce the selling price to investors from time to time in order to sell any of the Series A Shares remaining unsold. Any such reduction will not affect the proceeds received by the Corporation.** See "Plan of Distribution".

In the opinion of counsel, subject to the provisions of any particular plan, the Series A Shares, if issued on the date hereof, generally would be qualified investments under the *Income Tax Act* (Canada) (the "**Tax Act**") for certain tax-exempt trusts. See "Eligibility for Investment".

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

**Each of CIBC World Markets Inc., RBC Dominion Securities Inc., Scotia Capital Inc., BMO Nesbitt Burns Inc., HSBC Securities (Canada) Inc., National Bank Financial Inc. and TD Securities Inc. is, directly or indirectly, a subsidiary or an affiliate of a lender which is one of the lenders to the Corporation or its subsidiaries and to which the Corporation or its subsidiaries is currently indebted. Consequently, the Corporation may be considered a connected issuer of such Underwriters for the purposes of securities regulations in certain provinces of Canada. The net proceeds from this Offering may be used to reduce the Corporation's indebtedness to such lenders. See "Relationship Between the Corporation's Lenders and the Underwriters" and "Use of Proceeds".**

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## **IMPORTANT NOTICE ABOUT INFORMATION IN 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 securities the Corporation is offering 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, some of which may not apply to the Series A Shares offered hereunder. Defined 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. We have not, and the Underwriters have not, authorized anyone to provide you with different or additional information. We are not, and the Underwriters are not, making an offer to sell the Series A 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 our 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. References to “dollars” or “\$” are to lawful currency of Canada.

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 which are in effect from time to time.

### **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 A Shares offered hereby, including Series A Shares offered pursuant to the Underwriters’ Option. Other documents are also incorporated or deemed to be incorporated by reference into the Prospectus and reference should be made to the Prospectus for full details. See “*Documents Incorporated by Reference*” in the Prospectus. As of the date hereof, the following documents filed with the securities commissions or similar authorities in each of the provinces of Canada are specifically incorporated by reference into and form an integral part of this Prospectus Supplement and the Prospectus.

- (a) consolidated financial statements as at December 31, 2009 and 2008 and for each of the years in the three year period ended December 31, 2009, the notes thereto, the auditors’ report thereon and the auditors’ report on our internal control over financial reporting;
- (b) management’s discussion and analysis of financial condition and results of operations as at and for the year ended December 31, 2009 (“**Annual MD&A**”);
- (c) annual information form dated February 24, 2010 (the “**Annual Information Form**”) for the year ended December 31, 2009;
- (d) management proxy circular dated March 11, 2010 prepared in connection with the Corporation’s annual and special meeting of shareholders held on April 29, 2010;
- (e) unaudited consolidated interim financial statements as at and for the three and nine month periods ended September 30, 2010 and 2009 and the notes thereto; and
- (f) management’s interim discussion and analysis of the financial condition and results of operations as at and for the three and nine month periods ended September 30, 2010.

Any documents of the type required to be incorporated by reference in a short form prospectus pursuant to National Instrument 44-101 *Short Form Prospectus Distributions* (“**NI 44-101**”) of the Canadian Securities Administrators, including any documents of the type referred to above or under “Documents Incorporated by Reference” in the Prospectus, material change reports (excluding confidential material change reports) and business acquisition reports subsequently filed by the Corporation with any securities commissions or similar authorities in Canada after the date of this Prospectus Supplement and prior to the termination of the Offering shall be deemed to be incorporated by reference into this Prospectus Supplement and the Prospectus for the purposes of this Offering. These documents are available through the internet on the System for Electronic Document Analysis and Retrieval (“**SEDAR**”), which can be accessed at [www.sedar.com](http://www.sedar.com).

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

Copies of the documents incorporated herein by reference (other than exhibits to such documents, unless such exhibits are specifically incorporated by reference in such documents) may be obtained on request without charge from the Vice-President and Corporate Secretary of the Corporation, 110 – 12<sup>th</sup> Avenue S.W., Calgary, Alberta, Canada T2P 0G7, Telephone (403) 267-7110.

### **SPECIAL NOTE REGARDING FORWARD LOOKING STATEMENTS**

This Prospectus Supplement contains both historical and forward-looking statements. These forward-looking statements are not facts, but only predictions and generally can be identified by the use of statements that include phrases such as “believe”, “expect”, “anticipate”, “intend”, “plan”, “foresee” or other words or phrases of similar import. Similarly, statements that describe the Corporation’s objectives, plans or goals also are forward looking statements. These forward-looking statements are subject to risks and uncertainties which could cause actual results to differ materially from those currently anticipated. In addition to the forward-looking statements contained in the documents incorporated by reference herein, this Prospectus contains, without limitation, forward-looking statements pertaining to the following: the anticipated closing of the Offering; and certain terms of the Class A Shares and the Class B Shares.

With respect to forward-looking statements contained in this Prospectus Supplement, we have made assumptions regarding, among other things: our ability to close the Offering on a timely basis and on the terms expected; fulfillment by the Underwriters of their obligations pursuant to the Underwriting Agreement; and that no event will occur which would allow the Underwriters to terminate their obligations under the Underwriting Agreement.

Certain factors that could materially affect these forward looking statements are described below and are incorporated by reference in this Prospectus Supplement, as described under “*Risk Factors*” in this Prospectus Supplement and in the Prospectus. Potential investors and other readers are urged to consider these factors carefully in evaluating the forward-looking statements and are cautioned not to place undue reliance on these forward-looking statements. The forward-looking statements included in this document are made only as of the date of this Prospectus Supplement and the Corporation does not undertake to publicly update these forward-looking statements to reflect new information, future events or otherwise, except as required by applicable laws. In light of these risks, uncertainties and assumptions, the forward-looking events might or might not occur. The Corporation cannot assure you that projected results or events will be achieved.

Factors that may adversely impact the Corporation’s forward-looking statements include risks relating to: fluctuations in market prices and availability of fuel supplies required to generate electricity and in the price of electricity; the regulatory and political environments in the jurisdictions in which the Corporation operates; environmental requirements and changes in, or liabilities under, these requirements; changes in general economic conditions including interest rates; operational risks involving the Corporation’s facilities, including unplanned outages at such facilities; execution and capital cost risks relating to the Corporation’s development and construction projects; disruptions in the transmission and distribution of electricity; disruptions in the source of fuels or water required to operate the Corporation’s facilities; trading risks; fluctuations in the value of foreign currencies and foreign political risks; need for additional financing; liquidity risk; structural subordination of securities; counterparty credit risk; insurance risk; the Corporation’s provision for income taxes; legal proceedings involving the Corporation; reliance on key personnel; labour relations matters; and absence of a public market for certain of the Securities offered under this Prospectus Supplement. The foregoing risk factors, among others, are described in further detail under the heading “*Risk Factors*” in this Prospectus Supplement and in the Prospectus, and in the documents incorporated by reference in this Prospectus and in the Prospectus Supplement, including the Annual MD&A and the Annual Information Form.

### **USE OF PROCEEDS**

The net proceeds to the Corporation from the Offering will be approximately \$242,200,000 after deducting \$7,500,000 in underwriting commission and \$300,000 in estimated expenses of the Offering. If the Underwriters exercise the Underwriters’ Option in full, the net proceeds of the Offering will be approximately \$290,700,000 after deducting \$9,000,000 in underwriting commission

and \$300,000 in estimated expenses of the Offering. The expenses of the Offering and the Underwriters' fee will be paid from the general funds of the Corporation.

The net proceeds of the Offering will be used to partially fund capital projects, for other general corporate purposes and to reduce short term indebtedness of the Corporation and its affiliates, which short term indebtedness was used to fund the Corporation's capital program and for general corporate purposes. The Corporation may invest funds that it does not immediately require in short-term marketable debt securities.

### CHANGES IN CONSOLIDATED CAPITALIZATION

Other than the effect of changes in foreign currency exchange rates on United States dollar denominated loans, there have been no material changes in the share and loan capital of the Corporation on a consolidated basis from September 30, 2010 to the date of this Prospectus Supplement. After giving effect to the Offering, the shareholders' equity of the Corporation will increase by the amount of the net proceeds of the Offering and the issued and outstanding Series A Shares will increase by 10,000,000 shares. In the event of the exercise in full of the Underwriters' Option, the shareholders' equity of the Corporation will increase by an additional \$290,700,000 and the number of issued and outstanding Series A Shares will increase by an additional 12,000,000 shares. After giving effect to the Offering and the use of proceeds as discussed herein, assuming such funds are initially used pay down short term indebtedness, the indebtedness of TransAlta under its credit facilities will be reduced by approximately \$242,000,000 (assuming no institutional sales of Series A Shares and assuming the Underwriters' Option is not exercised).

### TRADING PRICE AND VOLUME

Our common shares ("**Common Shares**") in the capital of the Corporation are listed for trading on the TSX under the symbol "TA" and the New York Stock Exchange under the symbol "TAC". The following table shows the monthly range of high and low prices and the total monthly volumes of Common Shares, on the TSX and NYSE for the periods indicated. For additional trading information relating to our Common Shares, see "*Market for Securities*" in the Prospectus.

<u>Period</u>	TSX		Volume
	Common Share Price (\$) High	Common Share Price (\$) Low	
<b>2009</b>			
September .....	22.22	20.61	13,392,244
October .....	22.05	20.10	12,836,564
November .....	22.23	20.04	19,249,898
December.....	23.65	21.51	15,714,132
<b>2010</b>			
January.....	23.98	22.06	12,926,828
February.....	24.00	21.62	10,623,554
March.....	23.35	22.00	19,248,855
April .....	22.93	20.54	17,663,924
May.....	21.09	19.55	16,062,435
June.....	21.67	19.60	17,881,262
July .....	21.12	19.70	9,290,865
August .....	21.50	20.26	14,098,678
September.....	22.05	21.20	16,199,764
October .....	22.24	20.31	11,286,417
November .....	21.61	20.12	16,691,928
December (1-2).....	21.17	20.81	1,193,617

<b>Period</b>	<b>NYSE</b>		
	<b>Common Share Price (US\$) High</b>	<b>Common Share Price (US\$) Low</b>	<b>Volume</b>
<b>2009</b>			
September .....	20.73	18.71	852,979
October .....	21.31	18.61	839,229
November .....	21.23	18.55	689,140
December .....	22.72	20.34	816,653
<b>2010</b>			
January.....	23.30	20.63	783,952
February.....	23.02	19.99	1,111,778
March.....	22.87	21.03	892,880
April .....	22.92	20.27	934,805
May.....	20.80	17.60	1,404,494
June.....	21.21	18.45	1,420,998
July .....	20.44	18.44	1,031,087
August .....	21.18	19.32	1,171,515
September.....	21.56	20.08	977,756
October.....	21.83	19.82	875,074
November.....	21.16	19.91	1,009,286
December (1-2).....	21.07	20.52	81,066

### DETAILS OF THE OFFERING

The following is a summary of the principal rights, privileges, restrictions and conditions attaching to the first preferred shares of the Corporation as a class and to be attached to the Series A Shares and Series B Shares. The Corporation will furnish on request a copy of the text of the provisions attaching to the first preferred shares as a class and the Series A Shares and Series B Shares, each as a series and such provisions will also be available on SEDAR at [www.sedar.com](http://www.sedar.com).

#### Definition of Terms

The following definitions are relevant to the Series A Shares and the Series B Shares.

“Annual Fixed Dividend Rate” means, for any Subsequent Fixed Rate Period, the annual rate of interest (expressed as a percentage rounded to the nearest one hundred thousandth of one percent (with 0.000005% being rounded up)) equal to the sum of the Government of Canada Yield on the applicable Fixed Rate Calculation Date and 2.03%.

“Dividend Payment Date” means the last day of March, June, September and December in each year, or if such date is not a business day, the next succeeding business day.

“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.

“Floating Quarterly Dividend Rate” means, for any Quarterly Floating Rate Period, the annual rate of interest (expressed as a percentage rounded 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 and 2.03%.

“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.

“Government of Canada 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 that appears on the Bloomberg Screen GCAN5YR <Index> Page on such date; provided that if such rate does not appear on the Bloomberg Screen GCAN5YR <Index> Page on such date, then the Government of Canada Yield shall mean the arithmetic average of the yields quoted to the Corporation by two registered Canadian investment dealers selected by the Corporation as being the annual yield to maturity on such date, compounded semi-annually, that a non-callable Government of Canada bond would carry if issued, in Canadian dollars, 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 date of issue of the Series A Shares to but excluding March 31, 2016.

“Quarterly Commencement Date” means the last day of December, March, June and September in each year, commencing March 31, 2016.

“Quarterly Floating Rate Period” means the period from and including a Quarterly Commencement Date to but excluding the next succeeding Quarterly Commencement Date.

“Series A Conversion Date” means March 31, 2016, and March 31, in every fifth year thereafter.

“Series B Conversion Date” means March 31, 2021, and March 31, in every fifth year thereafter.

“Subsequent Fixed Rate Period” means, for the initial Subsequent Fixed Rate Period, the period from and including March 31, 2016 to but excluding March 31, 2021, and for each succeeding Subsequent Fixed Rate Period means the period from and including the day immediately following the last day of the immediately preceding Subsequent Fixed Rate Period to but excluding March 31, in the fifth year thereafter.

“T-Bill Rate” means, for any Quarterly Floating Rate Period, the average yield expressed as an annual rate on 90 day Government of Canada treasury bills, as reported by the Bank of Canada, for the most recent treasury bills auction preceding the applicable Floating Rate Calculation Date.

### **Certain Provisions of the First Preferred Shares as a Class**

The Corporation is authorized to issue an unlimited number of first preferred shares, issuable in series and, with respect to each series, the Board is authorized to fix the number of shares comprising the series and determine the designation, rights, privileges, restrictions and conditions attaching to such shares, subject to certain limitations.

The first preferred shares of all series rank senior to all other shares of the Corporation with respect to priority in payment of dividends and with respect to distribution of assets in the event of liquidation, dissolution or winding up of the Corporation, or a reduction of stated capital. Holders of first preferred shares are entitled to receive cumulative quarterly dividends on the subscription price thereof as and when declared by the Board at the rate established by the Board at the time of issue of shares of a series (less any tax required to be deducted and withheld by the Corporation). No dividends may be declared or paid on any other shares of the Corporation unless all cumulative dividends accrued upon all outstanding first preferred shares have been paid or declared and set apart. In the event of the liquidation, dissolution or winding up of the Corporation, or a reduction of stated capital, no sum shall be paid or assets distributed to holders of other shares of the Corporation until the holders of first preferred shares shall have been paid the subscription price of the shares, plus a sum equal to the premium payable on a redemption, plus a sum equal to the arrears of dividends accumulated on the first preferred shares to the date of such liquidation, dissolution, winding up, or reduction of stated capital, as applicable (less any tax required to be deducted and withheld by the Corporation). After payment of such amount, the holders of first preferred shares shall not be entitled to share further in the distribution of the assets of the Corporation.

