

ATLANTIC POWER CORP  
Form DEFM14A  
October 03, 2011

Use these links to rapidly review the document

[TABLE OF CONTENTS](#)

[TABLE OF CONTENTS2](#)

[TABLE OF CONTENTS](#)

[ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK](#)

[TABLE OF CONTENTS 5](#)

[ATLANTIC POWER CORPORATION FORM 10-Q THREE AND SIX MONTHS ENDED JUNE 30, 2011](#)

[TABLE OF CONTENTS 7](#)

[TABLE OF CONTENTS3](#)

[Table of Contents](#)

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**SCHEDULE 14A**

Proxy Statement Pursuant to Section 14(a) of  
the Securities Exchange Act of 1934 (Amendment No.     )

Filed by the Registrant ☒

Filed by a Party other than the Registrant ☐

Check the appropriate box:

- ☐ Preliminary Proxy Statement
- ☐ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- ☒ Definitive Proxy Statement
- ☐ Definitive Additional Materials
- ☐ Soliciting Material under §240.14a-12

**ATLANTIC POWER CORPORATION**

---

(Name of Registrant as Specified In Its Charter)

---

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- ☐ No fee required.

## Edgar Filing: ATLANTIC POWER CORP - Form DEFM14A

- o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
    - (1) Title of each class of securities to which transaction applies:
    - (2) Aggregate number of securities to which transaction applies:
    - (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
    - (4) Proposed maximum aggregate value of transaction:
    - (5) Total fee paid:
  - ý Fee paid previously with preliminary materials.
  - o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.
    - (1) Amount Previously Paid:
    - (2) Form, Schedule or Registration Statement No.:
    - (3) Filing Party:
    - (4) Date Filed:
-

Table of Contents

**PROPOSED BUSINESS COMBINATION YOUR VOTE IS VERY IMPORTANT**

On behalf of the boards of directors of Atlantic Power Corporation ("**Atlantic Power**") and of CPI Income Services Ltd., the general partner of Capital Power Income L.P. ("**CPILP**"), we send to you this management proxy circular and joint proxy statement that describes the proposed statutory plan of arrangement ("**Plan of Arrangement**") and related transactions whereby Atlantic Power will acquire, directly and indirectly, all of the outstanding limited partnership units of CPILP (the "**Arrangement**").

CPILP unitholders will be permitted to exchange each of their limited partnership units for, at their election, C\$19.40 in cash or 1.3 Atlantic Power common shares, subject to proration if total cash elections exceed approximately C\$506.5 million or share elections exceed approximately 31.5 million Atlantic Power common shares. Based on the current number of Atlantic Power common shares outstanding (and specifically excluding any common shares of Atlantic Power that may be issued to finance the cash portion of the purchase price), the existing Atlantic Power shareholders will own approximately 70% of the combined company and former CPILP unitholders will own approximately 30%.

Capital Power Corporation ("**Capital Power**") and EPCOR Utilities Inc. ("**EPCOR**"), the direct and indirect holders of all of the issued and outstanding shares of CPI Investments Inc., which directly and indirectly holds an aggregate of approximately 29% of the outstanding limited partnership units of CPILP, have entered into agreements with Atlantic Power pursuant to which they each have agreed to support the Arrangement. In addition, in connection with completion of the Arrangement, CPILP will sell its Roxboro and Southport facilities located in North Carolina to an affiliate of Capital Power and the management agreements between Capital Power and CPILP will be terminated (or assigned to Atlantic Power).

The transactions are subject to, among other things, certain approvals by the shareholders of Atlantic Power and the unitholders of CPILP. Specifically, at special meetings currently scheduled to be held on November 1, 2011, Atlantic Power shareholders will be asked to approve an ordinary resolution that authorizes the issuance of the common shares of Atlantic Power necessary to complete the Arrangement and CPILP unitholders will be asked to approve a special resolution that authorizes the Arrangement, the Plan of Arrangement and certain other steps required to complete the Arrangement. The text of the resolutions are set forth in Annex F and G to this management proxy circular and joint proxy statement, respectively.

**The Atlantic Power board of directors unanimously recommends that the Atlantic Power shareholders vote "FOR" the ordinary resolution to issue the common shares necessary to complete the Arrangement.**

**The board of directors of CPI Income Services Ltd., the general partner of CPILP, unanimously recommends that the CPILP unitholders vote "FOR" the special resolution to approve the Arrangement, the Plan of Arrangement and certain other steps required to complete the Arrangement.**

**Your vote is very important, regardless of the number of shares or units you own. Whether or not you expect to attend the Atlantic Power or CPILP special meeting in person, please vote your shares or units as promptly as possible so that they may be represented and voted at the applicable special meeting.**

If you are unable to attend the Atlantic Power special meeting in person, please complete, date and sign the accompanying form of proxy and return it, in the envelope provided to Computershare Trust Company of Canada, Proxy Department, 9th Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1, so that it is received not less than 48 hours, excluding Saturdays, Sundays and holidays, before the time fixed for holding the Atlantic Power special meeting or any adjournments or postponements thereof.

If you are unable to attend the CPILP special meeting in person, please complete, date and sign the accompanying form of proxy and return it, in the envelope provided to Computershare Trust Company of Canada, Proxy Department, 9th Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1, so that it is received not less than 48 hours, excluding Saturdays, Sundays and holidays, before the time fixed for holding the CPILP special meeting or any adjournments or postponements thereof.

We also encourage all registered CPILP unitholders to complete and return the enclosed letter of transmittal and election form ("**Letter of Transmittal and Election Form**"), together with the certificate(s) representing your CPILP units, to Computershare Investor Services Inc. (the "**Depository**") at the address specified in the Letter of Transmittal and Election Form. The Letter of Transmittal and Election Form



## Edgar Filing: ATLANTIC POWER CORP - Form DEFM14A

### Table of Contents

contains procedural information relating to the Plan of Arrangement and should be reviewed carefully. To make a valid election as to the form of consideration that you wish to receive under the Plan of Arrangement (subject to proration), you must sign and return, if applicable, the Letter of Transmittal and Election Form and make a proper election thereunder and return it with accompanying CPILP unit certificate(s) to the Depository prior to 5:00 p.m. (Edmonton time) on October 27, 2011, or, if the CPILP meeting is adjourned or postponed, such time on the third business day immediately prior to the date of such adjourned or postponed meeting (the "**Election Deadline**"). If you fail to make a proper election prior to the Election Deadline you will be deemed to have elected to receive Atlantic Power shares in respect of all of your CPILP units.

If you are a non-registered holder of CPILP units or Atlantic Power shares and have received these materials through your broker, investment dealer or other intermediary, please follow the instructions provided by such broker, investment dealer or other intermediary to ensure that your vote is counted and, in the case of CPILP unitholders, for instructions and assistance in delivering your certificate(s) representing those units and, if applicable, making an election with respect to the form of consideration you wish to receive.

More information about Atlantic Power, CPILP and the transaction, including other conditions, is contained in this management proxy circular and joint proxy statement. You should read this entire management proxy circular and joint proxy statement carefully, including the section entitled "Risk Factors" beginning on page 23.

We look forward to the successful combination of Atlantic Power and CPILP and thank you for your ongoing support as we prepare to take this important step in creating a leading North American contracted power generation platform.

Sincerely,

Barry E. Welch  
President and Chief Executive Officer  
Atlantic Power Corporation

Stuart A. Lee  
President  
CPI Income Services Ltd.,  
as General Partner of CPILP

**Neither the Securities and Exchange Commission nor any state securities commission nor any Canadian securities regulator has approved or disapproved of the securities to be issued under this management proxy circular and joint proxy statement or determined that this management proxy circular and joint proxy statement is accurate or complete. Any representation to the contrary is a criminal offense.**

**This management proxy circular and joint proxy statement is dated September 28, 2011 and is first being mailed to the shareholders of Atlantic Power and the unitholders of CPILP on or about October 11, 2011.**

---

Table of Contents

**NOTICE OF SPECIAL MEETING OF SHAREHOLDERS**

**NOTICE IS HEREBY GIVEN** that a special meeting of the holders of common shares of Atlantic Power Corporation will be held at the King Edward Hotel, Hampstead Room, 37 King Street East, Toronto, Ontario, on November 1, 2011, at 9:00 a.m. (Toronto time) for the following purposes:

1. to consider, and if thought advisable, to approve, with or without variation, an ordinary resolution, the full text of which is set forth in Annex F to the accompanying management proxy circular and joint proxy statement, dated September 28, 2011 authorizing Atlantic Power to issue such number of common shares in the capital of Atlantic Power as is necessary to complete the Arrangement, being 1.3 Atlantic Power common shares for each CPILP unit to a maximum of 31,500,221 Atlantic Power common shares pursuant to the terms of the arrangement agreement dated June 20, 2011, as amended effective July 25, 2011, among Capital Power Income L.P., CPI Income Services Ltd., CPI Investments Inc. and Atlantic Power (the "**Arrangement Agreement**"), a copy of which is included as Annex A to the accompanying management proxy circular and joint proxy statement (all as more particularly described in the accompanying management proxy circular and joint proxy statement) (the "**Share Issuance Resolution**");
2. to consider, and if thought advisable, to approve, with or without variation, an ordinary resolution, the full text of which is set forth in Annex F to the accompanying management proxy circular and joint proxy statement, dated September 28, 2011 granting to the proxy holders the authority to vote in their discretion with respect to the approval of any proposal to postpone or adjourn the special meeting to a later date for a reasonable business purpose, including to solicit additional proxies in favor of the approval of the Share Issuance Resolution if there are not sufficient votes for its approval at the special meeting (the "**Adjournment Resolution**"); and
3. to transact such further or other business as may properly come before the Atlantic Power special meeting or any adjournments or postponements thereof.

An "ordinary resolution" is a resolution passed by at least a majority of the votes cast by the Atlantic Power shareholders who voted in respect of that resolution at the Atlantic Power special meeting.

Only Atlantic Power common shareholders of record at the close of business on October 3, 2011 are entitled to notice of and to attend the Atlantic Power special meeting or any adjournments or postponements thereof and to vote at the Atlantic Power special meeting. No person who becomes an Atlantic Power common shareholder after such date shall be entitled to receive notice of and vote at the Atlantic Power special meeting or any adjournment or postponement thereof.

The accompanying management proxy circular and joint proxy statement provides additional information relating to the matters to be dealt with at the Atlantic Power special meeting and forms part of this notice.

**Your vote is important. Whether or not you expect to attend in person, we urge you to authorize a proxy to vote your shares as promptly as possible so that your shares may be represented and voted at the Atlantic Power special meeting.**

**If you are unable to attend the Atlantic Power special meeting in person, please complete, date and sign the accompanying form of proxy and return it, in the envelope provided, to Computershare Trust Company of Canada, Proxy Department, 9th Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1, so that it is received by Computershare Trust Company of Canada not less than 48 hours, excluding Saturdays, Sundays and holidays, before the time fixed for holding the Atlantic Power special meeting or any adjournments or postponements thereof or by the chairman of the meeting prior to the commencement of the meeting or any adjournments or postponements thereof.** The instrument appointing a proxy shall be in writing and shall be executed by the Atlantic Power common shareholder or the Atlantic Power common shareholder's attorney authorized in writing or, if the Atlantic Power common shareholder is a corporation, under its corporate seal by an officer or attorney thereof duly authorized.