The Board of Directors of the Corporation (the “**Board**”) may include, in the share conditions attaching to a particular series of first preferred shares, certain voting rights effective upon the Corporation failing to make payment of six quarterly dividend payments, whether or not consecutive. These voting rights continue for so long as any dividends remain in arrears. These voting rights are the right to one vote for each \$25.00 of subscription price on all matters in respect of which shareholders vote, and additionally, the right of all series of first preferred shares, voting as a combined class, to elect two directors of the Corporation if the Board then consists of less than 16 directors, or three directors if the Board consists of 16 or more directors. Otherwise, except as required by law, the holders of first preferred shares shall not be entitled to vote or to receive notice of or attend any meeting of the shareholders of the Corporation.

Subject to the share conditions attaching to any particular series providing to the contrary, the Corporation may redeem first preferred shares of a series, in whole or from time to time in part, at the redemption price applicable to each series and the Corporation has the right to acquire any of the first preferred shares of one or more series by purchase for cancellation in the open market or by invitation for tenders at a price not to be exceed the redemption price applicable to the series, plus costs of purchase.

### **Certain Provisions of the Series A Shares**

#### *Issue Price*

The Series A Shares will have an issue price of \$25.00 per share.

### *Dividends on Series A Shares*

During the Initial Fixed Rate Period, the holders of the Series A Shares shall be entitled to receive and the Corporation shall pay, as and when declared by the Board, out of the moneys of the Corporation properly applicable to the payment of dividends, fixed cumulative preferential cash dividends at an annual rate of \$1.15 per share, payable quarterly on each Dividend Payment Date in each year (less any tax required to be deducted and withheld by the Corporation). The first dividend, if declared, shall be payable on March 31, 2011, and, notwithstanding the foregoing, shall be in the amount per share determined by multiplying \$1.15 by the number of days in the period from and including the date of issue of the Series A Shares to but excluding March 31, 2011, and dividing that product by 365 (less any tax required to be deducted and withheld by the Corporation).

During each Subsequent Fixed Rate Period, the holders of the Series A Shares shall be entitled to receive and the Corporation shall pay, as and when declared by the Board, out of the moneys of the Corporation properly applicable to the payment of dividends, fixed cumulative preferential cash dividends, payable quarterly on each Dividend Payment Date, in the amount per share determined by multiplying one-quarter of the Annual Fixed Dividend Rate for such Subsequent Fixed Rate Period by \$25.00 (less any tax required to be deducted and withheld by the Corporation).

On each Fixed Rate Calculation Date, the Corporation shall determine the Annual Fixed Dividend Rate for the ensuing Subsequent Fixed Rate Period. Each such determination shall, in the absence of manifest error, be final and binding upon the Corporation and upon all holders of Series A Shares. The Corporation shall, on each 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 the then outstanding Series A Shares.

### *Redemption of Series A Shares*

The Series A Shares shall not be redeemable prior to March 31, 2016. Subject to the provisions described under “Restrictions on Payments and Reductions of Capital”, on March 31, 2016, and on March 31 in every fifth year thereafter, the Corporation may, at its option, redeem all or any part of the Series A Shares by the payment of an amount in cash for each share to be redeemed equal to \$25.00 plus all accrued and unpaid dividends thereon to but excluding the date fixed for redemption (less any tax required to be deducted and withheld by the Corporation). Should any such date not be a business day, the redemption date will be the next succeeding business day.

Notice of any redemption of Series A Shares will be given by the Corporation not more than 60 days and not less than 30 days prior to the date fixed for redemption. If less than all of the outstanding Series A Shares are at any time to be redeemed, the shares to be redeemed shall be selected by lot in such manner as the Board or the transfer agent, if any, appointed by the Corporation in respect of such shares shall decide, or, if the Board so decides, such shares may be redeemed pro rata (disregarding fractions).

If the Corporation gives notice to the holders of the Series A Shares of the redemption of all of the Series A Shares, the right of a holder of Series A Shares to convert such Series A Shares shall terminate and the Corporation shall not be required to give notice to the registered holders of the Series A Shares of an Annual Fixed Dividend Rate, a Floating Quarterly Dividend Rate or the conversion right of holders of Series A Shares.

### *Conversion of Series A Shares into Series B Shares*

The Series A Shares shall not be convertible prior to March 31, 2016. Holders of Series A Shares shall have the right to convert on each Series A Conversion Date, subject to restrictions on conversion described below, all or any of their Series A Shares into Series B Shares on the basis of one Series B Share for each Series A Share. Notice of a holder's intention to convert Series A Shares must be received by the transfer agent and registrar for the Series A Shares at its principal office in Toronto or Calgary not earlier than the 30th day prior to, but not later than 5:00 p.m. (Toronto time) on the 15th day preceding, a Series A Conversion Date. Once received by the transfer agent and registrar on behalf of the Corporation, the election of a holder to convert is irrevocable.

The Corporation shall, not more than 60 days and not less than 30 days prior to the applicable Series A Conversion Date, give notice to the then registered holders of the Series A Shares of the conversion right. On the 30th day prior to each Series A Conversion Date, the Corporation shall give notice to the then registered holders of the Series A Shares of the Annual Fixed Dividend Rate for the Series A Shares for the next succeeding Subsequent Fixed Rate Period and the Floating Quarterly Dividend Rate for the Series B Shares for the next succeeding Quarterly Floating Rate Period.

Holders of Series A Shares shall not be entitled to convert their shares into Series B Shares if the Corporation determines that there would remain outstanding on a Series A Conversion Date less than 1,000,000 Series B Shares, after having taken into account all Series A Shares tendered for conversion into Series B Shares and all Series B Shares tendered for conversion into Series A Shares. The Corporation shall give notice thereof to all affected registered holders of the Series A Shares at least seven days prior to the

applicable Series A Conversion Date. Furthermore, if the Corporation determines that there would remain outstanding on a Series A Conversion Date less than 1,000,000 Series A Shares, after having taken into account all Series A Shares tendered for conversion into Series B Shares and all Series B Shares tendered for conversion into Series A Shares, then all of the remaining outstanding Series A Shares shall be converted automatically into Series B Shares on the basis of one Series B Share for each Series A Share on the applicable Series A Conversion Date and the Corporation shall give notice thereof to the then registered holders of such remaining Series A Shares at least seven days prior to the Series A Conversion Date.

The Corporation reserves the right not to deliver Series B Shares to any person that the Corporation or its transfer agent has reason to believe is a person whose address is in, or that the Corporation or its transfer agent has reason to believe is a resident of, any jurisdiction outside Canada if such delivery would require the Corporation to take any action to comply with the securities laws of such jurisdiction.

The Series A Shares and Series B 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 A Shares and Series B Shares are identical in all material respects.

#### *Purchase for Cancellation*

Subject to the provisions described under “Restrictions on Payments and Reductions of Capital”, the Corporation may at any time or times purchase for cancellation all or any part of the Series A Shares at the lowest price or prices at which, in the opinion of the Board, such shares are obtainable, which price shall not exceed in any case the redemption price applicable to such Series A Shares, plus costs of purchase.

#### *Rights on Liquidation*

In the event of the liquidation, dissolution or winding-up of the Corporation or any other distribution of assets of the Corporation among its shareholders for the purpose of winding up its affairs, the holders of the Series A Shares shall be entitled to receive \$25.00 per Series A Share plus all accrued and unpaid dividends thereon (less any tax required to be deducted and withheld by the Corporation) before any amount shall be paid or any property or assets of the Corporation shall be distributed to the holders of the Common Shares or to the holders of any other shares ranking junior to the Series A Shares in any respect. After payment to the holders of the Series A Shares of the amount so payable to them, they shall not, as such, be entitled to share in any further distribution of the property or assets of the Corporation.

#### *Restrictions on Payments and Reductions of Capital*

So long as any Series A Shares are outstanding, the Corporation shall not:

- (a) declare, pay or set apart for payment any dividends (other than stock dividends in shares of the Corporation ranking junior to the Series A Shares) on the Common Shares or any other shares of the Corporation ranking junior to the Series A Shares with respect to payment of dividends, or
- (b) call for redemption of, purchase, reduce stated capital maintained by the Corporation or otherwise pay for any shares of the Corporation ranking junior to the Series A Shares with respect to repayment of capital or with respect to payment of dividends,

unless all dividends up to and including the dividends payable on the last preceding dividend payment dates on the Series A Shares and on all other preferred shares then outstanding ranking prior to or on a parity with the Series A Shares with respect to payment of dividends shall have been declared and paid or set apart for payment at the date of any such action.

#### *Creation or Issue of Additional Shares*

So long as any Series A Shares are outstanding, the Corporation shall not, without the prior approval of the holders of the Series A Shares, create or issue any shares ranking prior to or on a parity with the Series A Shares with respect to repayment of capital or payment of dividends, provided that the Corporation may without such approval issue additional series of first preferred shares if all dividends then payable on the Series A Shares and Series B Shares shall have been paid or set apart for payment.

#### *Voting Rights*

The holders of the Series A Shares are not entitled to any voting rights or to receive notice of or to attend shareholders' meetings unless dividends on the Series A Shares are in arrears to the extent of six quarterly dividends, whether or not consecutive.

Until all arrears of dividends have been paid, holders of Series A Shares will be entitled to receive notice of and to attend all shareholders' meetings at which directors are to be elected (other than separate meetings of holders of another class or series of shares) and to one vote in respect of each Series A Share held on all matters in respect of which shareholders vote, and additionally, the right of all series of first preferred shares, voting as a combined class, to elect two directors of the Corporation if the Board then consists of less than 16 directors, or three directors if the Board consists of 16 or more directors. Otherwise, except as required by law, the holders of first preferred shares shall not be entitled to vote or to receive notice of or attend any meeting of the shareholders of the Corporation.

#### *Tax Election*

The Series A 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 the Series A Shares. The terms of the Series A Shares require the Corporation to make the necessary election under Part VI.1 of the Tax Act so that such 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 A Shares. See "Certain Canadian Federal Income Tax Considerations — Dividends".

#### *Modification*

The series provisions attaching to the Series A Shares may be amended with the written approval of all the holders of the Series A Shares outstanding or by at least two-thirds of the votes cast at a meeting of the holders of such shares duly called for that purpose and at which a quorum is present.

#### *Business Day*

If any day on which any dividend on the Series A Shares is payable by the Corporation or on or by which any other action is required to be taken by the Corporation is not a business day, then such dividend shall be payable and such other action may be taken on or by the next succeeding day that is a business day. For the purposes hereof, "business day" shall mean a day on which banks are generally open for business in both Calgary, Alberta and Toronto, Ontario.

### **Certain Provisions of the Series B Shares**

#### *Issue Price*

The Series B Shares will be issuable only upon conversion of Series A Shares and will have an ascribed issue price of \$25.00 per share.

#### *Dividends on Series B Shares*

During each Quarterly Floating Rate Period, the holders of the Series B Shares shall be entitled to receive and the Corporation shall pay, as and when declared by the Board, out of the moneys of the Corporation properly applicable to the payment of dividends, cumulative preferential cash dividends, payable on each Dividend Payment Date, in the amount per share determined by multiplying the Floating Quarterly Dividend Rate for such Quarterly Floating Rate Period by \$25.00 and multiplying that product by a fraction, the numerator of which is the actual number of days in such Quarterly Floating Rate Period and the denominator of which is 365 or 366, depending upon the actual number of days in the applicable year (less any tax required to be deducted and withheld by the Corporation).

On each Floating Rate Calculation Date, the Corporation shall determine the Floating Quarterly Dividend Rate for the ensuing Quarterly Floating Rate Period. Each such determination shall, in the absence of manifest error, be final and binding upon the Corporation and upon all holders of Series B Shares. The Corporation shall, on each Floating Rate Calculation Date, give written notice of the Floating Quarterly Dividend Rate for the ensuing Quarterly Floating Rate Period to the registered holders of the then outstanding Series B Shares.

#### *Redemption of Series B Shares*

Subject to the provisions described under "Restrictions on Payments and Reductions of Capital", the Corporation may redeem all or any part of the Series B Shares by the payment of an amount in cash for each share to be redeemed equal to (i) \$25.00 in the case of redemptions on any Series B Conversion Date on or after March 31, 2021, or (ii) \$25.50 in the case of redemptions on any date after March 31, 2021 that is not a Series B Conversion Date, in each case plus all accrued and unpaid dividends thereon (less any tax required to be deducted and withheld by the Corporation) to but excluding the date fixed for redemption. Should any such date not be a business day, the redemption date will be the next succeeding business day.

Notice of any redemption of Series B Shares will be given by the Corporation not more than 60 days and not less than 30 days prior to the date fixed for redemption. If less than all of the outstanding Series B Shares are at any time to be redeemed, the shares to be redeemed shall be selected by lot in such manner as the Board or the transfer agent, if any, appointed by the Corporation in respect of such shares shall decide, or, if the Board so decides, such shares may be redeemed pro rata (disregarding fractions).

If the Corporation gives notice to the holders of the Series B Shares of the redemption of all of the Series B Shares, the right of a holder of Series B Shares to convert such Series B Shares shall terminate and the Corporation shall not be required to give notice to the registered holders of the Series B Shares of an Annual Fixed Dividend Rate, a Floating Quarterly Dividend Rate or the conversion right of holders of Series B Shares.

#### *Conversion of Series B Shares into Series A Shares*

The Series B Shares shall not be convertible prior to March 31, 2021. Holders of Series B Shares shall have the right to convert on each Series B Conversion Date, subject to restrictions on conversion described below, all or any of their Series B Shares into Series A Shares on the basis of one Series A Share for each Series B Share. Notice of a holder's intention to convert Series B Shares must be received by the transfer agent and registrar for the Series B Shares at its principal office in Toronto or Calgary not earlier than the 30th day prior to, but not later than 5:00 p.m. (Toronto time) on the 15th day preceding, a Series B Conversion Date. Once received by the transfer agent and registrar on behalf of the Corporation, the election of a holder to convert is irrevocable.

The Corporation shall, not more than 60 days and not less than 30 days prior to the applicable Series B Conversion Date, give notice to the then registered holders of the Series B Shares of the conversion right. On the 30th day prior to each Series B Conversion Date, the Corporation shall give notice to the then registered holders of the Series B Shares of the Annual Fixed Dividend Rate for the Series A Shares for the next succeeding Subsequent Fixed Rate Period and the Floating Quarterly Dividend Rate for the Series B Shares for the next succeeding Quarterly Floating Rate Period.