## Edgar Filing: ATLANTIC POWER CORP - Form DEFM14A

If you have any questions about the information contained in this document or require assistance in completing your proxy card, please contact Atlantic Power at 617-977-2700 or 855-280-4737 toll free.

---

Table of Contents

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF  
PROXY MATERIALS FOR THE MEETING**

This management proxy circular and joint proxy statement is available at [www.atlanticpower.com](http://www.atlanticpower.com) under "INVESTORS Securities Filings."

**DATED** at Toronto, Ontario this 28th day of September, 2011.

**BY ORDER OF THE BOARD OF DIRECTORS**

/s/ IRVING GERSTEIN

---

Irving Gerstein  
*Chair of the Board of Directors*  
Atlantic Power Corporation

---



Table of Contents

**NOTICE OF SPECIAL MEETING OF UNITHOLDERS**

**NOTICE IS HEREBY GIVEN** that, pursuant to an interim order of the Court of Queen's Bench of Alberta dated September 28, 2011 ("**Interim Order**"), a special meeting of the holders of limited partnership units of Capital Power Income L.P. will be held at Crowne Plaza, 10111 Bellamy Hill, Salon B, Edmonton, Alberta, at 9:00 a.m. (Edmonton time) on November 1, 2011 for the following purposes:

1.  
to consider, and, if thought advisable, to pass, with or without variation, pursuant to the Interim Order, an extraordinary resolution (the "**Arrangement Resolution**"), the full text of which is set forth in Annex G to the accompanying management proxy circular and joint proxy statement dated September 28, 2011, to approve an arrangement under section 192 of the *Canada Business Corporations Act* (all as more particularly described in the accompanying management proxy circular and joint proxy statement); and
2.  
to transact such further and other business as may properly come before the CPILP special meeting or any adjournments or postponements thereof.

As an "extraordinary resolution," the Arrangement Resolution must be passed by not less than 66<sup>2</sup>/<sub>3</sub>% of the votes cast by the CPILP unitholders, in person or by proxy, at the CPILP special meeting. The Arrangement Resolution must also be passed by not less than a simple majority of the vote cast by the CPILP unitholders, in person or by proxy, at the CPILP special meeting after excluding those votes required to be excluded by the minority approval provisions of Multilateral Instrument 61-101 *Protection of Minority Security Holders in Special Transactions*.

Only CPILP unitholders of record at the close of business on September 21, 2011 are entitled to notice of and to attend the CPILP special meeting or any adjournments or postponements thereof and to vote at the CPILP special meeting. No person who becomes a CPILP unitholder after such date shall be entitled to receive notice of and vote at the CPILP special meeting or any adjournment or postponement thereof.

The accompanying management proxy circular and joint proxy statement accompanying this notice provides additional information relating to the matters to be dealt with at the CPILP special meeting and is incorporated into and forms part of this notice.

**Your vote is important. Whether or not you expect to attend in person, we urge you to authorize a proxy to vote your CPILP units as promptly as possible so that your CPILP units may be represented and voted at the CPILP special meeting.**

**If you are unable to attend the CPILP special meeting in person, please complete, date and sign the accompanying form of proxy and return it, in the envelope provided to Computershare Trust Company of Canada, Proxy Department, 9<sup>th</sup> Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1, so that it is received by Computershare Trust Company of Canada not less than 48 hours, excluding Saturdays, Sundays and holidays, before the time fixed for holding the CPILP special meeting or any adjournments or postponements thereof.** The instrument appointing a proxy shall be in writing and shall be executed by the CPILP unitholder or the CPILP unitholder's attorney authorized in writing or, if the CPILP unitholder is a corporation, under its corporate seal by an officer or attorney thereof duly authorized.

If you have any questions about the information contained in this document or require assistance in completing your proxy card, please contact CPILP's proxy solicitor, Georgeson Shareholder Communications Canada, Inc., by telephone at 1-888-605-8406 toll free or by e-mail at askus@georgeson.com.

Table of Contents

DATED at Edmonton, Alberta this 28th day of September, 2011.

**BY ORDER OF THE BOARD OF DIRECTORS OF CPI  
INCOME SERVICES LTD., AS GENERAL PARTNER OF  
CAPITAL POWER INCOME L.P.**

/s/ BRIAN T. VAASJO

---

Brian T. Vaasjo  
*Chairman*  
CPI Income Services Ltd.  
as General Partner of CPILP

---

Table of Contents

**ADDITIONAL INFORMATION**

This management proxy circular and joint proxy statement incorporates important business and financial information about Atlantic Power from other documents that are not included in this management proxy circular and joint proxy statement. This information is available to you without charge upon your request. You can obtain the documents incorporated by reference into this management proxy circular and joint proxy statement by requesting them in writing or by telephone from the appropriate entity at the following addresses and telephone numbers:

Atlantic Power Corporation  
200 Clarendon Street, Floor 25  
Boston, Massachusetts 02116  
Attn: Investor Relations  
617-977-2700  
855-280-4737 (Toll Free)

Investors may also consult Atlantic Power's and CPILP's website for more information about Atlantic Power and CPILP, respectively. Atlantic Power's website is [www.atlanticpower.com](http://www.atlanticpower.com). CPILP's website is [www.capitalpowerincome.ca](http://www.capitalpowerincome.ca). Information included on these websites is **not** incorporated by reference into this management proxy circular and joint proxy statement.

**If you would like to request any documents, please do so by October 25, 2011 in order to receive them before the special meetings.**

For a more detailed description of the information incorporated by reference in this management circular and joint proxy statement and how you may obtain it, see "Where You Can Find More Information" beginning on page 154.

**ABOUT THIS JOINT PROXY STATEMENT**

For ease of reference, we refer to this management proxy circular and joint proxy as this "joint proxy statement".

This joint proxy statement constitutes a proxy statement of Atlantic Power under Section 14(a) of the *Securities Exchange Act of 1934*, as amended (the "**Exchange Act**"), and a management proxy circular of both Atlantic Power and CPILP under National Instrument 51-102 Continuous Disclosure Obligations ("**NI 51-102**") of the Canadian Securities Administrators (the "**CSA**"). It also constitutes a notice of meeting with respect to the special meeting of Atlantic Power shareholders and a notice of meeting with respect to the special meeting of CPILP unitholders.

You should rely only on the information contained in or incorporated by reference into this joint proxy statement. No one has been authorized to provide you with information that is different from that contained in, or incorporated by reference into, this joint proxy statement. This joint proxy statement is dated September 28, 2011. You should not assume that the information contained in this joint proxy statement is accurate as of any date other than that date. Neither the mailing of this joint proxy statement to Atlantic Power shareholders or CPILP unitholders nor the issuance by Atlantic Power of common shares in connection with the Arrangement will create any implication to the contrary.

This joint proxy statement does not constitute an offer to sell, or a solicitation of an offer to buy, any securities, or the solicitation of a proxy, in any jurisdiction to or from any person to whom it is unlawful to make any such offer or solicitation. Information contained in this joint proxy statement regarding Atlantic Power has been provided by Atlantic Power and information contained in this joint proxy statement regarding CPILP has been provided by CPILP.

Table of Contents

**TABLE OF CONTENTS**

<u>QUESTIONS AND ANSWERS</u>	<u>vi</u>
<u>SUMMARY</u>	<u>1</u>
<u>The Entities</u>	<u>1</u>
<u>The Arrangement Agreement and Plan of Arrangement</u>	<u>2</u>
<u>Summaries of Other Agreements Relating to the Arrangement</u>	<u>7</u>
<u>The Atlantic Power Special Meeting</u>	<u>9</u>
<u>The CPILP Special Meeting</u>	<u>11</u>
<u>Appraisal/Dissent Rights</u>	<u>13</u>
<u>U.S. Securities Law Matters</u>	<u>13</u>
<u>Material Canadian Federal Income Tax Consequences</u>	<u>13</u>
<u>Material U.S. Federal Income Tax Consequences</u>	<u>13</u>
<u>Atlantic Power Financing</u>	<u>13</u>
<u>Selected Historical Consolidated Financial Data of Atlantic Power</u>	<u>14</u>
<u>Selected Historical Consolidated Financial Data of CPILP</u>	<u>15</u>
<u>Summary Unaudited Pro Forma Condensed Combined Consolidated Financial Information</u>	<u>17</u>
<u>Selected Comparative Per Share/Unit Market Price and Dividend Information</u>	<u>19</u>
<u>Certain Historical and Pro Forma Per Share/Unit Data</u>	<u>20</u>
<u>Exchange Rate Information</u>	<u>22</u>
<u>RISK FACTORS</u>	<u>23</u>
<u>Risk Factors Relating to the Plan of Arrangement</u>	<u>23</u>
<u>Risk Factors Relating to the Combined Company Following the Plan of Arrangement</u>	<u>25</u>
<u>CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS</u>	<u>31</u>
<u>THE ENTITIES</u>	<u>33</u>
<u>Atlantic Power Corporation</u>	<u>33</u>
<u>Capital Power Income L.P.</u>	<u>33</u>
<u>CPI Income Services Ltd.</u>	<u>34</u>
<u>CPI Investments Inc.</u>	<u>34</u>
<u>THE ATLANTIC POWER SPECIAL MEETING</u>	<u>35</u>
<u>Date, Time and Place</u>	<u>35</u>
<u>Purpose of the Special Meeting</u>	<u>35</u>
<u>Recommendations of the Board of Directors of Atlantic Power</u>	<u>35</u>
<u>Share Issuance Resolution</u>	<u>35</u>
<u>Adjournment Resolution</u>	<u>36</u>
<u>Record Date; Shares Entitled to Vote</u>	<u>36</u>
<u>Share Ownership by and Voting Rights of Directors and Executive Officers</u>	<u>36</u>
<u>Quorum</u>	<u>37</u>
<u>Required Vote</u>	<u>37</u>

Edgar Filing: ATLANTIC POWER CORP - Form DEFM14A

<u>Failure to Vote and Broker Non-Votes</u>	<u>37</u>
<u>Appointment of Proxyholder</u>	<u>37</u>
<u>Record Holders</u>	<u>37</u>
<u>Shares Held in Street</u>	
<u>Name/Non-Registered Shareholders</u>	<u>38</u>
<u>Revocability of Proxy: Changing Your</u>	
<u>Vote</u>	<u>38</u>
<u>Additional Disclosure Required by</u>	
<u>Canadian Securities Laws</u>	<u>39</u>
<u>THE CPILP SPECIAL MEETING</u>	<u>41</u>
<u>Date, Time and Place</u>	<u>41</u>
<u>Purpose of the Special Meeting</u>	<u>41</u>
<u>Recommendations of the Board of</u>	
<u>Directors of the General Partner</u>	<u>41</u>
<u>Record Date: Units Entitled to Vote</u>	<u>41</u>
<u>Unit Ownership by and Voting Rights of</u>	
<u>Directors and Executive Officers</u>	<u>41</u>