Holders of Series B Shares shall not be entitled to convert their shares into Series A Shares if the Corporation determines that there would remain outstanding on a Series B Conversion Date less than 1,000,000 Series A Shares, after having taken into account all Series A Shares tendered for conversion into Series B Shares and all Series B Shares tendered for conversion into Series A Shares. The Corporation shall give notice thereof to all affected registered holders of the Series B Shares at least seven days prior to the applicable Series B Conversion Date. Furthermore, if the Corporation determines that there would remain outstanding on a Series B Conversion Date less than 1,000,000 Series B Shares, after having taken into account all Series A Shares tendered for conversion into Series B Shares and all Series B Shares tendered for conversion into Series A Shares, then all of the remaining outstanding Series B Shares shall be converted automatically into Series A Shares on the basis of one Series A Share for each Series B Share on the applicable Series B Conversion Date and the Corporation shall give notice thereof to the then registered holders of such remaining Series B Shares at least seven days prior to the Series B Conversion Date.

The Corporation reserves the right not to deliver Series A Shares to any person that the Corporation or its transfer agent has reason to believe is a person whose address is in, or that the Corporation or its transfer agent has reason to believe is a resident of, any jurisdiction outside Canada if such delivery would require the Corporation to take any action to comply with the securities laws of such jurisdiction.

The Series A Shares and Series B 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 A Shares and Series B Shares are identical in all material respects.

#### *Purchase for Cancellation*

Subject to the provisions described under "Restrictions on Payments and Reductions of Capital", the Corporation may at any time or times purchase for cancellation all or any part of the Series B Shares at the lowest price or prices at which, in the opinion of the Board, such shares are obtainable, which shall not exceed in any case the redemption price applicable to such Series B Shares, plus costs of purchase.

#### *Rights on Liquidation*

In the event of the liquidation, dissolution or winding-up of the Corporation or any other distribution of assets of the Corporation among its shareholders for the purpose of winding up its affairs, the holders of the Series B Shares shall be entitled to receive \$25.50 per Series B Share plus all accrued and unpaid dividends thereon (less any tax required to be deducted and withheld by the Corporation) before any amount shall be paid or any property or assets of the Corporation shall be distributed to the holders of the Common Shares or to the holders of any other shares ranking junior to the Series B Shares in any respect. After payment to the

holders of the Series B Shares of the amount so payable to them, they shall not, as such, be entitled to share in any further distribution of the property, or assets of the Corporation.

*Restrictions on Payments and Reductions of Capital*

So long as any Series B Shares are outstanding, the Corporation shall not:

- (a) declare, pay or set apart for payment any dividends (other than stock dividends in shares of the Corporation ranking junior to the Series B Shares) on the Common Shares or any other shares of the Corporation ranking junior to the Series B Shares with respect to payment of dividends, or
- (b) call for redemption of, purchase, reduce stated capital maintained by the Corporation or otherwise pay for any shares of the Corporation ranking junior to the Series B Shares with respect to repayment of capital or with respect to payment of dividends,

unless all dividends up to and including the dividends payable on the last preceding dividend payment dates on the Series B Shares and on all other preferred shares then outstanding ranking prior to or on a parity with the Series B Shares with respect to payment of dividends shall have been declared and paid or set apart for payment at the date of any such action.

*Creation or Issue of Additional Shares*

So long as any Series B Shares are outstanding, the Corporation shall not, without the prior approval of the holders of the Series B Shares, create or issue any shares ranking prior to or on a parity with the Series B Shares with respect to repayment of capital or payment of dividends, provided that the Corporation may without such approval issue additional series of first preferred shares if all dividends then payable on the Series A Shares and Series B Shares shall have been paid or set apart for payment.

*Voting Rights*

The holders of the Series B Shares are not entitled to any voting rights or to receive notice of or to attend shareholders' meetings unless dividends on the Series B Shares are in arrears to the extent of six quarterly dividends, whether or not consecutive. Until all arrears of dividends have been paid, holders of Series B Shares will be entitled to receive notice of and to attend all shareholders' meetings at which directors are to be elected (other than separate meetings of holders of another class or series of shares) and to one vote in respect of each Series B Share held on all matters in respect of which shareholders vote, and additionally, the right of all series of first preferred shares, voting as a combined class, to elect two directors of the Corporation if the Board then consists of less than 16 directors, or three directors if the Board consists of 16 or more directors. Otherwise, except as required by law, the holders of first preferred shares shall not be entitled to vote or to receive notice of or attend any meeting of the shareholders of the Corporation.

*Tax Election*

The Series B 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 the Series B Shares. The terms of the Series B Shares require the Corporation to make the necessary election under Part VI.1 of the Tax Act so that such 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 B Shares. See "Certain Canadian Federal Income Tax Considerations — Dividends".

*Modification*

The series provisions attaching to the Series B Shares may be amended with the written approval of all the holders of the Series B Shares outstanding or by at least two-thirds of the votes cast at a meeting of the holders of such shares duly called for that purpose and at which a quorum is present.

*Business Day*

If any day on which any dividend on the Series B Shares is payable by the Corporation or on or by which any other action is required to be taken by the Corporation is not a business day, then such dividend shall be payable and such other action may be taken on or by the next succeeding day that is a business day. For the purposes hereof, "business day" shall mean a day on which banks are generally open for business in both Calgary, Alberta and Toronto, Ontario.

## DEPOSITORY SERVICES

The Series A Shares and Series B Shares will be issued in “book entry only” form and must be purchased or transferred through a participant in the CDS depository service (“**CDS Participant**”). The Corporation will cause a global certificate or certificates representing any newly issued Series A Shares or Series B Shares to be delivered to, and registered in the name of, CDS or its nominee. All rights of holders of Series A Shares or Series B Shares must be exercised through, and all payments or other property to which such holder of Series A Shares or Series B Shares, as the case may be, is entitled, will be made or delivered by, CDS or the CDS Participant through which the holder of Series A Shares or Series B Shares holds such shares. Each person who acquires Series A Shares or Series B Shares will receive only a customer confirmation of purchase from the registered dealer from or through which the Series A Shares or Series B Shares are acquired in accordance with the practices and procedures of that registered dealer. The practices of registered dealers may vary, but generally customer confirmations are issued promptly after execution of a customer order. CDS is responsible for establishing and maintaining book entry accounts for its CDS Participants having interests in the Series A Shares or Series B Shares.

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

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

Neither the Corporation nor the Underwriters will assume any liability for: (a) any aspect of the records relating to the beneficial ownership of the Series A Shares or Series B Shares held by CDS or the payments relating thereto; (b) maintaining, supervising or reviewing any records relating to the Series A Shares or Series B Shares; or (c) any advice or representation made by or with respect to CDS and those contained in this Prospectus Supplement and relating to the rules governing CDS or any action to be taken by CDS or at the direction of its CDS Participants. The rules governing CDS provide that it acts as the agent and depository for the CDS Participants. As a result, CDS Participants must look solely to CDS and persons, other than CDS Participants, having an interest in the Series A Shares or Series B Shares must look solely to CDS Participants for payments made by or on behalf of the Corporation to CDS in respect of the Series A Shares or Series B Shares.

If (i) required by applicable law, (ii) the book entry only system ceases to exist, (iii) CDS advises the Corporation that it is no longer willing or able to discharge properly its responsibilities as depository with respect to the Series A Shares or Series B Shares and the Corporation is unable to locate a qualified successor, or (iv) the Corporation, at its option, decides to terminate the book entry only system, then certificates representing the Series A Shares and Series B Shares, as applicable, will be made available.

## EARNINGS COVERAGE RATIOS

The following earnings coverage ratios have been calculated on a consolidated basis for the respective 12 month periods ended December 31, 2009 and September 30, 2010 and are based on audited financial information in the case of the 12 month period ended December 31, 2009 and unaudited financial information in the case of the 12 month period ended September 30, 2010. The following ratios give pro forma effect to the issuance of the Series A Shares pursuant to this Prospectus Supplement. Adjustments for other normal course issuances and repayments of long-term debt subsequent to September 30, 2010 would not materially affect the ratios and, as a result, have not been made. The earnings coverage ratios set forth below do not purport to be indicative of earnings coverage ratios for any future periods. The earnings coverage ratios have been calculated based on information prepared in accordance with Canadian GAAP.

	Twelve Month Period Ended	
	December 31, 2009	September 30, 2010
Earnings coverage <sup>(1)</sup>	1.9 times	1.9 times

**Note:**

(1) Earnings coverage on long-term debt on a net earnings basis is equal to net earnings plus net interest expense and income taxes divided by net interest expense plus capitalized interest. For purposes of calculating the earnings coverage ratios set forth herein, long-term debt includes the current portion of long-term debt.

The Corporation evaluates its performance using a variety of measures. Earnings coverage discussed above is not defined under Canadian GAAP and, therefore, should not be considered in isolation or as an alternative to, or more meaningful than, net earnings as determined in accordance with Canadian GAAP as an indicator of the Corporation’s financial performance or liquidity. This measure is not necessarily comparable to a similarly titled measure of another company. Net earnings have been calculated on a consistent basis for the twelve month period ended December 31, 2009 and the twelve month period ended September 30, 2010.

The Corporation's dividend requirements on all of its preferred shares, after giving effect to the issue of the Series A Shares to be distributed under this Prospectus Supplement, and adjusted to a before-tax equivalent using an effective income tax rate of 25%, amounted to approximately \$13 million and \$13 million for each of the 12 months ended December 31, 2009 and for the 12 months ended September 30, 2010. The Corporation's interest requirements for the 12 months ended December 31, 2009 and for the twelve months ended September 30, 2010 amounted to approximately \$204 million and \$224 million, respectively. The Corporation's earnings before interest and income tax for the 12 months ended December 31, 2009 and for the 12 months ended September 30, 2010 were approximately \$340 million and \$407 million, respectively, which is 1.7 times and 1.8 times the Corporation's aggregate dividend and interest requirements for these periods.

## CREDIT RATINGS

The Series A Shares have been rated Pfd-3 by DBRS Limited ("**DBRS**") and P-3(high) by Standard & Poor's ("**S&P**") (DBRS and S&P are each a "**Rating Agency**"). The rating outlook from both DBRS and S&P is stable. Credit ratings are intended to provide investors with an independent measure of credit quality of an issue of securities. The Rating Agencies' ratings for preferred shares range from a high of Pfd-1 to a low of D for DBRS and from a high of P-1 to a low of C for S&P.

According to the DBRS rating system, securities rated Pfd-3 are of adequate credit quality. "High" or "low" grades are used to indicate the relative standing within a rating category. According to the S&P rating system, securities rated P-3 are less vulnerable to non payment than other speculative issues. The ratings from P-1 to -3 may be modified by "high", "mid" and "low" grades which indicate relative standing within the major rating categories.

Credit 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. The credit ratings assigned to the Series A Shares may not reflect the potential impact of all risks on the value of the Series A Shares. The credit ratings accorded to the Series A Shares by the Rating Agencies are not recommendations to purchase, hold or sell such shares inasmuch as such ratings do not comment as to market price or suitability for a particular investor. There is no assurance that any rating will remain in effect for any given period of time or that any rating will not be revised or withdrawn entirely by a Rating Agency in the future if, in its judgment, circumstances so warrant. The lowering of any rating of the Series A Shares may negatively affect the quoted market price, if any, of such shares.

## PLAN OF DISTRIBUTION

Pursuant to an underwriting agreement (the "**Underwriting Agreement**") dated December 3, 2010 between the Corporation and the Underwriters, the Corporation has agreed to sell an aggregate of 10,000,000 Series A Shares to the Underwriters, and the Underwriters have severally (and not jointly or jointly and severally) agreed to purchase from the Corporation, as principal, such Series A Shares at a price of \$25.00 per Series A Share payable in cash against delivery on the Offering Closing Date. The Underwriting Agreement provides that, in consideration of the services of the Underwriters in connection with the Offering, the Corporation will pay the Underwriters a fee of \$0.25 per Series A Share issued and sold by the Corporation to certain institutions, and \$0.75 per Series A Share for all other Series A Shares issued and sold by the Corporation as part of the Offering, for an aggregate fee payable by the Corporation of \$7,500,000, assuming that no Series A Shares are sold to such institutions. The Underwriters' fee is payable on the Offering Closing Date.

The Corporation has granted to the Underwriters an option that is exercisable at any time up to 48 hours prior to the time of closing of the Offering on the Offering Closing Date to purchase up to an additional 2,000,000 Series A Shares at a price of \$25.00 per Series A Share. If the Underwriters' Option is exercised in full, the total price to the public, the Underwriters' fee and the net proceeds to the Corporation, before expenses and assuming that no Series A Shares are sold to certain institutions, will be \$300,000,000, \$9,000,000 and \$291,000,000, respectively. The Series A Shares to be issued on the exercise of the Underwriters' Option are also qualified under the Prospectus, as supplemented by this Prospectus Supplement.

The terms of the Offering were established through negotiations between the Corporation and the Underwriters.

The obligations of the Underwriters under the Underwriting Agreement are several (and not joint or joint and several) and may be terminated at their discretion upon the occurrence of certain stated events. If an Underwriter fails to purchase the Series A Shares which it has agreed to purchase, the other Underwriters may, but are not obligated to, purchase such Series A Shares, provided that, if the aggregate number of Series A Shares not purchased is less than or equal to 8.5% of the aggregate number of Series A Shares agreed to be purchased by the Underwriters, then each of the other Underwriters is obligated to purchase severally the Series A Shares not taken up, on a pro rata basis or as they may otherwise agree as between themselves. The Underwriters are, however, obligated to take up and pay for all Series A Shares if any Series A Shares are purchased under the Underwriting Agreement. The Underwriting Agreement also provides that the Corporation will indemnify the Underwriters and their respective directors, officers, shareholders, agents and employees against certain liabilities and expenses.

The Underwriters propose to offer the Series A Shares initially at the public 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 A Shares offered by this Prospectus Supplement at the price specified herein, the offering price may be decreased and may be further changed from time to time to an amount not greater than \$25.00. In the event the offering price of the Series A Shares is reduced, the compensation received by the Underwriters will be decreased by the amount by which the aggregate price paid by the purchasers for the Series A Shares is less than the gross proceeds paid by the Underwriters to the Corporation for the Series A Shares. Any such reduction will not affect the proceeds received by the Corporation.

Subscriptions for Series A 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.

The Corporation has applied to the TSX to list the Series A Shares and Series B Shares. Listing will be subject to the Corporation fulfilling all the listing requirements of the TSX. There can be no assurance that the Series A Shares and the Series B Shares will be accepted for listing on the TSX.

The Corporation has agreed that, subject to certain exceptions, it shall not issue or agree to issue any first preferred shares or other securities convertible into, or exchangeable for, first preferred shares prior to 90 days after the Offering Closing Date without the prior consent of CIBC World Markets Inc., RBC Dominion Securities Inc. and Scotia Capital Inc. on behalf of the Underwriters, which consent shall not be unreasonably withheld.

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

Neither the Series A Shares nor the Series B Shares have been or will be registered under the United States Securities Act of 1933, as amended (the "US Securities Act"). They are being sold only outside the United States to non-U.S. Persons (as those terms are defined under Regulation S under the US Securities Act) and may not be reoffered, resold, pledged or otherwise transferred in the United States or to U.S. Persons except in compliance with the US Securities Act or in transactions exempt therefrom or not subject thereto

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

Each of CIBC World Markets Inc., RBC Dominion Securities Inc., Scotia Capital Inc., BMO Nesbitt Burns Inc., HSBC Securities (Canada) Inc., National Bank Financial Inc. and TD Securities Inc. is, directly or indirectly, an affiliate of a bank or other financial institution that is one of our lenders and to which we are currently indebted (collectively, the "**Affiliate Lenders**"). Consequently, we may be considered to be a connected issuer of such Underwriters under applicable securities laws.

At September 30, 2010, we were indebted to the lenders under our credit facilities in the aggregate amount of approximately \$705 million. We have complied with the instruments governing our credit facilities and no breach thereof has ever been waived by any of the Affiliate Lenders. Except as otherwise disclosed in this Prospectus Supplement and the Prospectus, the final position of the Corporation has not changed substantially since the indebtedness under our credit facilities was incurred. The Corporation intends to use all net proceeds from the Offering to partially fund capital projects, for other general corporate purposes and to reduce short term indebtedness of the Corporation and its affiliates, which short term indebtedness was used to fund the Corporation's capital program and for general corporate purposes and, as a consequence, net proceeds from the Offering may be paid to one or more of the Affiliate Lenders. For more information, see "Use of Proceeds" herein.

The decision to distribute Series A Shares pursuant to the Offering was made by the Corporation and the determination of the terms of the Offering was made through negotiations between the Corporation and the Underwriters. The Affiliate Lenders did not have any involvement in such decision or determination but have each been advised of the Offering and the terms thereof. Each of CIBC World Markets Inc., RBC Dominion Securities Inc., Scotia Capital Inc., BMO Nesbitt Burns Inc., HSBC Securities (Canada) Inc., National Bank Financial Inc. and TD Securities Inc. will receive its proportionate share of the aggregate underwriting commission payable by the Corporation to the Underwriters.

## CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of McCarthy Tétrault LLP, counsel to the Corporation, and Blake, Cassels and Graydon LLP, counsel to the Underwriters, the following summary, as of the date hereof, describes the principal Canadian federal income tax considerations generally applicable under the provisions of the Tax Act to a prospective purchaser of Series A Shares pursuant to this Prospectus Supplement (a “**Holder**”) who, at all relevant times, for the purposes of the Tax Act, is (or is deemed to be) resident in Canada, holds the Series A Shares and will hold the Series B Shares, as applicable, as capital property, deals at arm’s length with the Corporation and is not affiliated with the Corporation. Generally, the Series A Shares or Series B Shares will be considered to be capital property to a Holder provided the Holder does not hold the shares in the course of carrying on a business of trading or dealing in securities and has not acquired them in one or more transactions considered to be an adventure in the nature of trade. Certain Holders who might not otherwise be considered to hold their Series A Shares or Series B Shares as capital property may, in certain circumstances, be entitled to have them and all other “Canadian securities” (as defined in the Tax Act) owned by them treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act. Holders who will not hold their Series A Shares or their Series B Shares, as applicable, as capital property should consult their own tax advisers with respect to their own particular circumstances.

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” 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; or (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. Any such Holder should consult its own tax advisors with respect to an investment in the Series A Shares.

This summary is based upon the current provisions of the Tax Act, the regulations thereunder (the “**Regulations**”), all specific proposals to amend the Tax Act and the Regulations publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the “**Proposals**”), existing case law and counsel’s understanding of the current published administrative and assessing practices of the Canada Revenue Agency. This summary assumes the Proposals will be enacted in the form proposed; however, no assurance can be given that the Proposals will be enacted in their current form, or at all. This summary is not exhaustive of all possible Canadian federal income tax considerations and, except for the Proposals, does not take into account or anticipate any changes in law, whether by legislative, governmental or judicial decision or action, nor does it take into account any provincial, territorial or foreign income tax legislation or considerations.

**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 of Series A Shares or Series B Shares. No representations are made with respect to the income tax consequences to any particular Holder. Consequently, prospective Holders should consult their own tax advisers with respect to their particular circumstances for advice with respect to the tax consequences to them of acquiring, holding and disposing of the Series A Shares or the Series B 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 (or deemed to be received) on the Series A Shares or the Series B Shares, as the case may be, 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. Individuals are entitled to an enhanced gross-up and dividend tax credit in respect of “eligible dividends” received from taxable Canadian corporations, such as the Corporation, if such dividends have been designated as eligible dividends by the Corporation at or before the time of payment. By notice in writing on the Corporation’s website, the Corporation has designated all dividends paid by the Corporation in 2006, 2007, 2008, 2009 and 2010 to be “eligible dividends” within the meaning of the Tax Act unless otherwise notified.

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

Dividends (including deemed dividends) received on the Series A Shares or the Series B Shares, as the case may be, by a Holder which is a corporation will be included in computing the Holder’s income and will generally be deductible in computing the Holder’s taxable income. A “private corporation”, as defined in the Tax Act, or any other corporation controlled (whether by reason of a beneficial interest in one or more trusts or otherwise) by or for the benefit of an individual (other than a trust) or a related group of individuals (other than trusts), will generally be liable to pay a 33⅓% refundable tax under Part IV of the Tax Act on dividends received (or deemed to be received) on the Series A Shares or the Series B Shares, as the case may be, to the extent such dividends are deductible in computing its taxable income.

The Series A Shares and the Series B Shares will be “taxable preferred shares” as defined in the Tax Act. The terms of the Series A Shares and the Series B Shares require the Corporation to make the necessary election under Part VI.1 of the Tax Act so that corporate Holders will not be subject to tax under Part IV.1 of the Tax Act on dividends received (or deemed to be received) on the Series A Shares or the Series B Shares.

#### *Dispositions*

A Holder who disposes of or is deemed to dispose of Series A Shares or Series B Shares (on the redemption of such shares or otherwise but not including on a conversion of Series A Shares into Series B Shares or a conversion of Series B Shares into Series A Shares) will generally realize a capital gain (or a capital loss) to the extent that the Holder’s 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 cancellation by the Corporation of Series A Shares or Series B Shares, as the case may be, will generally not be included in computing the Holder’s proceeds of disposition for purposes of computing the capital gain (or capital loss) arising on the disposition of such Series A Shares or Series B Shares, as the case may be. See “—Redemption” below. If the Holder is a corporation, any capital loss arising on a disposition of a Series A Share or a Series B Share, as the case may be, may, in certain circumstances, be reduced by the amount of any dividends, including deemed dividends, which have been received (or deemed to be received) on the Series A Share or Series B Share or any share which was converted into such share. Analogous rules apply to a partnership or trust of which a corporation, partnership or trust is a member or beneficiary.

Generally, one-half of any capital gain will be included in computing the Holder’s income in the year of disposition as a taxable capital gain and one-half of any capital loss (an “allowable capital loss”) must be deducted from the Holder’s taxable capital gains in the year of disposition. Allowable capital losses in excess of taxable capital gains for a taxation year generally may be carried back up to three taxation years or carried forward indefinitely and deducted against net taxable capital gains in those other taxation years. Capital gains realized by an individual may give rise to a liability for alternative minimum tax. Taxable capital gains of a “Canadian-controlled private corporation”, as defined in the Tax Act, may be subject to an additional refundable tax at a rate of 6⅔%.

#### *Redemption*

If the Corporation redeems Series A Shares or Series B Shares, or otherwise acquires or cancels Series A Shares or Series B Shares (other than by a purchase by the Corporation of the shares in the open market in the manner in which shares are normally purchased by any member of the public in the open market), the Holder will be deemed to have received a dividend equal to the amount, if any, paid by the Corporation in excess of the paid-up capital (as determined for purposes of the Tax Act) of such shares at such time. In the case where the Corporation redeems Series B Shares after March 31, 2021 on a date that is not a Series B Conversion Date, it is likely that a deemed dividend of \$0.50 per Series B Share will result. Generally, any excess of the amount paid over the amount of the deemed dividend will be treated as proceeds of disposition for purposes of computing the capital gain or capital loss arising on the disposition of such shares. See “—Dispositions” above. In the case of a corporate holder, it is possible that in certain circumstances all or part of any such deemed dividend may be treated as proceeds of disposition and not as a dividend.

#### *Conversion*

The conversion of Series A Shares into Series B Shares and the conversion of Series B Shares into Series A Shares will not constitute a disposition of property for purposes of the Tax Act and, accordingly, will not give rise to a capital gain or capital loss. The cost to a Holder of the Series B Shares or Series A Shares, as the case may be, received on the conversion will, subject to the cost averaging rules contained in the Tax Act for identical properties, be deemed to be equal to the Holder’s adjusted cost base of the converted Series A Shares or Series B Shares, as the case may be, immediately before the conversion.

### **ELIGIBILITY FOR INVESTMENT**

In the opinion of McCarthy Tétrault LLP, counsel to the Corporation, and Blake, Cassels and Graydon LLP, counsel to the Underwriters, subject to the provisions of any particular plan, the Series A Shares offered hereby, if issued on the date hereof, generally would be qualified investments under the Tax Act and the Regulations for a trust governed by a registered retirement savings plan, a registered retirement income fund, a registered education savings plan, a registered disability savings plan, a deferred profit sharing plan, or a tax-free savings account (“TFSA”). The Series A Shares will not be a “prohibited investment” for a TFSA provided that the holder of the TFSA deals at arm’s length with the Corporation for purposes of the Tax Act and does not have a significant interest (within the meaning of the Tax Act) in the Corporation or in any corporation, partnership or trust with which the Corporation does not deal at arm’s length for purposes of the Tax Act.

**Prospective investors who intend to hold Series A Shares in their TFSA should consult their own tax advisors regarding their particular circumstances.**

## **RISK FACTORS**

An investment in the Series A Shares offered hereunder involves certain risks. In addition to the other information contained in this Prospectus Supplement and the accompanying Prospectus, and in the documents incorporated by reference therein, prospective purchasers of Series A Shares should consider carefully the risk factors set forth below, as well as the risk factors referenced in the accompanying Prospectus under the heading “Risk Factors”.

### **Market for Securities**

There is currently no market through which the Series A Shares may be sold and purchasers of Series A Shares may not be able to resell the Series A Shares purchased under this Prospectus Supplement. The price offered to the public for the Series A Shares and the number of Series A Shares to be issued have been determined by negotiations among the Corporation and the Underwriters. The price paid for each Series A Share may bear no relationship to the price at which the Series A Shares will trade in the public market subsequent to this Offering. The Corporation cannot predict at what price the Series A Shares will trade and there can be no assurance that an active trading market will develop for the Series A Shares or, if developed, that such market will be sustained. The Corporation has applied to list and post for trading the Series A Shares and Series B Shares on the TSX. Listing will be subject to the Corporation fulfilling all the listing requirements of the TSX. There can be no assurance that the Series A Shares and Series B Shares will be accepted for listing on the TSX.

### **Market Price**

The market price of the Series A Shares and Series B Shares may fluctuate due to a variety of factors relative to the Corporation’s business, including announcements of new developments, fluctuations in the Corporation’s operating results, sales of the Series A Shares and Series B Shares in the marketplace, failure to meet analysts’ expectations, any public announcements made in regard to this Offering, the impact of various tax laws or rates and general market conditions or the worldwide economy. In recent years, stock markets have experienced significant price fluctuations, which have been unrelated to the operating performance of the affected companies. There can be no assurance that the market price of the Series A Shares and Series B Shares will not experience significant fluctuations in the future, including fluctuations that are unrelated to the Corporation’s performance.

Prevailing yields on similar securities will affect the market value of the Series A Shares and Series B Shares. Assuming all other factors remain unchanged, the market value of the Series A Shares and Series B 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. Spreads over the Government of Canada Yield, T-Bill Rate and comparable benchmark rates of interest for similar securities will also affect the market value of the Series A Shares and the Series B Shares in an analogous manner.

### **Dividends**

Provisions of various trust indentures and credit arrangements to which the Corporation is a party restrict the Corporation ability to declare and pay dividends under certain circumstances and, if such restrictions apply, they may, in turn, have an impact on the Corporation’s ability to declare and pay dividends on the Series A Shares and Series B Shares. The dividend rate in respect of the Series A Shares will reset on March 31, 2016 and every five years thereafter. The dividend rate in respect of the Series B Shares will reset quarterly. 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 dividend period.

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

### **Credit Ratings**

The credit ratings applied to the Series A Shares are an assessment, by the Rating Agencies, of the Corporation’s ability to pay its obligations. The credit ratings are based on certain assumptions about the future performance and capital structure of the Corporation that may or may not reflect the actual performance or capital structure of the Corporation. Changes in credit ratings of the Series A Shares may affect the market price or value and the liquidity of the Series A Shares. There is no assurance that any credit rating assigned to the Series A 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 “Credit Ratings”.

## **Insolvency or Winding-Up**

The Series A Shares and Series B Shares are equity capital of the Corporation which rank equally with other first preferred shares, if any, in the event of an insolvency or winding-up of the Corporation. If the Corporation becomes insolvent or is wound up, the Corporation's assets must be used to pay liabilities and other debt before payments may be made on the Series A Shares, Series B Shares and other first preferred shares, if any.

## **Automatic Conversion**

An investment in the Series A Shares, or in the Series B Shares, as the case may be, may become an investment in Series B Shares, or in Series A Shares, without the consent of the holder in the event of an automatic conversion in the circumstances described under "Details of the Offering – Conversion of Series A Shares into Series B Shares" and "Details of the Offering – Conversion of Series B Shares into Series A Shares". Upon automatic conversion of the Series A Shares into Series B Shares, the dividend rate on the Series B Shares will be a floating rate that is adjusted quarterly by reference to the T-Bill Rate which may vary from time to time while, upon the automatic conversion of the Series B Shares into Series A Shares, the dividend rate on the Series A Shares will be, for each five-year period, a fixed rate that is determined by reference to the Government of Canada Yield on the 30<sup>th</sup> day prior to the first day of each such five-year period. In addition, holders may be prevented from converting their Series A Shares into Series B Shares in certain circumstances. See "Details of the Offering – Conversion of Series A Shares into Series B Shares" and "Details of the Offering – Conversion of Series B Shares into Series A Shares".