Table of Contents

<u>Quorum</u>	<u>42</u>
<u>Required Vote</u>	<u>42</u>
<u>Failure to Vote and Broker Non-Votes</u>	<u>42</u>
<u>Appointment of Proxyholder</u>	<u>42</u>
<u>Record Holders</u>	<u>42</u>
<u>Units Held in Street</u>	
<u>Name/Non-Registered CPILP</u>	
<u>Unitholders</u>	<u>43</u>
<u>Revocability of Proxy: Changing Your</u>	
<u>Vote</u>	<u>43</u>
<u>Solicitation of Proxies</u>	<u>44</u>
<u>Principal Unitholders</u>	<u>44</u>
<u>Procedures for the Surrender of Unit</u>	
<u>Certificate and Receipt of Consideration</u>	<u>44</u>
<u>APPRAISAL/DISSENT RIGHTS</u>	<u>50</u>
<u>THE ARRANGEMENT AGREEMENT</u>	
<u>AND PLAN OF ARRANGEMENT</u>	<u>51</u>
<u>Effects of the Plan of Arrangement</u>	<u>51</u>
<u>Background of the Plan of Arrangement</u>	<u>51</u>
<u>Atlantic Power's Reasons for the</u>	
<u>Arrangement Agreement;</u>	
<u>Recommendations of Atlantic Power's</u>	
<u>Board of Directors</u>	<u>58</u>
<u>Opinions of Atlantic Power's Financial</u>	
<u>Advisors</u>	<u>61</u>
<u>Interests of Atlantic Power Directors and</u>	
<u>Officers in the Plan of Arrangement</u>	<u>79</u>
<u>Certain Atlantic Power Prospective</u>	
<u>Financial Information</u>	<u>79</u>
<u>CPILP's Reasons for the Plan of</u>	
<u>Arrangement; Recommendations of the</u>	
<u>Board of Directors of CPILP's General</u>	
<u>Partner</u>	<u>81</u>
<u>Opinions of CPILP's Financial Advisors</u>	<u>84</u>
<u>Interests of CPILP Directors and Officers</u>	
<u>in the Plan of Arrangement</u>	<u>85</u>
<u>Certain CPILP Prospective Financial</u>	
<u>Information</u>	<u>86</u>
<u>Accounting Treatment of the</u>	
<u>Arrangement</u>	<u>88</u>
<u>Court Approval Required for the Plan of</u>	
<u>Arrangement</u>	<u>88</u>
<u>Canadian Securities Law Matters</u>	<u>89</u>
<u>United States Securities Law Matters</u>	<u>90</u>
<u>Stock Exchange Approvals</u>	<u>92</u>
<u>Regulatory Approvals Required for the</u>	
<u>Plan of Arrangement and Other</u>	
<u>Regulatory Matters</u>	<u>92</u>
<u>Listing of Atlantic Power Shares</u>	<u>95</u>
<u>Appraisal/Dissent Rights</u>	<u>95</u>
<u>Litigation Related to the Plan of</u>	
<u>Arrangement</u>	<u>95</u>
<u>Effect of the Plan of Arrangement on</u>	
<u>CPILP's Other Securities</u>	<u>95</u>
<u>SUMMARY OF THE ARRANGEMENT</u>	
<u>AGREEMENT</u>	<u>97</u>
<u>Representations and Warranties</u>	<u>97</u>
<u>Conditions Precedent to the Plan of</u>	
<u>Arrangement</u>	<u>98</u>
<u>Covenants</u>	<u>103</u>

<u>Termination of the Arrangement</u>	
<u>Agreement</u>	<u>106</u>
<u>Governing Law</u>	<u>108</u>
<u>Summaries of Other Agreements Relating</u>	
<u>to the Arrangement</u>	<u>108</u>
<u>MATERIAL CANADIAN FEDERAL</u>	
<u>INCOME TAX CONSIDERATIONS</u>	<u>112</u>
<u>Disposition of CPILP Units Pursuant to</u>	
<u>the Plan of Arrangement</u>	<u>112</u>
<u>Holding and Disposing of Atlantic Power</u>	
<u>common shares</u>	<u>114</u>
<u>Taxation of Capital Gains and Capital</u>	
<u>Losses</u>	<u>115</u>
<u>Alternative Minimum Tax</u>	<u>115</u>
<u>Eligibility for Investment</u>	<u>115</u>
<u>CERTAIN U.S. FEDERAL INCOME TAX</u>	
<u>CONSIDERATIONS</u>	<u>116</u>
<u>ATLANTIC POWER FINANCING</u>	<u>117</u>
<u>INFORMATION REGARDING</u>	
<u>ATLANTIC POWER</u>	<u>118</u>
<u>General</u>	<u>118</u>

Table of Contents

<u>Trading Price and Volume</u>	<u>118</u>
<u>Prior Sales</u>	<u>121</u>
<u>Description of Common Shares</u>	<u>123</u>
<u>Security Ownership of Certain Beneficial Owners and Management</u>	<u>123</u>
<u>Risk Factors</u>	<u>124</u>
<u>INFORMATION REGARDING CPILP</u>	<u>125</u>
<u>Presentation of Information</u>	<u>125</u>
<u>General</u>	<u>125</u>
<u>Recent Developments</u>	<u>125</u>
<u>Additional Information Relating to CPILP</u>	<u>126</u>
<u>Price Range and Trading Volume of CPILP Units</u>	<u>127</u>
<u>Dividend History</u>	<u>127</u>
<u>Voting Securities and Principal Holders of Voting Securities</u>	<u>128</u>
<u>Ownership of CPILP Securities by Directors, Officers and Insiders</u>	<u>128</u>
<u>Indebtedness of Directors and Executive Officers</u>	<u>129</u>
<u>Risk Factors</u>	<u>129</u>
<u>Auditors, Transfer Agent and Registrar</u>	<u>130</u>
<u>Selected Historical Consolidated Financial Data of CPILP</u>	<u>130</u>
<u>INFORMATION REGARDING THE COMBINED COMPANY</u>	<u>132</u>
<u>General</u>	<u>132</u>
<u>Directors and Executive Officers of the Combined Company</u>	<u>132</u>
<u>ATLANTIC POWER AND CPILP UNAUDITED PRO FORMA CONDENSED COMBINED CONSOLIDATED FINANCIAL STATEMENTS</u>	<u>133</u>
<u>COMPARATIVE PER SHARE/UNIT MARKET PRICE DATA AND DIVIDEND INFORMATION</u>	<u>143</u>
<u>CERTAIN HISTORICAL AND PRO FORMA PER SHARE/UNIT DATA</u>	<u>144</u>
<u>COMPARISON OF RIGHTS OF ATLANTIC POWER SHAREHOLDERS AND CPILP UNITHOLDERS</u>	<u>146</u>
<u>SHAREHOLDER PROPOSALS</u>	<u>153</u>
<u>HOUSEHOLDING</u>	<u>153</u>
<u>WHERE YOU CAN FIND MORE INFORMATION</u>	<u>154</u>
<u>CANADIAN SECURITIES LAW MATTERS</u>	<u>155</u>
<u>Legal Matters</u>	<u>155</u>
<u>Experts</u>	<u>155</u>
<u>Information Filed on SEDAR</u>	<u>155</u>
<u>Interests of Experts of Atlantic Power and CPILP</u>	<u>157</u>
<u>Consents</u>	<u>158</u>
<u>ANNEX A</u>	<u>ARRANGEMENT AGREEMENT</u>
<u>ANNEX B</u>	<u>OPINION OF TD SECURITIES INC.</u>
<u>ANNEX C</u>	<u>OPINION OF MORGAN STANLEY &amp; CO. LLC</u>
<u>ANNEX D</u>	<u>OPINION OF CIBC WORLD MARKETS INC.</u>
<u>ANNEX E</u>	<u>OPINION OF GREENHILL &amp; CO. CANADA LTD.</u>
<u>ANNEX F</u>	<u>ATLANTIC POWER'S SHARE ISSUANCE RESOLUTION AND ADJOURNMENT RESOLUTION</u>
<u>ANNEX G</u>	<u>CPILP'S ARRANGEMENT RESOLUTION</u>
<u>ANNEX H</u>	<u>INTERIM ORDER</u>
<u>ANNEX I</u>	<u>NOTICE OF APPLICATION FOR FINAL ORDER</u>
<u>ANNEX J</u>	<u>FORM OF PROXY OF ATLANTIC POWER</u>
<u>ANNEX K</u>	<u>FORM OF PROXY OF CPILP</u>



Edgar Filing: ATLANTIC POWER CORP - Form DEFM14A

Table of Contents

	SUPPLEMENTAL INFORMATION DELIVERED TO ATLANTIC POWER SHAREHOLDERS
<u>SCHEDULE I</u>	<u>ANNUAL REPORT OF ATLANTIC POWER ON FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 2010</u>
<u>SCHEDULE II</u>	<u>QUARTERLY REPORT OF ATLANTIC POWER ON FORM 10-Q FOR THE QUARTER ENDED JUNE 30, 2011</u>
<u>SCHEDULE III</u>	<u>CPILP ANNUAL INFORMATION FORM DATED MARCH 11, 2011</u>
<u>SCHEDULE IV</u>	<u>AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF CPILP (DECEMBER 31, 2010, 2009 AND 2008)</u>
<u>SCHEDULE V</u>	<u>CPILP MANAGEMENT'S DISCUSSION AND ANALYSIS (DECEMBER 31, 2010)</u>
<u>SCHEDULE VI</u>	<u>UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS OF CPILP (JUNE 30, 2011)</u>
<u>SCHEDULE VII</u>	<u>CPILP MANAGEMENT'S DISCUSSION AND ANALYSIS (JUNE 30, 2011)</u>
<u>SCHEDULE VIII</u>	<u>SELECTED SCHEDULES TO ARRANGEMENT AGREEMENT: SUPPORT AGREEMENTS; DISTRIBUTION AGREEMENT; PREFERRED SHARE GUARANTEE AGREEMENTS</u>

Table of Contents

**QUESTIONS AND ANSWERS**

*Set forth below are questions that you, as a shareholder of Atlantic Power or unitholder of CPILP, may have regarding the Plan of Arrangement and the other matters to be considered at the special meetings of shareholders of Atlantic Power and unitholders of CPILP and the answers to those questions. Atlantic Power and CPILP urge you to read carefully the remainder of this joint proxy statement because the information in this section does not provide all the information that might be important to you with respect to the Plan of Arrangement and the other matters to be considered at the special meetings. Atlantic Power, following completion of the Plan of Arrangement, is sometimes referred to in this joint proxy statement as the "Combined Company". All references to US\$ or \$ are to United States dollars, and all references to C\$ are to Canadian dollars.*

**Q: Why am I receiving this joint proxy statement?**

A:

Atlantic Power and CPILP have entered into the Arrangement Agreement pursuant to which Atlantic Power has agreed to acquire, directly and indirectly, all of the outstanding CPILP units pursuant to a Plan of Arrangement under the *Canada Business Corporations Act* (the "CBCA"), all as more fully described in this joint proxy statement. In order to effect the Plan of Arrangement:

Atlantic Power shareholders must approve the Share Issuance Resolution attached hereto as Annex F approving the issuance of Atlantic Power common shares to be issued in consideration for the acquisition of CPILP units as is necessary to complete the Arrangement; and

CPILP unitholders must approve the Arrangement Resolution attached hereto as Annex G approving the Arrangement, the Plan of Arrangement and certain other steps required to complete the Arrangement.