## **No Fixed Maturity**

Neither the Series A Shares nor the Series B Shares have a fixed maturity date and are not redeemable at the option of the holders of Series A Shares or the Series B Shares, as applicable. The ability of a holder to liquidate its holdings of Series A Shares and the Series B Shares, as applicable, may be limited.

## **Redeemable**

The Corporation may choose to redeem the Series A Shares and the Series B Shares from time to time, in accordance with its rights described under "Details of the Offering — Redemption of Series A Shares" and "Details of the Offering — Redemption of the Series B Shares", including when prevailing interest rates are lower than yield borne by the Series A Shares and the Series B Shares. If prevailing rates are lower at the time of redemption, a purchaser would not be able to reinvest the redemption proceeds in a comparable security at an effective yield as high as the yield on the Series A Shares or the Series B Shares being redeemed. The Corporation's redemption right also may adversely impact a purchaser's ability to sell Series A Shares and Series B Shares.

## **LEGAL MATTERS**

Certain legal matters relating to Canadian law in connection with the Series A Shares offered hereby will be passed upon on behalf of the Corporation by McCarthy Tétrault LLP, and on behalf of the Underwriters by Blake, Cassels and Graydon LLP.

## **INTERESTS OF EXPERTS**

As at the date of this Prospectus Supplement, the partners and associates of McCarthy Tétrault LLP, as a group, and the partners and associates of Blake, Cassels and Graydon LLP, as a group, beneficially own, directly or indirectly, less than 1% of any class of securities of the Corporation. In connection with the audit of the Corporation's annual financial statements for the year ended December 31, 2009, Ernst & Young LLP confirmed that they are independent within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta.

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

The Corporation's auditors are Ernst & Young LLP, Chartered Accountants, Calgary, Alberta.

The transfer agent and registrar for the Series A Shares and Series B Shares is CIBC Mellon Trust Company at its principal offices in Calgary, Alberta, and Toronto, Ontario.

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

Securities legislation in certain of the provinces 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, the securities legislation further provides a purchaser with remedies for rescission or, in some

jurisdictions, revisions 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, revisions of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal advisor.

## AUDITORS' CONSENT

We have read the prospectus supplement of TransAlta Corporation (the "**Corporation**") dated December 3, 2010 to the short form base shelf prospectus dated October 19, 2009 relating to the issue and sale of 10,000,000 cumulative redeemable rate reset first preferred shares, Series A of the Corporation (the "**Prospectus**"). We have complied with Canadian generally accepted accounting standards for an auditor's involvement with offering documents.

We consent to the use, through incorporation by reference in the above-mentioned prospectus of our report to the shareholders of the Corporation on the consolidated balance sheets of the Corporation as at December 31, 2009 and 2008 and the consolidated statements of earnings and retained earnings, comprehensive income and cash flows for each of the years in the three-year period ended December 31, 2009 and our report on the effectiveness of internal control over financial reporting as of December 31, 2009. Our reports are dated February 23, 2010.

We also consent to the reference to our firm under the caption Interests of Experts in the Prospectus and in the Annual Information Form dated February 24, 2010 which is incorporated by reference in the Prospectus.

Calgary, Canada  
December 3, 2010

(Signed) Ernst & Young LLP  
Chartered Accountants

**CERTIFICATE OF THE UNDERWRITERS**

Dated: December 3, 2010

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 of Canada.

**CIBC WORLD MARKETS INC.    RBC DOMINION SECURITIES INC.    SCOTIA CAPITAL INC.**

By: (Signed) “Kelsen Vallee”

By: (Signed) “Robert Nicholson”

By: (Signed) “Chris Blackwell”

**BMO NESBITT  
BURNS INC.**

**HSBC SECURITIES  
(CANADA) INC.**

**NATIONAL BANK  
FINANCIAL INC.**

**TD SECURITIES INC.**

By: (Signed) “Aaron  
Engen”

By: (Signed) “Rod  
McIsaac”

By: (Signed) “Iain  
Watson”

By: (Signed) “Harold R.  
Holloway”

**CANACCORD GENUITY CORP.**

**MACQUARIE CAPITAL  
MARKETS CANADA LTD.**

By: (Signed) “Jim Osler”

By: (Signed) “Paul Bradley”

## Base Shelf Prospectus

*This short form prospectus has been filed under legislation in each of the provinces of Canada that permits certain information about these securities to be determined after this prospectus has become final and that permits the omission from this prospectus of that information. The legislation requires the delivery to purchasers of a prospectus supplement containing the omitted information within a specified period of time after agreeing to purchase any of these securities.*

*This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.*

*Information has been incorporated by reference in this prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request, without charge from the Corporate Secretary of TransAlta Corporation at P.O. Box 1900, Station "M", 110 - 12<sup>th</sup> Avenue S.W., Calgary, Alberta T2P 2M1 (telephone (403) 267-7110) and are also available electronically at [www.sedar.com](http://www.sedar.com).*

### SHORT FORM BASE SHELF PROSPECTUS

New Issue

October 19, 2009



## TRANSALTA CORPORATION

**\$1,000,000,000**

**Common Shares  
First Preferred Shares  
Warrants  
Subscription Receipts**

We may from time to time offer our (i) common shares (“**Common Shares**”), (ii) first preferred shares (“**First Preferred Shares**”), (iii) warrants to purchase Common Shares, First Preferred Shares or other securities (“**Warrants**”), or (iv) subscription receipts, each of which, once purchased, entitle the holder to receive upon satisfaction of certain release conditions, and for no additional consideration, one Common Share (“**Subscription Receipts**”) (the Common Shares, First Preferred Shares, Warrants and Subscription Receipts are collectively referred to herein as the “**Securities**”) up to an aggregate initial offering price of \$1,000,000,000 (or its equivalent in U.S. dollars or any other currency or currency unit used to denominate the Securities) during the 25 month period that this short form base shelf prospectus (the “**Prospectus**”), including any amendments hereto, remains valid.

**THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION (THE “SEC”) OR ANY UNITED STATES STATE SECURITIES COMMISSION NOR HAS THE SEC OR ANY UNITED STATES STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.**

This offering is made by a Canadian issuer that is permitted, under the multi-jurisdictional disclosure system adopted in the United States, to prepare this Prospectus in accordance with Canadian disclosure requirements. Prospective investors should be aware that such requirements are different from those of the United States. The financial statements incorporated herein by reference have been prepared in accordance with Canadian generally accepted accounting principles which are in effect from time to time in Canada (“**Canadian GAAP**”) and are subject to Canadian auditing and auditor independence standards. As a result, such financial statements may not be comparable to financial statements of United States companies.

Prospective investors should be aware that the acquisition of the Securities may have tax consequences both in the United States and Canada. Such tax consequences for investors who are resident in, or citizens of, the United States may not be described fully herein or in any applicable Prospectus Supplement (as defined herein). You should read the tax discussion under “*Certain Income Tax Considerations*” and in any applicable Prospectus Supplement.

The enforcement by investors of civil liabilities under United States federal securities laws may be affected adversely by the fact that the Corporation is incorporated and organized under the laws of Canada, that most of its officers and directors are residents of Canada, that some or all of the underwriters or experts named in this Prospectus are residents of Canada, and that all or a substantial portion of the assets of the Corporation and said persons are located outside the United States.

No underwriter has been involved in the preparation of this Prospectus or performed any review of the contents of this Prospectus.

*(continued on next page)*

*(continued from cover)*

The specific terms of any offering of Securities will be set forth in a prospectus supplement or supplements (each, a “**Prospectus Supplement**”) including, where applicable: (i) in the case of Common Shares, the number of Common Shares offered and the offering price; (ii) in the case of First Preferred Shares, the designation of the particular series, the number of First Preferred Shares offered, the offering price, any voting rights, any rights to receive dividends, any terms of redemption, any conversion or exchange rights and any other specific terms of the First Preferred Shares; (iii) in the case of Warrants, the designation, number and terms of the Common Shares, First Preferred Shares or other securities purchasable upon exercise of the Warrants, and any procedures that will result in the adjustment of those numbers, the exercise price, the dates and periods of exercise, the currency or currency unit in which the Warrants are issued and any other specific terms of the Warrants; and (iv) in the case of Subscription Receipts, the number of Subscription Receipts offered, the offering price, the terms, conditions and procedures for the conversion of such Subscription Receipts into Common Shares and any other specific terms of the Subscription Receipts. We reserve the right to include in a Prospectus Supplement specific terms pertaining to the Securities that are not within the options and parameters set forth in this Prospectus. You should read this Prospectus and any applicable Prospectus Supplement before you invest in any Securities.

All shelf information permitted under applicable laws to be omitted from this Prospectus will be contained in one or more Prospectus Supplements that will be delivered to purchasers together with this Prospectus. Each Prospectus Supplement will be incorporated by reference into this Prospectus for the purposes of securities legislation as of the date of the applicable Prospectus Supplement and only for the purposes of the distribution of the Securities to which the applicable Prospectus Supplement pertains.

Our Common Shares are listed on the Toronto Stock Exchange (“**TSX**”) under the symbol “**TA**” and on the New York Stock Exchange (“**NYSE**”) under the symbol “**TAC**”. On October 16, 2009, the closing price of the Common Shares on the TSX was \$21.40 and on the NYSE was US\$20.54. **There is currently no market through which the First Preferred Shares, Warrants or Subscription Receipts may be sold and purchasers may not be able to resell such Securities purchased under this Prospectus. This may affect the pricing of such Securities in the secondary market, the transparency and availability of trading prices, the liquidity of the Securities, and the extent of issuer regulation. Investing in the Securities involves risks. See “Risk Factors” in this Prospectus and in any applicable Prospectus Supplement.**

We may sell the Securities to or through underwriters or dealers purchasing as principals, directly to one or more purchasers pursuant to applicable statutory exemptions or through agents. See “*Plan of Distribution*”. The Prospectus Supplement relating to a particular offering of Securities will identify each underwriter, dealer or agent engaged in connection with the offering and sale of the Securities, and will set forth the terms of the offering of such Securities, including the method of distribution, the proceeds to us and any fees, discounts or any other compensation payable to underwriters, dealers or agents and any other material terms of offering of such Securities.

Our head and registered office is located at 110 - 12th Avenue S.W., Calgary, Alberta T2R 0G7.

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### ABOUT THIS PROSPECTUS

In this Prospectus and in any Prospectus Supplement, unless otherwise specified or the context otherwise requires, all dollar amounts are expressed in Canadian dollars. “U.S. dollars” or “US\$” means lawful currency of the United States. Unless otherwise indicated, all financial information included and incorporated by reference in this Prospectus or included in any Prospectus Supplement is determined using Canadian GAAP. “U.S. GAAP” means generally accepted accounting principles which are in effect from time to time in the United States. The significant differences between Canadian GAAP and U.S. GAAP are summarized in the reconciliations to U.S. GAAP of TransAlta’s consolidated financial statements as at December 31, 2008 and 2007 and for each of the years in the three year period ended December 31, 2008 and of TransAlta’s unaudited consolidated interim financial statements as at and for the three and six month periods ended June 30, 2009 and 2008, all of which are incorporated by reference in this Prospectus. Unless the context otherwise requires, all references in this Prospectus and any Prospectus Supplement to “TransAlta”, the “Corporation”, “we”, “us” and “our” mean TransAlta Corporation and its consolidated subsidiaries including any consolidated partnerships of which the Corporation or any of its subsidiaries are partners.

This Prospectus provides a general description of the Securities that we may offer. Each time we offer and sell Securities under this Prospectus, we will provide you with a Prospectus Supplement that will contain specific information about the terms of that offering. The Prospectus Supplement may also add, update or change information contained in this Prospectus. Before investing in any Securities, you should read both this

Prospectus and any applicable Prospectus Supplement together with additional information described below under “*Documents Incorporated by Reference*” and “*Certain Available Information*”.

All information permitted under applicable laws to be omitted from this Prospectus will be contained in one or more Prospectus Supplements that will be made available together with this Prospectus.

You should rely only on the information contained in or incorporated by reference in this Prospectus or any applicable Prospectus Supplement and on the other information included in the registration statement on Form F-10 of which this Prospectus forms a part. We have not authorized anyone to provide you with different or additional information. We are not making an offer to sell these Securities in any jurisdiction where the offer or sale is not permitted by law. You should not assume that the information in this Prospectus, any applicable Prospectus Supplement or any documents incorporated by reference is accurate as of any date other than the date on the front of those documents as our business, operating results, financial condition and prospects may have changed since that date.

## DOCUMENTS INCORPORATED BY REFERENCE

The following documents of the Corporation, filed with the securities commissions or similar authorities in each of the provinces of Canada and with the SEC, are specifically incorporated by reference in, and form an integral part of, this Prospectus, provided that such documents are not incorporated by reference to the extent that their contents are modified or superseded by a statement contained in this Prospectus or in any other subsequently filed document that is also incorporated or deemed to be incorporated by reference in this Prospectus:

- (a) consolidated financial statements as at December 31, 2008 and 2007 and for each of the years in the three year period ended December 31, 2008, the notes thereto, the auditors' report thereon and the auditors' report on our internal control over financial reporting;
- (b) management's discussion and analysis of financial condition and results of operations as at and for the year ended December 31, 2008 ("**Annual MD&A**");
- (c) annual information form dated March 16, 2009 (the "**Annual Information Form**") for the year ended December 31, 2008;
- (d) management proxy circular dated March 16, 2009 prepared in connection with the Corporation's annual meeting of shareholders held on April 30, 2009;
- (e) unaudited consolidated interim financial statements as at and for the three and six month periods ended June 30, 2009 and 2008 and the notes thereto;
- (f) management's interim discussion and analysis of the financial condition and results of operations as at and for the three and six month periods ended June 30, 2009;
- (g) reconciliation to U.S. GAAP of the consolidated financial statements as at December 31, 2008 and 2007 and for each of the years in the three year period ended December 31, 2008 and the auditors' report thereon; and
- (h) reconciliation to U.S. GAAP of the unaudited consolidated interim financial statements as at and for the three and six month periods ended June 30, 2009 and 2008.

Any documents of the type required to be incorporated by reference in a short form prospectus pursuant to National Instrument 44 - 101 *Short Form Prospectus Distributions* ("**NI 44-101**") of the Canadian Securities Administrators, including any documents of the type referred to above, material change reports (excluding confidential material change reports) and business acquisition reports subsequently filed by the Corporation with any securities commissions or similar authorities in Canada after the date of this Prospectus and prior to the termination of any offering of Securities shall be deemed to be incorporated by reference into this Prospectus. These documents are available through the internet on the System for Electronic Document Analysis and Retrieval ("**SEDAR**"), which can be accessed at [www.sedar.com](http://www.sedar.com). In addition, any similar documents filed on Form 6-K or Form 40-F by the Corporation with the SEC after the date of this Prospectus shall be deemed to be incorporated by reference into this Prospectus and the registration statement on Form F-10 of which this Prospectus forms a part, if and to the extent expressly provided in such report. The Corporation's reports on Form 6-K, and beginning with its Form 40-F for the year ended December 31, 2001, its annual reports on Form 40-F, are available on the SEC's website at [www.sec.gov](http://www.sec.gov).

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

**made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.**

A Prospectus Supplement containing the specific terms of any Securities offered thereunder will be delivered to purchasers of such Securities together with this Prospectus and will be deemed to be incorporated by reference into this Prospectus as of the date of such Prospectus Supplement solely for the purposes of the distribution of the Securities covered by such Prospectus Supplement.

Copies of the documents incorporated herein by reference (other than exhibits to such documents, unless such exhibits are specifically incorporated by reference in such documents) may be obtained on request without charge from the Corporate Secretary of TransAlta, 110 - 12th Avenue S.W., Calgary, Alberta, Canada T2P 0G7, Telephone (403) 267-7110.

### **CERTAIN AVAILABLE INFORMATION**

The Corporation has filed with the SEC under the *United States Securities Act of 1933*, as amended (the “**U.S. Securities Act**”), a registration statement on Form F-10 relating to the Securities and of which this Prospectus forms a part. This Prospectus does not contain all of the information set forth in such registration statement, certain items of which are contained in the exhibits to such registration statement as permitted or required by the rules and regulations of the SEC. See “*Documents Filed as Part of the Registration Statement*”. Statements made in this Prospectus as to the contents of any contract, agreement or other document referred to are not necessarily complete, and in each instance, reference is made to the exhibit, if applicable, for a more complete description of the relevant matter, each such statement being qualified in its entirety by such reference. Items of information omitted from this Prospectus but contained in the registration statement on Form F-10 may be inspected and copied at the public reference facilities maintained at the offices of the SEC described below.

The Corporation is subject to the information requirements of the *United States Securities and Exchange Act of 1934*, as amended (the “**U.S. Exchange Act**”), and in accordance therewith, files reports and other information with the SEC. Under the multi-jurisdictional disclosure system adopted in the United States and Canada, such reports and other information may be prepared in accordance with the disclosure requirements of Canada, which requirements are different from those of the United States. The Corporation is exempt from the rules under the U.S. Exchange Act prescribing the furnishing and content of proxy statements, and its officers, directors and principal shareholders are exempt from the reporting and short swing profit recovery provisions contained in Section 16 of the U.S. Exchange Act. Under the U.S. Exchange Act, the Corporation is not required to publish financial statements as promptly as United States companies. Such reports and other information may be inspected without charge, and copied upon payment of prescribed fees, at the public reference facility maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549 and are also available on the SEC’s website at [www.sec.gov](http://www.sec.gov).

### **SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This Prospectus contains both historical and forward-looking statements. These forward-looking statements are not facts, but only predictions and generally can be identified by the use of statements that include phrases such as “believe,” “expect,” “anticipate,” “intend,” “plan,” “foresee” or other words or phrases of similar import. Similarly, statements that describe the Corporation’s objectives, plans or goals also are forward-looking statements. These forward-looking statements are subject to risks and uncertainties which could cause actual results to differ materially from those currently anticipated. In addition to the forward-looking statements contained in the documents incorporated by reference herein, this Prospectus contains, without limitation, forward-looking statements pertaining to the following: anticipated capacities of electricity generating facilities under construction; expected *pro forma* generating capacity of the Corporation following the completion of our acquisition of Canadian Hydro (as defined herein); the expected effect of our acquisition of Canadian Hydro on the agreements of Canadian Hydro; the expected funding sources for our acquisition of Canadian Hydro; and certain terms of the Securities and any offering made under this Prospectus.

With respect to forward-looking statements contained in this Prospectus, we have made assumptions regarding, among other things: our ability to complete current construction projects according to planned specifications; our current construction projects when complete will operate as expected; our ability to maintain

our existing operations; our consummation of the acquisition of Canadian Hydro on the terms expected; continued operation of the facilities of Canadian Hydro in accordance with our expectations following the acquisition; our ability to obtain financing on acceptable terms; and that terms of future offerings will be on the terms and conditions consistent with the current industry standards.

Certain factors that could materially affect these forward-looking statements are described below and are incorporated by reference in this Prospectus, as described under “*Risk Factors*” in this Prospectus. Potential investors and other readers are urged to consider these factors carefully in evaluating the forward-looking statements and are cautioned not to place undue reliance on these forward-looking statements. The forward-looking statements included in this document are made only as of the date of this Prospectus and the Corporation does not undertake to publicly update these forward-looking statements to reflect new information, future events or otherwise, except as required by applicable laws. In light of these risks, uncertainties and assumptions, the forward-looking events might or might not occur. The Corporation cannot assure you that projected results or events will be achieved.

Factors that may adversely impact the Corporation’s forward-looking statements include risks relating to: fluctuations in market prices and availability of fuel supplies required to generate electricity and in the price of electricity; the regulatory and political environments in the jurisdictions in which the Corporation operates; environmental requirements and changes in, or liabilities under, these requirements; changes in general economic conditions including interest rates; operational risks involving the Corporation’s facilities, including unplanned outages at such facilities; execution and capital cost risks relating to the Corporation’s development and construction projects; disruptions in the transmission and distribution of electricity; disruptions in the source of fuels or water required to operate the Corporation’s facilities; trading risks; fluctuations in the value of foreign currencies and foreign political risks; need for additional financing; liquidity risk; structural subordination of securities; counterparty credit risk; insurance risk; the Corporation’s provision for income taxes; legal proceedings involving the Corporation; reliance on key personnel; labour relations matters; and absence of a public market for certain of the Securities offered under this Prospectus. The foregoing risk factors, among others, are described in further detail under the heading “*Risk Factors*” in this Prospectus and in the documents incorporated by reference in this Prospectus, including the Annual MD&A and the Annual Information Form.

## TRANSALTA CORPORATION

TransAlta is a corporation amalgamated under the *Canada Business Corporations Act*. The registered office and principal place of business of TransAlta are located at 110 - 12th Avenue S.W., Calgary, Alberta, Canada T2R 0G7. For further information on the intercorporate relationships among TransAlta and its subsidiaries, please see “*Corporate Structure — Intercorporate Relationships*” in the Annual Information Form.

TransAlta and its predecessors have been engaged in the production and sale of electric energy since 1909. The Corporation is among Canada’s largest non-regulated electric generation and energy marketing companies with an aggregate net ownership interest of approximately 7,963 megawatts (“MW”) of generating capacity operating in facilities having approximately 9,700 MW of aggregate generating capacity<sup>(1)</sup>. In addition, the Corporation has facilities under construction with a net ownership interest of 525 MW of an aggregate generating capacity of 750 MW as well as a net ownership interest of approximately 357 MW generating capacity in advanced-stage development. The Corporation is focused on generating electricity in Canada, the United States and Australia through its diversified portfolio of facilities fuelled by coal, gas, hydroelectric, wind and geothermal resources.

In Canada, the Corporation holds a net ownership interest of approximately 5,648 MW of electrical generating capacity in thermal, gas-fired, wind-powered and hydroelectric facilities, including 4,940 MW in Western Canada, 628 MW in Ontario and 80 MW in New Brunswick.

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(1) TransAlta measures capacity as the net maximum capacity that a unit can sustain over a period of time, which is consistent with industry standards. All capacity amounts are as of the date of this Prospectus and represent capacity owned and operated by the Corporation unless otherwise indicated.

In the United States, the Corporation's principal facilities include a 1,376 MW thermal facility and a 248 MW gas fired facility, both located in Centralia, Washington, which supply electricity to the Pacific Northwest. The Corporation holds a 50% interest in CE Generation, LLC ("**CE Generation**"), an aggregate net ownership interest of approximately 385 MW of generating capacity in geothermal facilities in California and cogeneration facilities in Texas, Arizona and New York. The Corporation also has 6 MW of electrical generating capacity through gas-fired and hydroelectric facilities located in Washington and Hawaii.

The Corporation also has 300 MW of net electrical generating capacity from gas-fired generation facilities in Australia.

The Corporation regularly reviews its operations in order to optimize its generating assets and evaluates appropriate growth opportunities. The Corporation has in the past and may in the future make changes and additions to its fleet of coal, gas, hydro, wind and geothermal fuelled facilities.

The Corporation is organized into two business segments: Generation and Commercial Operations and Development. The Generation group is responsible for constructing, operating and maintaining electricity generation facilities. The Commercial Operations and Development group is responsible for managing the sale of production, purchases of natural gas, transmission capacity and market risks associated with the Corporation's generation assets and for non asset backed trading activities. Both segments are supported by a corporate group that provides finance, treasury, legal, regulatory, environmental, health and safety, sustainable development, corporate communications, government relations, information technology, human resources, internal audit, and other administrative support.

## RECENT DEVELOPMENTS

### **Offer to Acquire Canadian Hydro Developers, Inc.**

On July 20, 2009, we announced that we intended, through a wholly-owned subsidiary, 1478860 Alberta Ltd., to make an offer (the "**Offer**") to purchase, at a purchase price of \$4.55 in cash per share on and subject to the terms and conditions of the offer and take-over bid circular dated July 22, 2009 and the related letter of transmittal and notice of guaranteed delivery (in each case, as amended and supplemented), all of the issued and outstanding common shares in the capital of Canadian Hydro Developers, Inc. ("**Canadian Hydro**"), together with the associated rights issued and outstanding under the shareholder rights plan agreement of Canadian Hydro. The Offer, at \$4.55 in cash per share, represented a premium of approximately 30% over the volume weighted average trading price of Canadian Hydro's common shares on the TSX for the 10 trading days immediately preceding the announcement of our intention to make the Offer, and a premium of approximately 25% over the closing price of Canadian Hydro's common shares on the TSX on the last trading day immediately preceding such announcement.

Canadian Hydro operates 694 MW of wind, hydro and biomass facilities in Alberta, Ontario, Quebec, and British Columbia and also has 18 MW under construction. It also has 278 MW of advanced-stage development projects in western and eastern Canada. Canadian Hydro's assets are subject to agreements with creditworthy counterparties. We expect that such agreements will remain uninterrupted following our acquisition of Canadian Hydro. On a combined basis, TransAlta and Canadian Hydro would have net generation capacity of 8,657 MW in operation. The renewables portfolio would include 1,900 MW in operation, or 22% of the combined portfolio. In addition, there would be 543 MW under construction and 635 MW in advanced-stage development. The common shares of Canadian Hydro are listed for trading on the TSX under the symbol "KHD".

We commenced the Offer on July 22, 2009. The Offer was subject to certain conditions, including acceptance of the Offer by holders of at least 66⅔ percent of Canadian Hydro's common shares calculated on a fully-diluted basis, and receipt of all necessary regulatory approvals. The Offer was open for acceptance for a period of 36 days, with an initial expiry time of 6:00 p.m. (Calgary time) on August 27, 2009, unless withdrawn or extended.

On August 17, 2009, TransAlta announced that it had received an Advance Ruling Certificate from the Canadian Competition Bureau with respect to the Offer. Under the Advance Ruling Certificate, the Canadian Competition Bureau confirmed that the acquisition of Canadian Hydro by TransAlta could proceed without further review under the *Competition Act* (Canada).

On August 27, 2009 TransAlta announced that its wholly-owned subsidiary had extended the Offer until 6:00 p.m. (Calgary time) on September 11, 2009, unless withdrawn or extended. TransAlta determined to extend the Offer following a decision on Tuesday, August 25, 2009 by the Alberta Securities Commission that its intervention to cease trade Canadian Hydro's shareholder rights plan was not warranted at such time.

On September 9, 2009, TransAlta announced that its wholly-owned subsidiary had extended the Offer until 6:00 p.m. (Calgary time) on September 22, 2009, unless withdrawn or extended. The extension followed the issue by the Alberta Securities Commission, with the consent of TransAlta and Canadian Hydro, of an order to cease trade Canadian Hydro's shareholder rights plan effective September 21, 2009. On September 21, 2009, TransAlta announced that its wholly-owned subsidiary had extended the Offer until 6:00 p.m. (Calgary time) on October 2, 2009, unless withdrawn or extended. On October 2, 2009, TransAlta announced that its wholly-owned subsidiary had extended the Offer until 6:00 p.m. (Calgary time) on October 14, 2009, unless withdrawn or extended.

On October 5, 2009, TransAlta announced that it had entered into a definitive pre-acquisition agreement with Canadian Hydro pursuant to which TransAlta's wholly-owned subsidiary amended the Offer (the "**Amended Offer**"). The Amended Offer increased the purchase price for Canadian Hydro's common shares to \$5.25 in cash per common share, extended the expiry time for the Offer to 3:00 p.m. (Calgary time) on October 20, 2009, unless withdrawn or extended, and revised the conditions of the Offer. The total value of the Amended Offer is approximately \$1.7 billion. The terms and conditions of the Amended Offer are described in a notice of variation and extension dated October 8, 2009.

Our acquisition of Canadian Hydro would initially be funded with TransAlta's existing cash resources, existing credit facilities and new committed credit facilities fully underwritten by Royal Bank of Canada.

#### **USE OF PROCEEDS**

Unless otherwise specified in a Prospectus Supplement, the net proceeds from the sale of the Securities will be used for general corporate purposes, which may include the repayment of indebtedness and the financing of the Corporation's long-term investment plan. The amount of net proceeds to be used for any such purpose will be set forth in the applicable Prospectus Supplement. The Corporation expects that it may, from time to time, issue securities (including debt securities) other than pursuant to this Prospectus.

## CHANGES IN CONSOLIDATED CAPITALIZATION

Other than the effect of changes in foreign currency exchange rates on U.S. dollar denominated loans, there have been no material changes in our consolidated share or debt capitalization during the period from June 30, 2009 through the date of this Prospectus.