Atlantic Power and CPILP will hold separate special meetings to obtain these approvals. This joint proxy statement contains important information about the Plan of Arrangement and the special meetings of shareholders of Atlantic Power and unitholders of CPILP.

Your vote is important. You do not need to attend the special meetings in person to vote. Atlantic Power and CPILP encourage you to vote as soon as possible.

**Q: Is the Arrangement supported by the boards of directors of Atlantic Power and CPI Income Services Ltd. as the general partner of CPILP?**

A:

Yes. The board of directors of Atlantic Power has unanimously determined that (i) the Arrangement is in the best interests of Atlantic Power and is fair to Atlantic Power's stakeholders, (ii) Atlantic Power should enter into the Arrangement Agreement, and (iii) Atlantic Power's shareholders should vote FOR the Share Issuance Resolution.

In making its recommendation, the Atlantic Power board of directors considered a number of factors as described in this joint proxy statement under the heading "The Arrangement Agreement and Plan of Arrangement Atlantic Power's Reasons for the Arrangement Agreement; Recommendations of Atlantic Power's Board of Directors."

The members of the board of directors of CPI Income Services Ltd., the general partner of CPILP, entitled to vote, being the independent directors of CPI Income Services Ltd., the general partner of CPILP, determined unanimously that the Arrangement is in the best interests of CPILP and is fair to the CPILP unitholders and resolved unanimously to recommend to the CPILP unitholders that they vote FOR the Arrangement Resolution. The members of the board of directors of CPI Income Services Ltd., the general partner of CPILP, entitled to vote also unanimously approved the Arrangement and the execution and performance of the Arrangement Agreement.

Table of Contents

In making its recommendation, the board of directors of CPI Income Services Ltd., the general partner of CPILP, considered a number of factors as described in this joint proxy statement under the heading "The Arrangement Agreement and Plan of Arrangement CPILP's Reasons for the Plan of Arrangement; Recommendations of the Board of Directors of CPILP's General Partner."

**Q: What are Atlantic Power's and CPILP's reasons for the entering into the Arrangement Agreement?**

A:

The boards of directors of Atlantic Power and of CPI Income Services Ltd., the general partner of CPILP, each concluded that the potential benefits they expect from combining Atlantic Power and CPILP, including, among other things, strengthening Atlantic Power's dividend sustainability for the foreseeable future as a result of immediate accretion to cash available for distribution, creation of a combined company with a larger and more diversified portfolio and anticipated enhanced access to capital, outweighed the uncertainties, risks and potentially negative factors relevant to the Plan of Arrangement. For a more detailed discussion of the reasoning of Atlantic Power's board of directors and the board of directors of CPI Income Services Ltd., the general partner of CPILP, see "The Arrangement Agreement and Plan of Arrangement Atlantic Power's Reasons for the Arrangement Agreement; Recommendations of Atlantic Power's Board of Directors" and "CPILP's Reasons for the Plan of Arrangement; Recommendations of the Board of Directors of CPILP's General Partner" in this joint proxy statement, beginning on pages 58 and 81, respectively.

**Q: What is a plan of arrangement?**

A:

A plan of arrangement is a statutory procedure under Canadian corporate law that allows companies to carry out transactions with securityholders and court approval. The Plan of Arrangement you are being asked to consider will allow Atlantic Power to acquire, directly and indirectly, all of the outstanding CPILP units.

**Q: If I am a CPILP unitholder, how do I elect to receive my consideration under the Plan of Arrangement?**

A:

Each registered holder of CPILP units prior to the deadline for making consideration elections, being 5:00 p.m. (Edmonton time) on October 27, 2011, or, if the CPILP special meeting is adjourned or postponed, 5:00 p.m. (Edmonton time) on the date that is three business days prior to the date of the adjourned or postponed meeting, will have the right to elect in the Letter of Transmittal and Election Form to be sent by CPILP to the CPILP unitholders in connection with the Plan of Arrangement to receive the consideration set out above, subject to proration.

CDS Clearing and Depositary Services Inc. is the only registered holder of CPILP units. All other holders of CPILP units should contact the broker, investment dealer or other intermediary through which they hold CPILP units for instructions and assistance in making an election with respect to the form of consideration they wish to receive.

**If you fail to make a proper election by the election deadline, you will be deemed to have elected to receive share consideration for all of your CPILP units, subject to proration.**

**Q: If I am a CPILP unitholder, am I assured of receiving the exact form of consideration I elect to receive?**

A:

No. Both the aggregate number of Atlantic Power common shares and the aggregate amount of cash to be paid to CPILP unitholders under the Plan of Arrangement are fixed. All cash elections will be subject to proration if total cash elections exceed approximately C\$506.5 million and all share elections will be subject to proration if total share elections exceed approximately 31.5 million Atlantic Power common shares. Accordingly, there is no assurance that you will

Table of Contents

receive the form of consideration you elect with respect to all of your CPILP units. If the elections of all CPILP unitholders result in an oversubscription for Atlantic Power common shares or cash, Atlantic Power will allocate the consideration you will receive between cash and Atlantic Power common shares.

**Q: What is the value of the consideration to be received under the Plan of Arrangement?**

A:

If the Plan of Arrangement is completed, holders of CPILP units will receive, at their election, C\$19.40 per unit in cash or 1.3 Atlantic Power common shares per unit, subject to proration if total cash elections exceed approximately C\$506.5 million or share elections exceed approximately 31.5 million Atlantic Power common shares. Because Atlantic Power will issue a fixed number of Atlantic Power common shares in exchange for each CPILP unit, the market value of the consideration that CPILP unitholders will receive will depend on the price per Atlantic Power common share at the time the transaction is completed. That price will not be known at the time of the special meetings and may be less or more than the current price or the price at the time of the special meetings.

**Q: How does Atlantic Power intend to finance the cash portion of the consideration to be received under the Plan of Arrangement?**

A:

Atlantic Power intends to finance the cash portion of the purchase price to complete the Plan of Arrangement by issuing approximately C\$200.0 million of equity and approximately C\$425.0 million of debt through public and private offerings. However, in the event that such financing is not available on terms satisfactory to Atlantic Power, Atlantic Power has received an executed commitment letter (the "**TLB Commitment Letter**"), evidencing the commitment of a Canadian chartered bank and another financial institution to structure, arrange, underwrite and syndicate a senior secured credit facility consisting of a term B loan facility (the "**Tranche B Facility**") in the amount of \$625 million, subject to the terms and conditions set forth therein.

**Q: Will the Atlantic Power common shares be traded on an exchange?**

A:

It is a condition of the completion of the Plan of Arrangement that the common shares of Atlantic Power received under the Plan of Arrangement be approved for listing on the NYSE and on the TSX.

**Q: Why are the North Carolina facilities being sold to Capital Power rather than being included in the transaction?**

A:

The North Carolina facilities are not of strategic interest to Atlantic Power. At the time of, and leading up to, the signing of the Arrangement Agreement, there was uncertainty surrounding the negotiations and finalized terms of the power purchase agreements for these facilities. Capital Power agreed to purchase the North Carolina facilities to facilitate the consummation of the transaction. The price of approximately C\$121.4 million was negotiated in good faith between the independent directors of CPI Income Services Ltd., as general partner of CPILP, and Capital Power. CIBC World Markets Inc. ("**CIBC**") provided a written opinion to the special committee of the board of directors of CPI Income Services Ltd., as general partner of CPILP, and to the independent director of CPI Preferred Equity Ltd. that the consideration to be received by CPI Preferred Equity Ltd. pursuant to the membership interest purchase agreement in respect of the North Carolina assets is fair, from a financial point of view, to CPI Preferred Equity Ltd.

Table of Contents

**Q: How is the Plan of Arrangement expected to impact the payment of dividends on Atlantic Power common shares?**

A:

The transactions contemplated by the Plan of Arrangement are expected to be immediately accretive to cash available for distribution following the effective date of the Plan of Arrangement (the "**Effective Date**"). As a result, Atlantic Power intends to increase its dividend by 5% from C\$1.094 per share to C\$1.15 per share on an annual basis following the Effective Date. Atlantic Power's dividend will continue to be paid monthly. CPILP unitholders that become holders of Atlantic Power common shares pursuant to the Arrangement will experience a reduction in per share dividends relative to per unit distributions of CPILP, however, the dividends of the Combined Company are expected to have increased sustainability over time.

**Q: If I hold CPILP units will I still be paid distributions prior to the Effective Date?**

A:

CPILP expects to continue to pay monthly distributions to CPILP unitholders up to and including the month immediately preceding the month in which the Effective Date occurs. However, no distribution shall be paid unless and until the board of directors of CPI Income Services Ltd., the general partner of CPILP, in its sole discretion, makes a declaration that such distribution is payable.

**Q: When and where will the special meetings be held?**

A:

The Atlantic Power special meeting will be held at the King Edward Hotel, Hampstead Room, 37 King Street East, Toronto, Ontario, on November 1, 2011, at 9:00 a.m., Toronto time.

The CPILP special meeting will be held at Crowne Plaza, 10111 Bellamy Hill, Salon B, Edmonton, Alberta, on November 1, 2011 at 9:00 a.m., Edmonton time.

**Q: Who is entitled to vote at the Atlantic Power and CPILP special meetings?**

A:

Atlantic Power has fixed October 3, 2011 as the record date for the Atlantic Power special meeting. If you were an Atlantic Power shareholder as of the close of business on such date, you are entitled to vote on matters that come before the Atlantic Power special meeting.

CPILP has fixed September 21, 2011 as the record date for the CPILP special meeting. If you were a CPILP unitholder as of the close of business on such date, you are entitled to vote on matters that come before the CPILP special meeting.

**Q: What vote is required to approve each of the Share Issuance Resolution and the Arrangement Resolution?**

A:

*Atlantic Power:* The Share Issuance Resolution must be approved by a majority of the votes cast by Atlantic Power shareholders, either in person or by proxy, at the Atlantic Power special meeting. Notwithstanding the foregoing, the Share Issuance Resolution provides that the board of directors of Atlantic Power may, without further notice to, or approval of, the shareholders of Atlantic Power, subject to the terms of the Arrangement Agreement or the Plan of Arrangement, amend or terminate the Arrangement Agreement or the Plan of Arrangement, not proceed with the Arrangement, or revoke or abandon all or any part of the Share Issuance Resolution at any time prior to effective time of the Plan of Arrangement.

*CPILP:* Pursuant to the Interim Order, the Arrangement Resolution must be approved by not less than 66<sup>2</sup>/<sub>3</sub>% of the votes cast by CPILP unitholders, either in person or by proxy, at the CPILP special meeting. In addition, the Arrangement Resolution must be approved by a simple majority of the votes cast by CPILP unitholders present in person or by proxy at the CPILP special meeting, after excluding those votes required to be excluded by the minority approval provisions of

Table of Contents

MI 61-101, such as the votes cast by CPI Income Services Ltd., as general partner of CPILP, and CPI Investments, Inc. ("**CPI Investments**"). Notwithstanding the foregoing, the Arrangement Resolution authorizes the board of directors of CPI Income Services Ltd., the general partner of CPILP, without further notice to, or approval of, the CPILP unitholders, subject to the terms of the Plan of Arrangement and the Arrangement Agreement, to amend or terminate the Plan of Arrangement or the Arrangement Agreement or, subject to the terms of the Arrangement Agreement, to decide not to proceed with the Arrangement at any time prior to the Plan of Arrangement becoming effective pursuant to the provisions of the CBCA. Capital Power and EPCOR, the direct and indirect holders of all of the issued and outstanding shares of CPI Investments, which directly and indirectly holds an aggregate of approximately 29% of the outstanding limited partnership units of CPILP, have entered into agreements with Atlantic Power pursuant to which they each have agreed to support the Arrangement.