The following table sets forth the consolidated capitalization of the Corporation as at December 31, 2008 and June 30, 2009, and indicates increases or decreases in applicable amounts between those two dates. This table should be read in conjunction with the consolidated financial statements of the Corporation as at and for the year ended December 31, 2008 and the unaudited consolidated interim financial statements of the Corporation as at and for the three and six month periods ended June 30, 2009, all of which have been incorporated by reference herein.

	As at December 31, 2008	As at June 30, 2009	Increase/Decrease
(in millions, except Common Share amounts)			
Current portion of long-term debt . . . . .	\$ 244	\$ 245	\$ 1
Less: cash and cash equivalents	50	54	4
	194	191	(3)
Long-term debt			
Recourse <sup>(1)(2)</sup> . . . . .	2,332	2,583	251
Non-recourse <sup>(3)</sup> . . . . .	232	203	(29)
Non-controlling interests <sup>(4)</sup> . . . . .	469	488	19
Common shareholders' equity			
Common Shares . . . . .	1,761	1,768	7
	(197,622,215 Common Shares)	(197,858,181 Common Shares)	(235,966 Common Shares)
Retained earnings . . . . .	688	610	(78)
Accumulated other comprehensive income . . . . .	61	179	118
Total common shareholders' equity . . . . .	<u>2,510</u>	<u>2,557</u>	<u>47</u>
Total capitalization . . . . .	<u>5,737</u>	<u>6,022</u>	<u>285</u>

Notes:

- (1) Includes debentures bearing interest at fixed rates. On May 29, 2009, the Corporation issued debentures in the aggregate principal amount of \$200 million. The debentures bear interest at a rate of 6.45% and mature in 2014.
- (2) The Corporation's credit facility extends for more than one year, and as a result the outstanding balance of the Corporation's credit facility has been reclassified from short-term debt to recourse long-term debt. As at December 31, 2008, \$443 million was reclassified in order to present comparable figures.
- (3) Includes project financing debt, debt securities and senior secured bonds of CE Generation and debt related to the Wailuku River Hydroelectric LP acquisition.
- (4) TransAlta Generation Partnership, a wholly-owned subsidiary of the Corporation, holds a direct 50.00% interest in TransAlta Cogeneration, L.P. TransAlta Cogeneration Ltd., which is a wholly-owned subsidiary of TransAlta and the general partner of TransAlta Cogeneration, L.P., holds a 0.01% interest in TransAlta Cogeneration, L.P. and the remaining 49.99% interest is held by Stanley Power Inc. CE Generation holds a 75% interest in the 240 MW Saranac gas-fired plant in Plattsburgh, New York, and the Corporation holds an indirect 50% interest in CE Generation.

## DESCRIPTION OF SHARE CAPITAL

### General

As of the date of this Prospectus, the Corporation's authorized share capital consists of an unlimited number of Common Shares and an unlimited number of First Preferred Shares, issuable in series. As at June 30, 2009, 197,858,181 Common Shares were outstanding and no First Preferred Shares were outstanding.

### Common Shares

The following description is subject to, and qualified by reference to, the terms and provisions of the Corporation's articles and by-laws.

Each Common Share of the Corporation entitles the holder thereof to one vote for each Common Share held at all meetings of shareholders of the Corporation, except meetings at which only holders of another specified class or series of shares are entitled to vote, to receive dividends if, as and when declared by the board of directors, subject to prior satisfaction of preferential dividends applicable to any First Preferred Shares, and to participate rateably in any distribution of the assets of the Corporation upon a liquidation, dissolution or winding up, subject to prior rights and privileges attaching to the First Preferred Shares. The Common Shares are not convertible and are not entitled to any pre-emptive rights. The Common Shares are not entitled to cumulative voting.

The transfer agent and registrar for the Common Shares in Canada is CIBC Mellon Trust Company at its principal transfer offices in Vancouver, British Columbia, Calgary, Alberta, Winnipeg, Manitoba, Toronto, Ontario and Montreal, Quebec. The transfer agent and registrar for the Common Shares in the United States is BNY Mellon Shareowner Services at its principal office in New York, New York.

The Common Shares offered pursuant to this Prospectus may include Common Shares issuable upon conversion or exchange of any First Preferred Shares of any series or upon exercise of any Warrants or upon conversion of any Subscription Receipts.

### First Preferred Shares

The Corporation is authorized to issue an unlimited number of First Preferred Shares, issuable in series and, with respect to each series, the board of directors is authorized to fix the number of shares comprising the series and determine the designation, rights, privileges, restrictions and conditions attaching to such shares, subject to certain limitations.

The First Preferred Shares of all series rank senior to all other shares of the Corporation with respect to priority in payment of dividends and with respect to distribution of assets in the event of liquidation, dissolution or winding up of the Corporation, or a reduction of stated capital. Holders of First Preferred Shares are entitled to receive cumulative quarterly dividends on the subscription price thereof as and when declared by the board of directors at the rate established by the board of directors at the time of issue of shares of a series. No dividends may be declared or paid on any other shares of the Corporation unless all cumulative dividends accrued upon all outstanding First Preferred Shares have been paid or declared and set apart. In the event of the liquidation, dissolution or winding up of the Corporation, or a reduction of stated capital, no sum shall be paid or assets distributed to holders of other shares of the Corporation until the holders of First Preferred Shares shall have been paid the subscription price of the shares, plus a sum equal to the premium payable on a redemption, plus a sum equal to the arrears of dividends accumulated on the First Preferred Shares to the date of such liquidation, dissolution, winding up, or reduction of stated capital, as applicable. After payment of such amount, the holders of First Preferred Shares shall not be entitled to share further in the distribution of the assets of the Corporation.

The directors may include in the share conditions attaching to a particular series of First Preferred Shares certain voting rights effective upon the Corporation failing to make payment of six quarterly dividend payments, whether or not consecutive. These voting rights continue for so long as any dividends remain in arrears. These voting rights are the right to one vote for each \$25 of subscription price on all matters in respect of which shareholders vote, and additionally, the right of all series of First Preferred Shares, voting as a combined class, to elect two directors of the Corporation if the board of directors then consists of less than 16 directors, or three directors if the board of directors consists of 16 or more directors. Otherwise, except as required by law, the

holders of First Preferred Shares shall not be entitled to vote or to receive notice of or to attend at any meeting of the shareholders of the Corporation.

Subject to the share conditions attaching to any particular series providing to the contrary, the Corporation may redeem First Preferred Shares of a series, in whole or from time to time in part, at the redemption price applicable to each series and the Corporation has the right to acquire any of the First Preferred Shares of one or more series by purchase for cancellation in the open market or by invitation for tenders at a price not to exceed the redemption price applicable to the series.

The Prospectus Supplement will set forth the following terms relating to the First Preferred Shares being offered:

- the maximum number of First Preferred Shares;
- the designation of the series;
- the offering price;
- the annual dividend rate and whether the dividend rate is fixed or variable, the date from which dividends will accrue, and the dividend payment dates;
- the price and the terms and conditions for redemption, if any, including redemption at TransAlta's option or at the option of the holder, including the time period for redemption, and payment of any accumulated dividends;
- the terms and conditions, if any, for conversion or exchange for shares of any other class of TransAlta or any other series of First Preferred Shares, or any other securities or assets, including the price or the rate of conversion or exchange and the method, if any, of adjustment;
- whether such First Preferred Shares will be listed on any securities exchange;
- the voting rights, if any; and
- any other rights, privileges, restrictions, or conditions.

First Preferred Shares will be fully paid and non-assessable upon issuance. The First Preferred Shares of any series may be represented, in whole or in part, by one or more global certificates. If First Preferred Shares are represented by a global certificate, each global certificate will:

- be registered in the name of a depositary or a nominee of the depositary identified in the applicable Prospectus Supplement; and
- be deposited with such depositary or nominee or a custodian for the depositary.

#### **Related Party Articles Provisions**

The articles of the Corporation contain provisions restricting the ability of the Corporation to enter into a "Specified Transaction" with a "Major Shareholder". A Specified Transaction requires the approval of a majority of the votes cast by holders of voting shares of the Corporation, as well as the approval of a majority of the votes cast by holders of such voting shares, excluding any Major Shareholder. A Major Shareholder generally means the beneficial owner of more than 20% of the outstanding voting shares of the Corporation. There is a broad definition of beneficial ownership, and in particular, a person is considered to beneficially own shares owned by its associates and affiliates, as those terms are defined in the articles. Transactions which are considered to be Specified Transactions include the following: a merger or amalgamation of the Corporation with a Major Shareholder; the furnishing of financial assistance by the Corporation to a Major Shareholder; certain sales of assets or provision of services by the Corporation to a Major Shareholder or vice versa; certain issuances of securities by the Corporation which increase the proportionate voting interest of a Major Shareholder; a reorganization or recapitalization of the Corporation which increases the proportionate voting interest of a Major Shareholder; and the creation of a class or series of non-voting shares of the Corporation which has a residual right to participate in earnings of the Corporation and assets of the Corporation upon dissolution or winding up.

## Shareholder Rights Plan

The Corporation implemented a shareholder rights plan (the “**Rights Plan**”) pursuant to a Shareholder Bid Approval Plan Agreement (the “**Rights Plan Agreement**”) dated as of October 13, 1992 between the Corporation and CIBC Mellon Trust Company. The holders of Common Shares reconfirmed the Rights Plan and approved the amendment and restatement, as of April 26, 2007, of the Rights Plan Agreement at the annual and special meeting of shareholders of the Corporation held on April 26, 2007. For further particulars, reference should be made to the Rights Plan Agreement, as amended and restated. A copy of the Rights Plan Agreement may be obtained by contacting the Corporate Secretary, TransAlta Corporation, 110 - 12th Avenue S.W., Calgary, Alberta T2P 0G7; telephone: (403) 267-7110; fax (403) 267-2590; or by email: [investor\\_relations@transalta.com](mailto:investor_relations@transalta.com). A copy of the Rights Plan Agreement can also be accessed on SEDAR at [www.sedar.com](http://www.sedar.com) and on the SEC’s website at [www.sec.gov](http://www.sec.gov).

## DESCRIPTION OF WARRANTS

### General

The Corporation may issue Warrants independently or together with other securities, and Warrants sold with other securities may be attached to or separate from the other securities. Warrants will be issued under one or more warrant agreements between the Corporation and a warrant agent that the Corporation will name in the applicable Prospectus Supplement.

Selected provisions of the Warrants and the warrant agreements are summarized below. This summary is not complete. The statements made in this Prospectus relating to any warrant agreement and Warrants to be issued thereunder are summaries of certain anticipated provisions thereof and are subject to, and are qualified in their entirety by reference to, all provisions of the applicable warrant agreement.

The Prospectus Supplement will set forth the following terms relating to the Warrants being offered:

- the designation of the Warrants;
- the aggregate number of Warrants offered and the offering price;
- the designation, number and terms of the Common Shares, First Preferred Shares or other securities purchasable upon exercise of the Warrants, and procedures that will result in the adjustment of those numbers;
- the exercise price of the Warrants;
- the dates or periods during which the Warrants are exercisable;
- the designation and terms of any securities with which the Warrants are issued;
- if the Warrants are issued as a unit with another security, the date on and after which the Warrants and the other security will be separately transferable;
- the currency or currency unit in which the exercise price is denominated;
- any minimum or maximum amount of Warrants that may be exercised at any one time;
- whether such Warrants will be listed on any securities exchange;
- any terms, procedures and limitations relating to the transferability, exchange or exercise of the Warrants; and
- any other terms of the Warrants.

Warrant certificates will be exchangeable for new warrant certificates of different denominations at the office indicated in the Prospectus Supplement. Prior to the exercise of their Warrants, holders of Warrants will not have any of the rights of holders of the securities subject to the Warrants.

The Corporation will not offer Warrants for sale separately to any member of the public in Ontario unless the offering is in connection with and forms part of the consideration for an acquisition or merger transaction or unless the applicable Prospectus Supplement containing the specified terms of the Warrants to be offered separately is first approved for filing by the Ontario Securities Commission.

## **Modifications**

The Corporation may amend the warrant agreements and the Warrants, without the consent of the holders of the Warrants, to cure any ambiguity, to cure, correct or supplement any defective or inconsistent provision, or in any other manner that will not materially and adversely affect the interests of holders of outstanding Warrants. Other amendment provisions shall be as indicated in the Prospectus Supplement.

## **Enforceability**

The warrant agent will act solely as the Corporation's agent. The warrant agent will not have any duty or responsibility if the Corporation defaults under the warrant agreements or the warrant certificates. A Warrant holder may, without the consent of the warrant agent, enforce by appropriate legal action on its own behalf the holder's right to exercise the holder's Warrants.

## **DESCRIPTION OF SUBSCRIPTION RECEIPTS**

The Corporation may issue Subscription Receipts, independently or together with other securities. Subscription Receipts will be issued under one or more subscription receipt agreements.

A Subscription Receipt is a security of the Corporation that will entitle the holder to receive one Common Share upon the completion of a transaction, typically an acquisition by us of the assets or securities of another entity. After the offering of Subscription Receipts, the subscription proceeds for the Subscription Receipts are held in escrow by the designated escrow agent, pending the completion of the transaction. Holders of Subscription Receipts will not have any rights of shareholders of the Corporation. Holders of Subscription Receipts are only entitled to receive Common Shares upon the surrender of their Subscription Receipts to the escrow agent or to a return of the subscription price for the Subscription Receipts together with any payments in respect of interest or other income earned on the subscription proceeds.

Selected provisions of the Subscription Receipts and the subscription receipt agreements are summarized below. This summary is not complete. The statements made in this Prospectus relating to any subscription receipt agreement and Subscription Receipts to be issued thereunder are summaries of certain anticipated provisions thereof and are subject to, and are qualified in their entirety by reference to, all provisions of the applicable subscription receipt agreement.

The Prospectus Supplement will set forth the following terms relating to the Subscription Receipts being offered:

- the designation of the Subscription Receipts;
- the aggregate number of Subscription Receipts offered and the offering price;
- the terms, conditions and procedures for which the holders of Subscription Receipts will become entitled to receive Common Shares;
- the number of Common Shares that may be obtained upon the conversion of each Subscription Receipt and the period or periods during which any conversion must occur;
- the designation and terms of any other securities with which the Subscription Receipts will be offered, if any, and the number of Subscription Receipts that will be offered with each security;
- the gross proceeds from the sale of such Subscription Receipts, including (if applicable) the terms applicable to the gross proceeds from the sale of such Subscription Receipts, plus any interest earned thereon;
- the material income tax consequences of owning, holding and disposing of such Subscription Receipts;
- whether such Subscription Receipts will be listed on any securities exchange;
- any terms, procedures and limitations relating to the transferability, exchange or conversion of the Subscription Receipts; and
- any other material terms and conditions of the Subscription Receipts.

## PRIOR SALES

We issued the following Common Shares and securities convertible into Common Shares during the 12-month period prior to the date of this Prospectus:

1. we issued 224,591 Common Shares pursuant to our performance share ownership plan at a weighted average issue price of \$24.30 per Common Share with an aggregate value of approximately \$6 million; and
2. we issued 30,899 Common Shares on exercise of options granted pursuant to our employee stock option plan at a weighted average issue price of \$23.86 per Common Share for aggregate consideration of approximately \$1 million.

For additional information on previously issued Common Shares and securities convertible into Common Shares, see our consolidated financial statements as at and for the year ended December 31, 2008 and our unaudited consolidated financial statements as at and for the three and six month periods ended June 30, 2009, all of which have been incorporated by reference herein.

We have not issued any First Preferred Shares, Warrants or Subscription Receipts during the 12-month period prior to the date of this Prospectus.

## MARKET FOR SECURITIES

Our Common Shares are listed and traded on the TSX under the symbol “TA” and on the NYSE under the symbol “TAC”. The following tables set forth certain trading information for our Common Shares during the periods indicated as reported by the TSX and the NYSE. For additional trading information relating to our Common Shares, see “*Market for Securities*” in our Annual Information Form.

<u>Period</u>	TSX		
	Common Share Price (\$) High	Common Share Price (\$) Low	Volume
<b>2008</b>			
September . . . . .	36.88	26.53	28,180,867
October . . . . .	29.85	20.00	24,458,282
November . . . . .	24.59	21.00	14,517,240
December . . . . .	24.45	20.77	11,835,571
<b>2009</b>			
January . . . . .	26.60	21.13	10,881,392
February . . . . .	22.96	18.50	16,191,905
March . . . . .	21.05	17.96	23,251,069
April . . . . .	21.29	18.14	18,614,529
May . . . . .	21.57	19.81	17,675,250
June . . . . .	23.93	19.80	23,782,366
July . . . . .	22.40	20.56	13,891,386
August . . . . .	22.91	20.86	17,313,964
September . . . . .	22.22	20.61	13,392,244
October (1-16) . . . . .	22.05	20.81	6,476,400

<u>Period</u>	NYSE		<u>Volume</u>
	<u>Common Share Price (US\$) High</u>	<u>Common Share Price (US\$) Low</u>	
<b>2008</b>			
September .....	34.47	25.62	3,298,127
October .....	28.04	16.16	2,361,064
November .....	21.02	16.29	1,020,294
December .....	20.07	16.26	1,007,683
<b>2009</b>			
January .....	22.51	16.90	892,878
February .....	18.72	14.79	979,722
March .....	16.69	13.86	2,147,230
April .....	17.86	14.32	1,600,484
May .....	18.62	17.02	1,283,789
June .....	20.66	17.74	952,541
July .....	19.92	17.73	614,994
August .....	21.25	19.02	736,719
September .....	20.73	18.71	852,979
October (1-16) .....	21.31	19.33	465,074

### CERTAIN INCOME TAX CONSIDERATIONS

The applicable Prospectus Supplement may describe certain Canadian federal income tax consequences to an investor who is a resident of Canada of the acquisition, ownership and disposition of any Securities offered thereunder.

The applicable Prospectus Supplement may also describe certain Canadian federal income tax consequences to an investor who is a non-resident of Canada of acquiring any Securities offered thereunder, including whether the payments of dividends on Common Shares or First Preferred Shares will be subject to Canadian non-resident withholding tax.

The applicable Prospectus Supplement may also describe certain United States federal income tax consequences of the acquisition, ownership and disposition of any Securities offered thereunder by an initial investor who is a United States person (within the meaning of the United States Internal Revenue Code of 1986, as amended).

### PLAN OF DISTRIBUTION

The Corporation may sell the Securities to or through underwriters or dealers and also may sell the Securities directly to purchasers pursuant to applicable statutory exemptions or through agents.

The distribution of the Securities of any series may be effected from time to time in one or more transactions at a fixed price or prices, which may be changed, at market prices prevailing at the time of sale, or at prices related to such prevailing market prices to be negotiated with purchasers.

In connection with the sale of the Securities, underwriters may receive compensation from the Corporation or from purchasers of the Securities for whom they may act as agents in the form of concessions or commissions. Underwriters, dealers and agents that participate in the distribution of the Securities may be deemed to be underwriters and any commissions received by them from the Corporation and any profit on the resale of the Securities by them may be deemed to be underwriting commissions.

The Prospectus Supplement relating to each series of the Securities will also set forth the terms of the offering of the Securities, including to the extent applicable, the initial offering price, the proceeds to the Corporation, the underwriting concessions or commissions, and any other discounts or concessions to be allowed or re-allowed to dealers. Underwriters with respect to each series sold to or through underwriters will be named in the Prospectus Supplement relating to such series.

In connection with any offering of Securities, the underwriters may over-allot or effect transactions which stabilize, maintain or otherwise affect the market price of the Securities at a level above that which otherwise might prevail on the open market. Such transactions may be commenced, interrupted or discontinued at any time.

Under agreements which may be entered into by the Corporation, underwriters, dealers and agents who participate in the distribution of the Securities may be entitled to indemnification by the Corporation against certain liabilities, including liabilities under the securities legislation of each of the provinces of Canada or under the U.S. Securities Act.

Each series of the Securities (other than Common Shares) will be a new issue of securities with no established trading market. Unless otherwise specified in a Prospectus Supplement relating to a series of Securities, the Securities (other than Common Shares) will not be listed on any securities exchange. Certain broker dealers may make a market in the Securities, but will not be obligated to do so and may discontinue any market making at any time without notice. No assurance can be given that any broker dealer will make a market in the Securities of any series or as to the liquidity of the trading market, if any, for the Securities of any series.

## **RISK FACTORS**

Prospective purchasers of the Securities should consider carefully the risk factors set forth below as well as the other information contained and incorporated by reference in this Prospectus and the applicable Prospectus Supplement before purchasing the Securities offered hereby. Information regarding the risks affecting the Corporation and its business is provided in the documents incorporated by reference in this Prospectus, including the Annual MD&A under the heading “*Risk Factors*” and “*Risk Management*”, the Annual Information Form under the heading “*Risk Factors*” and the management’s discussion and analysis of financial conditions and results of operations as at and for the three and six month periods ended June 30, 2009 under the heading “*Outlook*”. See “*Documents Incorporated by Reference*”.

### **Recent changes to environmental regulations may materially adversely affect the Corporation.**

As indicated under “*Risk Factors*” in the Annual Information Form, many of the Corporation’s activities and properties are subject to environmental requirements and changes in, or liabilities under, these requirements may materially adversely affect the Corporation. Since the date of the Annual Information Form, the state government of Washington has determined a target for TransAlta’s facilities in Centralia to reduce their greenhouse gas emissions by 50% by 2025. Accomplishing this reduction will require some substantive change to generation technology, fuel or operation at those facilities prior to 2025. On September 30, 2009, the United States Environmental Protection Agency proposed new regulations that would require additional permitting and possible controls or other reductions in greenhouse gases from large industrial sources of carbon dioxide and other greenhouse gases, including TransAlta’s facilities in Centralia. Due to the early stage of these regulatory programs, TransAlta cannot yet determine the impact from these programs if and when they become effective.

In September 2009, after the conclusion of a mediation process, TransAlta agreed to enter into a voluntary agreement with the Washington State Department of Ecology that will result in lower limits of oxides or nitrogen emissions and installation of mercury controls in 2012 in advance of enforceable U.S. federal or state requirements at TransAlta’s facilities in Centralia. TransAlta does not believe the costs of these programs will be material. The draft settlement agreement has been circulated for public comment.

For further details on the environmental regulations to which the Corporation is subject, see “*Environmental Risk Management*” and “*Risk Factors*” in the Annual Information Form.

### **Risks relating to our development projects and acquisitions may materially adversely affect the Corporation.**

The Corporation continues to focus on expanding its business through development projects and acquisitions. The development and construction of the Corporation’s projects is subject to execution and capital cost risks, including risks relating to regulatory approvals, third party opposition, cost escalations, construction

delays, shortages of raw materials or skilled labour and capital constraints. Such risks may have a material adverse impact on the Corporation's business, financial condition, results of operations and cash flows.

Expansion of the Corporation's business through development projects and acquisitions may place increased demands on its management, operating systems, internal controls and financial and physical resources. In addition, the process of integrating acquired businesses or development projects may involve unforeseen difficulties. Failure to successfully manage or integrate any acquired businesses or development projects could have a material adverse impact on the Corporation's business, financial condition, results of operations and cash flows. Further, there can be no assurance that the Corporation will be successful in integrating any acquisition or that the commercial opportunities or operational synergies of any acquisition will be realized as expected.

With respect to acquisitions, there can be no assurance that the Corporation will identify suitable transactions or that it will have access to sufficient resources, through its credit facilities, the capital markets or otherwise, to pursue and complete any identified acquisition opportunities on a timely basis and at a reasonable cost. Any acquisition proposed by the Corporation, including the Offer, would be subject to normal commercial risks that the transaction may not be completed on the terms negotiated, on time, or at all. An unavoidable level of risk remains regarding potential undisclosed or unknown liabilities relating to any acquisition, including the Offer. The existence of such undisclosed liabilities may have a material adverse impact on the Corporation's business, financial condition, results of operations and cash flows.

### **LEGAL MATTERS**

Unless otherwise specified in the Prospectus Supplement relating to the Securities, certain legal matters relating to Canadian law in connection with the offering of Securities will be passed upon for the Corporation by Burnet, Duckworth & Palmer LLP, Calgary, Alberta, Canada, and certain legal matters relating to United States law in connection with the offering of Securities will be passed upon for the Corporation by Latham & Watkins LLP, New York, New York. In addition, certain legal matters in connection with any offering of Securities will be passed upon for any underwriters, dealers or agents by counsel to be designated at the time of the offering by such underwriters, dealers or agents with respect to matters of Canadian and United States law.

The partners and associates of Burnet, Duckworth & Palmer LLP, as a group beneficially own, directly or indirectly, less than 1% of the outstanding securities of any class or series of the Corporation.

### **DOCUMENTS FILED AS PART OF THE REGISTRATION STATEMENT**

The following documents have been filed with the SEC either separately or as exhibits to the registration statement on Form F-10 of which this Prospectus forms a part: the documents listed herein under "*Documents Incorporated by Reference*" and "*Certain Available Information*"; the consent of Ernst & Young LLP, Chartered Accountants; certain powers of attorney; the Rights Plan Agreement; and appointment of agent for service of process and undertaking on Form F-X.

### **ENFORCEMENT OF CIVIL LIABILITIES**

The Corporation is a corporation existing under the laws of Canada, and the majority of its assets and operations are located, and the majority of its revenues are derived, outside the United States. The Corporation has appointed CT Corporation System, New York, New York, as its agent to receive service of process in the United States in connection with any investigations or administrative proceeding conducted by the SEC, and any civil suit or action brought against or involving the Corporation in a United States court arising from any offering made under this Prospectus. However, it may not be possible for investors to enforce outside the United States judgments against the Corporation obtained in the United States in any such actions, including actions predicated upon the civil liability provisions of the United States federal and state securities laws. In addition, certain of the directors and officers of the Corporation are residents of Canada or other jurisdictions outside of the United States, and all or a substantial portion of the assets of those directors and officers are or may be located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon those persons, or to enforce against them judgments obtained in United States courts, including judgments predicated upon the civil liability provisions of United States federal and state securities laws.

## **PURCHASER'S STATUTORY RIGHTS**

Unless provided otherwise in a Prospectus Supplement, the following is a description of a purchaser's statutory rights. Securities legislation in certain of the provinces 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, 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. The purchaser should refer to any applicable provisions of the securities legislation of the province in which the purchaser resides for the particulars of these rights or consult with a legal adviser.

Original purchasers of Subscription Receipts will have a contractual right of rescission against the Corporation, following the issuance of the underlying Common Shares or other securities to such purchasers, upon the surrender or deemed surrender of the Subscription Receipts, to receive the amount paid for the Subscription Receipts in the event that this Prospectus (including any documents incorporated by reference) and any amendment thereto contains a misrepresentation or is not delivered to such purchaser, provided such remedy for rescission is exercised within 180 days from the closing date of the offering of the Subscription Receipts.

## CONSENT OF ERNST & YOUNG LLP

We have read the short form base shelf prospectus of TransAlta Corporation (the “**Corporation**”) dated October 19, 2009, relating to the issue and sale of (i) common shares, (ii) first preferred shares, (iii) warrants to purchase common shares, first preferred shares or other securities of the Corporation, or (iv) subscription receipts, each of which entitle the holder to receive upon satisfaction of certain release conditions, and for no additional consideration, one common share, up to an aggregate initial offering price of \$1,000,000,000 (the “**Prospectus**”). We have complied with Canadian generally accepted standards for an auditor’s involvement with offering documents.

We consent to the use, through incorporation by reference, in the above mentioned Prospectus of our reports to the Shareholders of the Corporation on the consolidated balance sheets of the Corporation as at December 31, 2008 and 2007 and the consolidated statements of earnings and retained earnings, comprehensive income and cash flows for each of the years in the three year period ended December 31, 2008 and our report on the effectiveness of internal control over financial reporting as of December 31, 2008. Our reports are dated March 4, 2009.

We also consent to the use, through incorporation by reference, in the above mentioned Prospectus of our report to the Board of Directors of the Corporation with respect to the reconciliation to United States Generally Accepted Accounting Principles as at December 31, 2008 and 2007 and for each of the years in the three year period ended December 31, 2008. Our report is dated March 4, 2009.

We also consent to the reference to our firm under the caption *Interests of Experts* in the Annual Information Form dated March 16, 2009 which is incorporated by reference in the Prospectus.

October 19, 2009  
Calgary, Canada

(Signed) ERNST & YOUNG LLP  
Chartered Accountants

**CERTIFICATE OF THE CORPORATION**

DATED: October 19, 2009

This short form prospectus, together with the documents incorporated in this prospectus by reference, will, as of the date of the last supplement to this prospectus relating to the securities offered by this prospectus and the supplement(s), constitute full, true and plain disclosure of all material facts relating to the securities offered by this prospectus and the supplement(s) as required by the securities legislation of each of the provinces of Canada.

(Signed) STEPHEN G. SNYDER  
President and Chief Executive Officer

(Signed) BRIAN BURDEN  
Chief Financial Officer

On behalf of the Board of Directors

(Signed) WILLIAM D. ANDERSON  
Director

(Signed) GORDON S. LACKENBAUER  
Director