**Q: How many votes do I have?**

A:

*Atlantic Power:* You are entitled to one vote for each Atlantic Power common share that you owned as of the close of business on the Atlantic Power record date. On the date of this joint proxy statement, there were 68,986,977 outstanding Atlantic Power common shares.

*CPILP:* You are entitled to one vote for each CPILP unit that you owned as of the close of business on the CPILP record date. As of the close of business on the CPILP record date, there were 56,597,899 outstanding CPILP units.

**Q: How do I vote?**

A:

If you are a registered shareholder of Atlantic Power as of the close of business on the record date for the Atlantic Power special meeting or a registered unitholder of CPILP as of the close of business on the record date for the CPILP special meeting, you may vote in person by attending your respective special meeting or, to ensure your shares or units are represented at the meeting, you may authorize a proxy to vote by:

accessing the Internet website specified on your form of proxy;

calling the toll-free number specified on your form of proxy; or

signing and returning your form of proxy in the postage-paid envelope provided.

If you hold Atlantic Power common shares or CPILP units in "street name" through a stock brokerage account or through a bank or other nominee, please follow the voting instructions provided by your broker, investment dealer or other intermediary to ensure that your shares or units are represented at the applicable special meeting. CDS Clearing and Depository Services Inc. is the only registered holder of CPILP units. All other holders of CPILP units beneficially hold those units in "street name" and should follow the voting instructions provided by their broker, investment dealer or other intermediary.

**Q: My shares or units are held in "street name" by my broker or I am a non-registered shareholder or unitholder. Will my broker automatically vote my shares or units for me?**

A:

No. If your shares or units are held in the name of a broker, investment dealer or other intermediary, you are considered the "beneficial owner" of the shares or units held for you in what is known as "street name." You are **not** the "record holder" or "registered holder" of such shares or units. If this is the case, this joint proxy statement has been forwarded to you by your broker, investment dealer or other intermediary. As the beneficial owner, unless your broker, investment dealer or other intermediary has discretionary authority over your shares or units, you generally have the right to direct your broker, investment dealer or other intermediary as to how to vote

Table of Contents

your shares or units. If you do not provide voting instructions, your shares or units will not be voted on any resolutions on which your broker, investment dealer or other intermediary does not have discretionary authority.

Please follow the voting instructions provided by your broker, investment dealer or other intermediary so that it may vote your shares or units on your behalf. Please note that you may not vote shares or units held in street name by returning a form of proxy directly to Atlantic Power or CPILP or by voting in person at the applicable special meeting unless you first provide a proxy from your broker, investment dealer or other intermediary.

If you do not instruct your broker, investment dealer or other intermediary on how to vote your shares or units, your broker, investment dealer or other intermediary will not vote your shares or units on any matter to be voted on at the applicable special meeting.

**Q: What will happen if I return my form of proxy without indicating how to vote?**

A:

If you are a registered holder of Atlantic Power common shares or a registered holder of CPILP units and you sign and return your form of proxy without indicating how to vote on the Share Issuance Resolution (and/or Adjournment Resolution) or Arrangement Resolution, as applicable, the Atlantic Power common shares or CPILP units represented by your proxy will be voted "FOR" the Share Issuance Resolution (and/or Adjournment Resolution) and "FOR" the Arrangement Resolution, as applicable.

**Q: What constitutes a quorum?**

A:

*Atlantic Power:* A quorum must be present at the special meeting for any business to be conducted. Pursuant to Atlantic Power's articles, the presence of two persons, present in person, each being a shareholder entitled to vote or a duly appointed proxy for a shareholder so entitled, constitutes a quorum. For purposes of counting votes, abstentions and broker non-votes will not be counted as votes cast at the Atlantic Power special meeting.

*CPILP:* A quorum must be present at the CPILP special meeting for any business to be conducted. Pursuant to the limited partnership agreement of CPILP, the quorum for the CPILP special meeting is one or more CPILP unitholders present in person or by proxy representing at least 10% of the outstanding units.

**Q: Can I change my vote after I have returned a proxy or voting instruction card?**

A:

Yes.

*If you are a registered holder of Atlantic Power common shares as of the close of business on the record date for the Atlantic Power special meeting:* You can change your vote at any time before the start of the Atlantic Power special meeting, unless otherwise noted. In addition to revocation in any other manner permitted by law, you can revoke your proxy in one of the following ways:

you can grant a new, valid proxy bearing a later date (including by telephone or Internet);

you can deposit a signed notice of revocation at Atlantic Power's registered office at any time up to and including the last business day preceding the day of the Atlantic Power special meeting (or any adjournment or postponement thereof) or with the chair of the Atlantic Power special meeting on the day of the Atlantic Power special meeting (or any adjournment or postponement thereof); or

you can attend the special meeting and vote in person, which will automatically cancel any proxy previously given, or you may revoke your proxy in person, but your attendance alone will not revoke any proxy that you have previously given.

## Edgar Filing: ATLANTIC POWER CORP - Form DEFM14A

### Table of Contents

If you choose any of the foregoing methods, your notice of revocation or your new proxy must be received by Atlantic Power no later than the beginning of the Atlantic Power special meeting. If you have voted your shares by telephone or through the Internet, you may revoke your prior telephone or Internet vote by any manner described above. Only your latest dated proxy will count.

*If you are a registered holder of CPILP units as of the close of business on the record date for the CPILP special meeting:* You can change your vote at any time before the start of the CPILP special meeting. In addition to revocation in any other manner permitted by law, you can revoke your proxy in one of the following ways:

you can grant a new, valid proxy bearing a later date (including by telephone or Internet);

you can send a signed notice of revocation; or

you can attend your special meeting and vote in person, which will automatically cancel any proxy previously given, or you may revoke your proxy in person, but your attendance alone will not revoke any proxy that you have previously given.

If you choose any of the foregoing methods, your notice of revocation or your new proxy must be received by CPILP no later than the beginning of the CPILP special meeting. If you have voted your units by telephone or through the Internet, you may revoke your prior telephone or Internet vote by any manner described above. Only your latest-dated proxy will count.

*If you hold your Atlantic Power common shares or CPILP units in "street name":* You may change your vote by submitting another later-dated voting instruction form to your broker, investment dealer or other intermediary or by voting again by telephone or by Internet. In order to revoke a previous instruction, you must notify your broker, investment dealer or other intermediary in writing of your revocation. In order to ensure that the broker, investment dealer or other intermediary acts upon revocation, the written notice should be received by the broker, investment dealer or other intermediary well in advance of the applicable special meeting.

### **Q: What other approvals are required for the Plan of Arrangement?**

A:

The Arrangement is subject to certain regulatory approvals, including approval under the *Investment Canada Act*, the *Competition Act* (Canada), the *Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended* (United States) and from the Federal Energy Regulatory Commission under the *United States Federal Power Act*, as more particularly set forth in the Arrangement Agreement. A "no action" letter and waiver from the merger notification provision under the Competition Act was received on August 26, 2011 and early termination of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act was granted on August 26, 2011. On September 13, 2011, the Federal Energy Regulatory Commission issued an authorizing order (Docket No. EC11-98-000) in connection with the Arrangement under Section 203 of the Federal Power Act.

The Arrangement must also be approved by the Court of Queen's Bench of Alberta. The court will be asked to make an order approving the Arrangement and determine that the Arrangement is fair to the CPILP unitholders. CPILP, CPI Income Services Ltd., as general partner of CPILP, and CPI Investments will apply to the court for this order if the regulatory approvals described above have been obtained and the CPILP unitholders approve the Arrangement Resolution at the CPILP special meeting.

In addition, in connection with the Arrangement, certain regulatory approvals of the power generation regulatory authorities that have jurisdiction over CPILP's projects are required.



Table of Contents

**Q: What are the material Canadian federal income tax consequences of the Plan of Arrangement to holders of CPILP units?**

A:

CPILP unitholders will realize a taxable disposition of their CPILP units under the Plan of Arrangement. Eligible holders that receive Atlantic Power common shares pursuant to the Plan of Arrangement will be entitled to make a joint tax election with Atlantic Power under the *Income Tax Act* (Canada) (the "**Tax Act**") that will, depending on the circumstances of each particular unitholder, allow for a full or partial deferral of taxable gains that would otherwise be realized.

Atlantic Power common shares will be considered "qualified investments" for registered retirement savings plans and other tax-exempt plans.

The primary Canadian federal income tax considerations arising in respect of the Plan of Arrangement, as well as the procedure to be followed by CPILP unitholders intending to make a joint tax election, are described more fully below under the heading "Material Canadian Federal Income Tax Considerations," beginning on page 112.

**Q: When do you expect the Plan of Arrangement to be completed?**

A:

Atlantic Power and CPILP are working to complete the Plan of Arrangement in the fourth quarter of 2011. However, the Plan of Arrangement is subject to obtaining various regulatory approvals and other conditions, and it is possible that factors outside the control of both entities could result in the Plan of Arrangement being completed at a later date, or not at all. There may be a substantial amount of time between the respective Atlantic Power and CPILP special meetings and the completion of the Plan of Arrangement. Atlantic Power and CPILP hope to complete the Plan of Arrangement as soon as reasonably practicable.

**Q: What will happen to CPILP if the Plan of Arrangement is completed?**

A:

If the Plan of Arrangement is completed, Atlantic Power will acquire all of the CPILP units and CPILP will become a wholly-owned subsidiary of Atlantic Power. Atlantic Power intends to have the CPILP units de-listed from the TSX.

**Q: What do I need to do now?**

A:

You should carefully read and consider the information contained in, and/or incorporated by reference into, this joint proxy statement. Registered holders of Atlantic Power shares or CPILP units should then vote by completing the enclosed form of proxy or, alternatively, by telephone, or over the Internet, in each case in accordance with the enclosed instructions.

If you hold your Atlantic Power common shares or CPILP units through a broker, investment dealer or other intermediary, please follow the instructions provided by such broker, investment dealer or other intermediary to ensure that your vote is counted at the meeting and, if you are a CPILP unitholder, making an election with respect to the form of consideration you wish to receive in exchange for your CPILP units.

**Q: As a registered holder of CPILP units, should I send in my Letter of Transmittal and Election Form and CPILP unit certificates now?**

A:

Yes. It is recommended that all registered holders of CPILP units complete, sign and return the Letter of Transmittal and Election Form with accompanying CPILP unit certificate(s) to Computershare Investor Services Inc. as soon as possible. To make a valid election as to the form of consideration that you wish to receive under the Plan of Arrangement (subject to proration), you must complete, sign and return the Letter of Transmittal and Election Form and make a proper election thereunder and return it with accompanying CPILP unit certificate(s) to

Table of Contents

Computershare Investor Services Inc. prior to the election deadline, being 5:00 p.m. (Edmonton time) on October 27, 2011, or, if the CPILP special meeting is adjourned or postponed, 5:00 p.m. (Edmonton time) on the date that is three business days prior to the date of the adjourned or postponed meeting. **If you fail to make a proper election by the election deadline, you will be deemed to have elected to receive share consideration for all of your CPILP units, subject to proration.**

**Q: If my CPILP units are held in street name by my broker, investment dealer or other intermediary, will my broker automatically make an election for me?**

A:

No, a broker, investment dealer or other intermediary will make an election on your behalf, *only* if you provide instructions to them on which election to make or if they have discretionary authority over your units. Without instructions, no election will be made on your behalf (unless they have discretionary authority over your units). CPILP unitholders should instruct their brokers, investment dealers or other intermediaries to make an election on their behalf by following the directions provided to them by their brokers. **If you fail to make a proper election in accordance with the instructions provided by your broker, you will be deemed to have elected to receive share consideration for all of your CPILP units, subject to proration.**

**Q: Are shareholders or unitholders entitled to appraisal/dissent rights?**

A:

*Atlantic Power:* The shareholders of Atlantic Power are not entitled to dissent rights in connection with the Share Issuance Resolution or the Adjournment Resolution.

*CPILP:* The unitholders of CPILP are not entitled to dissent rights in connection with the Arrangement Resolution.

**Q: What happens if I sell my shares or units before the special meeting?**

A:

The record date for the Atlantic Power special meeting is October 3, 2011. The record date for the CPILP special meeting is September 21, 2011. If you transfer your shares or units after the applicable record date but before the applicable special meeting, you will retain your right to vote at the applicable special meeting.

**Q: If the Plan of Arrangement is approved, can I sell my CPILP units after the special meeting but before completion of the Plan of Arrangement?**

A:

The Letter of Transmittal and Election Form to be completed by registered holders of CPILP units provides that the deposit of CPILP units is irrevocable. Accordingly, a registered holder of CPILP units that has validly deposited units and made an election will not be able to withdraw and sell those units after so doing. Notwithstanding the irrevocable nature of the deposit of units, elections as to the form of consideration may be changed prior to the election deadline, being 5:00 p.m. (Edmonton time) on October 27, 2011, by submitting a new Letter of Transmittal and Election Form.

If you hold your CPILP units in "street name," once you have provided your broker, investment dealer or other intermediary with your election as to the form of consideration to be received, your broker, investment dealer or other intermediary will make an election on your behalf via an online system set up by CDS Clearing and Depository Services Inc. Once your election has been submitted, this effectively "freezes" your CPILP units such that you will not be able to sell your units after making an election unless your broker, investment dealer or other intermediary makes an online withdrawal. An online withdrawal could only be made prior to the election deadline, being October 27, 2011.

Table of Contents

**Q: Who is soliciting my proxy?**

A:

*Atlantic Power:* Your proxy is being solicited by or on behalf of management of Atlantic Power for use at the Atlantic Power special meeting and any adjournment or postponement thereof. All associated costs of the proxy solicitation will be borne by Atlantic Power. In addition to the use of the mail, proxies may be solicited by directors, officers and other employees of Atlantic Power, without additional remuneration, by personal interview, telephone, facsimile or otherwise. Atlantic Power will also request brokerage firms, nominees, custodians and fiduciaries to forward proxy materials to the beneficial owners of shares and will provide customary reimbursement to such firms for the cost of forwarding these materials.

*CPILP:* Management of CPI Income Services Ltd., the general partner of CPILP, is soliciting your proxy for use at the CPILP special meeting and any adjournment or postponement thereof. All associated costs of the proxy solicitation will be borne by CPILP. In addition to the use of the mail, proxies may be solicited by directors, officers and other employees of CPILP or its general partner, without additional remuneration, by personal interview, telephone, facsimile or otherwise. CPILP will also request brokerage firms, nominees, custodians and fiduciaries to forward proxy materials to the beneficial owners of units and will provide customary reimbursement to such firms for the cost of forwarding these materials. CPILP has retained Georgeson Shareholder Communications Canada, Inc. to assist in its solicitation of proxies and has agreed to pay them a fee of approximately C\$40,000, plus reasonable out-of-pocket expenses, for these services.

**Q: What if I hold both Atlantic Power common shares and CPILP units?**

A:

If you are a shareholder of Atlantic Power and a unitholder of CPILP, you will receive two separate packages of proxy materials. A vote as a CPILP unitholder will not count as a vote as an Atlantic Power shareholder, and a vote as an Atlantic Power shareholder will not count as a vote as a CPILP unitholder. Therefore, please separately vote each of your CPILP units and Atlantic Power common shares.

**Q: Who can help answer my questions?**

A:

CPILP unitholders or Atlantic Power shareholders who have questions about the Plan of Arrangement or the other matters to be voted on at the special meetings or desire additional copies of this joint proxy statement or additional forms of proxy should contact:

**If you are an Atlantic Power shareholder:**

Atlantic Power Corporation  
200 Clarendon Street, Floor 25  
Boston, Massachusetts 02116  
Attn: Investor Relations  
617-977-2700  
855-280-4737 (Toll Free)

**If you are a CPILP unitholder:**

Capital Power Income L.P.  
10065 Jasper Avenue  
Edmonton, Alberta T5J 3B1  
Attn: Investor Relations  
780-392-5105  
1-866-896-4636 (Toll Free)  
OR  
Georgeson Shareholder  
Communications Canada, Inc.  
100 University Ave.  
11th Floor, South Tower  
Toronto, ON, M5J 2Y1  
1-888-605-8406  
askus@georgeson.com

Table of Contents

**SUMMARY**

*This summary highlights information contained elsewhere in this joint proxy statement and may not contain all the information that is important to you. Atlantic Power and CPILP urge you to read carefully the remainder of this joint proxy statement, including the annexes, the exhibits, the documents incorporated by reference and the other documents to which we have referred you because this summary does not provide all the information that might be important to you with respect to the Plan of Arrangement and the other matters being considered at the Atlantic Power and CPILP special meetings. See also the section entitled "Where You Can Find More Information" beginning on page 154.*

**The Entities**

***Atlantic Power Corporation (see page 33)***

Atlantic Power owns and operates a diverse fleet of power generation and infrastructure assets in the United States. Atlantic Power's generation projects sell electricity to utilities and other large commercial customers under long-term power purchase agreements ("PPA"), which seek to minimize exposure to changes in commodity prices. Atlantic Power's power generation projects in operation have an aggregate gross electric generation capacity of approximately 1,948 MW, in which Atlantic Power's ownership interest is approximately 871 MW. Atlantic Power's current portfolio consists of interests in 12 operational power generation projects across nine states, one 53.5 MW biomass project under construction in Georgia, and an 84-mile, 500 kilovolt electric transmission line located in California. Atlantic Power also owns a majority interest in Rollcast Energy, Inc., a biomass power plant developer with several projects under development. Atlantic Power's common shares trade on the NYSE under the symbol "AT" and on the TSX under the symbol "ATP." Atlantic Power's headquarters are located at 200 Clarendon Street, Floor 25, Boston, Massachusetts, USA 02116, telephone number 617-977-2400. Atlantic Power's registered office is located at 355 Burrard Street, Suite 1900, Vancouver, British Columbia, Canada V6C 2G8.

***Capital Power Income L.P. (see page 33)***

CPILP's primary business is the ownership and operation of power plants in Canada and the United States, which generate electricity and steam, from which it derives its earnings and cash flows. The power plants generate electricity and steam from a combination of natural gas, waste heat, wood waste, water flow, coal and tire-derived fuel. CPILP's generation projects sell electricity to utilities and other large commercial customers under long-term PPAs, which seek to minimize exposure to changes in commodity prices. At present, CPILP's portfolio consists of 19 wholly-owned power generation assets located in both Canada (in the provinces of British Columbia and Ontario) and the United States (in the states of California, Colorado, Illinois, New Jersey, New York and North Carolina), a 50.15% interest in a power generation asset in Washington State, and a 14.3% common equity interest in Primary Energy Recycling Holdings LLC. CPILP's assets have a total net generating capacity of 1,400 MW and more than four million pounds per hour of thermal energy. The CPILP units trade on the TSX under the symbol "CPA.UN." The head office of CPILP is located at 10065 Jasper Avenue, Edmonton, Alberta, T5J 3B1. The registered office of CPILP is 200 University Avenue, Toronto, Ontario, M5H 3C6, telephone number 1-866-896-4636.

***CPI Income Services Ltd. (see page 34)***

CPI Income Services Ltd. (the "**General Partner**") is responsible for the management of CPILP. Pursuant to CPILP's partnership agreement, the General Partner is prohibited from undertaking any business activity other than acting as general partner of CPILP. The head and registered office of the General Partner is located at 10065 Jasper Avenue, Edmonton, Alberta, T5J 3B1, telephone number 1-866-896-4636. The General Partner has engaged CP Regional Power Services Limited Partnership and Capital Power Operations (USA) Inc. (together, the "**Manager**"), both subsidiaries of

Table of Contents

Capital Power, to perform management and administrative services for CPILP and to operate and maintain CPILP's power plants pursuant to certain management and operations agreements. The management and operations agreements will be terminated and/or assigned in connection with the Plan of Arrangement in consideration for the payment of an aggregate of C\$10.0 million. See "Summary of the Arrangement Agreement Summaries of Other Agreements Relating to the Arrangement Management Agreements Termination Agreement and Management Agreement Assignment Agreement" beginning on page 110.

*CPI Investments Inc. (see page 34)*

CPI Investments is a holding company that owns, directly and indirectly, approximately 29.18% of the CPILP units and 100% of the shares of the General Partner. Capital Power L.P. ("**Capital Power LP**") owns a 49% voting interest and a 100% economic interest in CPI Investments and EPCOR owns the other 51% voting interest in CPI Investments. CPI Investments was incorporated on February 12, 2009 under the CBCA. The head and registered office of CPI Investments is located at TD Tower, 5th Floor, 10088-102 Avenue, Edmonton, Alberta, Canada, T5J 2Z1, telephone number 1-866-896-4636.

**The Arrangement Agreement and Plan of Arrangement (see page 51)**

On June 20, 2011, Atlantic Power, CPILP, the General Partner and CPI Investments entered into the Arrangement Agreement, which provides that Atlantic Power will acquire, directly or indirectly, all of the issued and outstanding CPILP units pursuant to the Plan of Arrangement under the CBCA. Under the terms of the Plan of Arrangement, CPILP unitholders will be permitted to exchange each of their CPILP units for, at their election, C\$19.40 in cash or 1.3 Atlantic Power common shares. All cash elections will be subject to proration if total cash elections exceed approximately C\$506.5 million and all share elections will be subject to proration if total share elections exceed approximately 31.5 million Atlantic Power common shares.

Pursuant to the Plan of Arrangement, CPILP will sell its Roxboro and Southport facilities located in North Carolina to an affiliate of Capital Power, for approximately C\$121.4 million. Additionally, in connection with the Plan of Arrangement, the management agreements between certain subsidiaries of Capital Power and CPILP and certain of its subsidiaries will be terminated (or assigned) in consideration of a payment of C\$10.0 million. Atlantic Power or its subsidiaries will assume the management of CPILP and intends to enter into a transitional services agreement with Capital Power for a term of up to 12 months following the completion of the Plan of Arrangement, in respect of certain services, which will facilitate the integration of CPILP into Atlantic Power.

The Arrangement Agreement contains customary representations, warranties and covenants. Among these covenants, CPILP and CPI Income Services Ltd. have each agreed not to solicit alternative transactions, except that CPILP may respond to an alternative transaction proposal that constitutes, or would reasonably be expected to lead to, a superior proposal. In addition, Atlantic Power or CPILP may be required to pay a C\$35.0 million fee if the Arrangement Agreement is terminated in certain circumstances.

The completion of the Plan of Arrangement is subject to the receipt of all necessary court and regulatory approvals in Canada and the United States and certain other closing conditions. Atlantic Power and CPILP currently expect to complete the Plan of Arrangement in the fourth quarter of 2011, subject to receipt of required shareholder/unitholder, court and regulatory approvals and the satisfaction or waiver of the financing and other conditions to the Plan of Arrangement described in the Arrangement Agreement.

The Arrangement Agreement is attached as Annex A to this joint proxy statement. Atlantic Power and CPILP urge you to read it carefully.

Table of Contents

***Atlantic Power's Reasons for the Arrangement Agreement (see page 58)***

On June 19, 2011, at a meeting of the Atlantic Power board of directors, by unanimous vote, the Atlantic Power board of directors determined that the Arrangement, including the issuance of Atlantic Power common shares to CPILP unitholders necessary to complete the Arrangement, is in the best interests of Atlantic Power and is fair to the stakeholders of Atlantic Power. In reaching these determinations, the Atlantic Power board of directors consulted with Atlantic Power's management and its legal, financial and other advisors, and also considered numerous factors, including strategic and financial benefits of the Arrangement and other factors which the Atlantic Power board of directors viewed as supporting its decisions.

The strategic benefits that the Atlantic Power board of directors believes should result from the combination of Atlantic Power and CPILP include, among other things, the following:

Atlantic Power will have a larger and more diversified portfolio of contracted power generation assets;

Atlantic Power's proven management team will be combined with CPILP's highly qualified operations and other personnel;

Atlantic Power's market capitalization and enterprise value are expected to double, which is expected to add liquidity and enhance access to capital; and

Atlantic Power's asset portfolio will expand and its geographic diversification and fuel type diversification will be enhanced.

The financial benefits that the Atlantic Power board of directors believes should result from the combination of Atlantic Power and CPILP include, among other things, the following:

upon completion of the Plan of Arrangement, Atlantic Power intends to increase dividends;

Atlantic Power's dividend sustainability for the foreseeable future is expected to strengthen as a result of immediate accretion to cash available for distribution; and

a significant improvement in Atlantic Power's dividend payout ratio starting in 2012.

***CPILP's Reasons for the Plan of Arrangement (see page 81)***

At a meeting held on June 19, 2011, the members of the board of directors of the General Partner entitled to vote, being the independent directors of the General Partner, determined unanimously that the Arrangement is in the best interests of CPILP and is fair to the CPILP unitholders and resolved unanimously to recommend to the CPILP unitholders that they vote in favor of the Arrangement. In reaching these decisions, the board of directors of the General Partner consulted with its management and financial, legal and other advisors, and considered a variety of factors weighing in favor of or relevant to the Plan of Arrangement, including strategic and financial benefits of the Plan of Arrangement and other factors which the board of directors of the General Partner viewed as supporting its decisions.

The strategic benefits that the board of directors of the General Partner believes should result from the combination of Atlantic Power and CPILP include, among other things, the following:

the creation of a larger, more diversified power company than CPILP on a standalone basis;

the enhancement to Atlantic Power's proven management team by combining it with CPILP's highly qualified operations and other personnel;

the advantages resulting from larger scale and expanded scope of the Combined Company in meeting the challenges facing the power industry;

Table of Contents

the benefit of allowing the business of CPILP to grow independently of the Manager, which has its own power generation business, and the additional growth opportunities of the Combined Company;

the complementary nature of the respective products and geographical markets of the two entities; and

the expected market capitalization, free cash flow, liquidity and capital structure of the Combined Company relative to CPILP on a stand-alone basis.

The financial benefits that the board of directors of the General Partner believes should result from the combination of Atlantic Power and CPILP include, among other things, the following:

CPILP unitholders may receive Atlantic Power common shares as consideration for their CPILP units, which would allow them to own common shares of the Combined Company; and

the belief that the Combined Company will have a strong cash generation profile.

The other benefits that the board of directors of the General Partner believes should result from the combination of Atlantic Power and CPILP include, among other things, the following:

the inherent constraints associated with CPILP's current growth structure and the belief that the Combined Company will be well positioned and structured to generate and exploit future growth opportunities; and

the prospect of finding it necessary to develop or otherwise replace the management, employee work force and administrative functions performed by the Manager, given that Capital Power had advised CPILP that it was considering divesting itself of all of its CPILP interests in order to focus on its own core business.

***Recommendations of the Board of Directors of Atlantic Power (see page 35)***

At a meeting held on June 19, 2011, after considering the various factors and considerations further disclosed in the section titled "The Arrangement Agreement and Plan of Arrangement Atlantic Power's Reasons for the Arrangement Agreement; Recommendations of Atlantic Power's Board of Directors" Atlantic Power's board of directors unanimously determined that the Plan of Arrangement and the other transactions contemplated by the Arrangement Agreement, including the issuance of Atlantic Power common shares to CPILP unitholders necessary to complete the Plan of Arrangement, are in the best interests of Atlantic Power and are fair to its stakeholders. **Accordingly, the Atlantic Power board of directors unanimously recommends that the Atlantic Power shareholders vote "FOR" the Share Issuance Resolution.**

***Recommendations of the Board of Directors of the General Partner (see page 41)***

At a meeting held on June 19, 2011, after considering, among other things, the oral opinions of CIBC and Greenhill & Co. Canada Ltd. ("Greenhill"), subsequently confirmed in writing, the full text of which are attached as Annexes D and E, respectively, of this joint proxy statement, the members of the board of directors of the General Partner entitled to vote determined unanimously that the Plan of Arrangement is in the best interests of CPILP and is fair to the CPILP unitholders and resolved unanimously to recommend to the CPILP unitholders that they vote in favor of the Plan of Arrangement. The members of the board of directors of the General Partner entitled to vote also unanimously approved the Plan of Arrangement and the execution and performance of the Arrangement Agreement. **Accordingly, the board of directors of the General Partner unanimously recommends that the CPILP unitholders vote "FOR" the approval of the Arrangement Resolution.**



Table of Contents

*Opinions of Atlantic Power's Financial Advisors (see page 61)*

In connection with the Arrangement Agreement, TD Securities Inc. ("**TD Securities**") and Morgan Stanley & Co. LLC ("**Morgan Stanley**") each delivered to Atlantic Power's board of directors its written opinion, dated June 19, 2011, that, on such date and based upon and subject to the various limitations, qualifications and assumptions set forth in each written opinion, the consideration to be paid by Atlantic Power to CPILP unitholders pursuant to the Arrangement Agreement was fair, from a financial point of view, to Atlantic Power. The full texts of these opinions are attached as Annexes B and C, respectively, to this joint proxy statement.

You should read each opinion carefully in its entirety for a description of the assumptions made, the matters considered and limitations on the review undertaken. Each opinion is addressed to the board of directors of Atlantic Power, and addresses only the fairness from a financial point of view of the consideration to be paid by Atlantic Power to CPILP unitholders pursuant to the Arrangement Agreement. The opinions do not address any other aspect of the Plan of Arrangement and do not constitute a recommendation to the shareholders of Atlantic Power or unitholders of CPILP as to how to vote with respect to the Plan of Arrangement or any other matter. In addition, the opinions do not in any manner address the prices at which Atlantic Power common shares will trade following the consummation of the Plan of Arrangement or at any other time.

*Opinions of CPILP's Financial Advisors (see page 84)*

In connection with the Arrangement Agreement, on June 19, 2011, the board of directors of the General Partner received written opinions from each of CIBC and Greenhill stating that, on such date and based upon and subject to the various limitations, qualifications and assumptions set forth in each written opinion, the consideration to be received by CPILP unitholders pursuant to the Arrangement Agreement was fair from a financial point of view to such CPILP unitholders (other than the General Partner, CPI Investments and Atlantic Power in respect of the Greenhill opinion, and other than Capital Power and its affiliates in respect of the CIBC opinion). The full texts of these opinions, which set forth, among other things, the assumptions made, procedures followed, matters considered and qualifications and limitations on the scope of the review undertaken, are attached as Annexes D and E, respectively, to this joint proxy statement. CIBC also provided its written opinion to the special committee of the board of directors of the General Partner and the independent director of the board of directors of CPI Preferred Equity Ltd. that the consideration to be received by CPI Preferred Equity Ltd. pursuant to the membership interest purchase agreement in respect of the North Carolina assets is fair, from a financial point of view, to CPI Preferred Equity Ltd.

*Interests of Certain CPILP Directors and Officers in the Plan of Arrangement (see page 85)*

Certain of the directors and officers of the General Partner are also officers and/or directors of Capital Power and its affiliates and are not considered to be independent of CPILP within the meaning of applicable Canadian securities laws. Capital Power and its affiliates have interests in the Plan of Arrangement and certain other transactions to be completed in connection with the Plan of Arrangement that are different from, or in addition to, the interests of the other CPILP unitholders. See "Canadian Securities Law Matters" beginning on page 89.

The board of directors of the General Partner was aware of and considered these interests, among other matters, in evaluating the Plan of Arrangement, and in recommending that CPILP unitholders vote in favor of the Arrangement Resolution. The members of the board of directors of the General Partner who are officers and/or directors of Capital Power and its affiliates did not participate in the vote to approve the Plan of Arrangement, as a result of the potential conflict of interest presented by their positions with Capital Power and its affiliates.

The following table indicates, on the CPILP record date, the number of CPILP units beneficially owned, directly or indirectly, or over which control or direction is exercised, by: (i) each director and

# Edgar Filing: ATLANTIC POWER CORP - Form DEFM14A

## Table of Contents

officer of CPILP; (ii) each associate or affiliate of an insider of CPILP; (iii) each associate or affiliate of CPILP; (iv) each insider of CPILP (other than a director or officer of CPILP; and (v) each person acting jointly or in concert with CPILP, and the maximum amount of potential cash consideration payable to each pursuant to the Plan of Arrangement:

Name	Position with CPILP	CPILP Units	Maximum Amount of Potential Cash Consideration
Graham L. Brown	Director		n/a
Brian A. Felesky	Director (Independent)	5,640	C\$ 109,416
Allen R. Hagerman	Director (Independent)	17,702	C\$ 343,419
Francois L. Poirier	Director (Independent)	3,100	C\$ 60,140
Brian T. Vaasjo	Chairman and Director	7,400	C\$ 143,560
Rodney D. Wimer	Director (Independent)		n/a
James Oosterbaan	Director		n/a
Stuart A. Lee	Director and President	3,669	C\$ 71,179
B. Kathryn Chisholm	General Counsel and Corporate Secretary	1,469	C\$ 28,499
Peter D. Johanson	Controller	400	C\$ 7,760
Leah M. Fitzgerald	Assistant Corporate Secretary		n/a
Anthony Scozzafava	Chief Financial Officer	2,050	C\$ 39,770
Yale Loh	Vice President, Treasurer		n/a
Capital Power Corporation(1)	Unitholder	16,513,504	C\$ 320,361,978

- (1) Capital Power indirectly owns 49% of the voting interests and all of the economic interests in CPI Investments. EPCOR owns the remaining 51% voting interest in CPI Investments. CPI Investments owns 16,513,504 CPILP units. Under the Plan of Arrangement, Atlantic Power will acquire all of the outstanding shares of CPI Investments on effectively the same basis as the acquisition of CPILP units under the Plan of Arrangement.

All current directors and officers of the General Partner will resign their positions in connection with the Plan of Arrangement.

### ***Regulatory Approvals Required for the Plan of Arrangement and Other Regulatory Matters (see page 92)***

CPILP units currently trade on the TSX. After the Plan of Arrangement, Atlantic Power intends to delist the CPILP units from the TSX. The preferred shares of CPI Preferred Equity Ltd. will remain outstanding and listed on the TSX.

Atlantic Power common shares currently trade on the TSX and NYSE. Atlantic Power has applied to list Atlantic Power common shares issuable under the Plan of Arrangement on the TSX and will apply to list Atlantic Power common shares issuable under the Plan of Arrangement on the NYSE, and it is a condition to the completion of the Plan of Arrangement that Atlantic Power shall have obtained approval for these listings. Listing on each of the TSX and NYSE will be subject to Atlantic Power fulfilling all of the listing requirements and conditions of TSX and NYSE, respectively.

In addition to certain regulatory approvals of the power generation regulatory authorities required in connection with the Plan of Arrangement, the Arrangement is subject to approval under the:

*Investment Canada Act.*

*Competition Act (Canada).* A "no action" letter and waiver from the merger notification under this statute was received on August 26, 2011.

*Hart-Scott-Rodino Antitrust Improvements Act of 1976*, as amended (United States). Early termination of the waiting period under this statute was granted on August 26, 2011.

Table of Contents

*United States Federal Power Act.* On September 13, 2011, the Federal Energy Regulatory Commission issued an authorizing order (Docket No. EC11-98-000) in connection with the Arrangement under Section 203 of the Federal Power Act.

The Arrangement must also be approved by the Court of Queen's Bench of Alberta. The court will be asked to make an order approving the Arrangement and determine that the Arrangement is fair to the CPILP unitholders. CPILP and the General Partner will apply to the court for this order if the regulatory approvals described above have been obtained and the CPILP unitholders approve the Arrangement Resolution at the CPILP special meeting.

**Summaries of Other Agreements Relating to the Arrangement**

***The Support Agreements (see page 108)***

As part of the Plan of Arrangement, Atlantic Power will acquire all of the outstanding shares of CPI Investments (an entity indirectly owned by Capital Power and EPCOR), the direct and indirect holder of 16,513,504 CPILP units, on effectively the same basis as the acquisition of CPILP units under the Plan of Arrangement. In order to confirm the commitment of each shareholder of CPI Investments to support the Plan of Arrangement, contemporaneously with the entering into of the Arrangement Agreement, Atlantic Power entered into two support agreements, one with EPCOR and the other with Capital Power and Capital Power LP, the entity through which Capital Power holds its shares of CPI Investments. Pursuant to the support agreements, each of Capital Power LP and EPCOR agreed to, among other things, (i) vote all of its shares of CPI Investments in favor of the Plan of Arrangement and any related matters to give legal effect to the Plan of Arrangement, (ii) vote all of its shares of CPI Investments against any resolutions or proposals that might reasonably be expected to impede, frustrate, delay or prevent the Plan of Arrangement, (iii) not sell, transfer, pledge or assign its shares of CPI Investments or enter into a voting agreement with respect to such shares, (iv) not exercise any rights or remedies to impede, frustrate, delay or prevent the Plan of Arrangement and (v) abide by certain non-solicitation covenants in respect of CPILP and CPI Investments.

Pursuant to the support agreement among Atlantic Power, Capital Power LP and Capital Power, among other things, (i) Capital Power agreed to cause Capital Power LP to fulfill its obligations under the support agreement and not to make certain acquisition proposals in respect of CPILP or CPI Investments, (ii) Capital Power LP and CPI Investments made certain representations specific to the Plan of Arrangement, including with respect to the representations and warranties made by CPI Investments in the Arrangement Agreement and equipment and personal property owned by Capital Power LP and/or Capital Power and used in the operations of the CPILP or any of the CPILP's facilities and (iii) Capital Power LP agreed that for a period of 90 days commencing on the Effective Date, Capital Power LP will not, without the prior consent of Atlantic Power, offer, sell, pledge, grant any option to purchase, hedge, transfer, assign, make any short sale or otherwise dispose of any Atlantic Power common shares received pursuant to the Plan of Arrangement (or agree to, or announce, any intention to do so) with certain limited customary exceptions. For a further discussion of the support agreements, see "Summary of the Arrangement Agreement Summaries of Other Agreements Relating to the Arrangement Support Agreements."

***Management Agreements Termination Agreement and Management Agreement Assignment Agreement (see page 110)***

On June 20, 2011, certain subsidiaries of Capital Power entered into an agreement (the "**Management Agreements Termination Agreement**") with CPILP and certain of its subsidiaries pursuant to which the parties agreed to terminate each of the management and operations agreements between them, other than the Frederickson Agreement (as defined below), effective immediately upon completion of the Plan of Arrangement. In consideration for the termination of the management and

Table of Contents

operations agreements, CPILP and its subsidiaries agreed to pay to the subsidiaries of Capital Power an aggregate of C\$8.5 million.

On June 20, 2011, a subsidiary of Capital Power entered into an agreement with Atlantic Power and Frederickson Power L.P., a subsidiary of CPILP, pursuant to which the subsidiary of Capital Power agreed to assign its right, benefit, interest and obligation in, to and under the operations and maintenance agreement in respect of CPILP's Frederickson facility (the "**Frederickson Agreement**") to Atlantic Power. The assignment will be effective immediately upon completion of the Plan of Arrangement. In consideration for the assignment, Atlantic Power has agreed to pay C\$1.5 million to the subsidiary of Capital Power. The assignment is conditional on, among other things, receipt of the consent of Puget Sound Energy, Inc., the counterparty to the Frederickson Agreement, to the assignment.

***North Carolina Purchase and Sale Agreement (see page 110)***

On June 20, 2011, a subsidiary of Capital Power entered into a purchase and sale agreement with certain subsidiaries of CPILP, pursuant to which the subsidiary of Capital Power agreed to purchase and the subsidiaries of CPILP agreed to sell indirectly all of the membership interests in the limited liability company that owns CPILP's Roxboro and Southport power plants in North Carolina. The purchase price for the membership interests is approximately C\$121.4 million. Closing of the purchase and sale will take place on the Effective Date. Closing of the purchase and sale will be conditional on, among other things, receipt of all necessary regulatory approvals and consents, including, without limitation, expiration or early termination of the applicable waiting periods under the *Hart-Scott Rodino Antitrust Improvements Act of 1976* and prior authorization from the Federal Energy Regulatory Commission under Section 203 of the *United States Federal Power Act*.

***Employee Hiring and Lease Assignment Agreement (see page 110)***

On June 20, 2011, Atlantic Power, Capital Power and Capital Power Operations (USA) Inc. ("CPO USA") entered into an employee hiring and lease assignment agreement pursuant to which Atlantic Power agreed to assume the employment of certain designated employees who perform functions related to CPILP's business. This agreement was necessitated by the fact that neither CPILP nor the General Partner has any employees. Persons performing the functions of employees of CPILP are currently employed by Capital Power and CPO USA rather than directly by CPILP. For further details regarding CPILP employees, see "Business of the Partnership Employees of the Partnership" included in CPILP's Annual Information Form dated March 11, 2011, which is delivered with, and/or incorporated by reference into, this joint proxy statement.

Pursuant to the agreement, Atlantic Power will (i) be bound by the collective agreements currently in place for Capital Power's unionized employees and, (ii) for certain individuals whose employment is not governed by the collective agreements, Atlantic Power will make offers of employment on substantially the same (or better) terms and conditions of employment, in the aggregate, as are in effect on the date of the offer. Existing employee benefits provided by Capital Power will vest on closing of the Plan of Arrangement and be paid out by Capital Power. The agreement also contemplates the negotiation of the assignment of office leases for Capital Power's offices located in the cities of Richmond, B.C., Toronto, Ontario and Chicago, Illinois.

***Canadian Pension Transfer Agreement (see page 111)***

On June 20, 2011, Atlantic Power and Capital Power entered into a Canadian pension transfer agreement pursuant to which Atlantic Power agreed to assume the pension plan assets and obligations from Capital Power related to the employees that it assumes pursuant to the employee hiring and lease assignment agreement described above.

Table of Contents

The agreement primarily relates to the Capital Power Pension Plan (which is a Canadian registered pension plan with both a defined benefit and defined contribution component). For further details regarding Capital Power's pension plan assets and obligations, see "Compensation Discussion and Analysis Pension Programs" included in CPILP's Annual Information Form dated March 11, 2011, which is delivered with, and/or incorporated by reference into, this joint proxy statement. The agreement provides that the assets associated with the pension plan obligations of the employees being transferred to Atlantic Power will be carved out of the Capital Power Pension Plan and transferred to a new plan to be established by Atlantic Power. The new pension plan for Atlantic Power will have equivalent terms to the Capital Power Pension Plan.

If there is a deficiency in the Capital Power Pension Plan on a going concern basis at the time of closing of the Plan of Arrangement, Capital Power is required to pay Atlantic Power the amount of the deficiency related to the assumed employees (and if there is a surplus, Atlantic Power is required to make a payment to Capital Power). Currently, it is estimated that there is a deficiency of approximately C\$2.0 million. Atlantic Power is required to establish savings plans that are substantially the same as certain group RRSPs provided by Capital Power. Capital Power and Atlantic Power will take all commercially reasonable steps to permit transferring employees with balances in Capital Power's Group RRSPs to transfer their assets to Atlantic Power's Group RRSPs.

**The Atlantic Power Special Meeting**

*Date, Time and Place (see page 35)*

The special meeting of Atlantic Power shareholders will be held at the King Edward Hotel, Hampstead Room, 37 King Street East, Toronto, Ontario, on November 1, 2011, at 9:00 a.m. (Toronto time).

*Purpose (see page 35)*

At the Atlantic Power special meeting, Atlantic Power shareholders will be asked to vote on the following resolutions:

to consider, and if thought advisable, to approve, with or without variation, the Share Issuance Resolution, the full text of which is set forth in Annex F to this management proxy circular and joint proxy statement, authorizing Atlantic Power to issue such number of common shares in the capital of Atlantic Power as is necessary to complete the Arrangement, being 1.3 Atlantic Power common shares for each CPILP unit to a maximum of 31,500,221 Atlantic Power common shares pursuant to the terms of the Arrangement Agreement (all as more particularly described in this joint proxy statement);

to consider, and if thought advisable, to approve, with or without variation, the Adjournment Resolution, the full text of which is set forth in Annex F to this management proxy circular and joint proxy statement, granting to the proxy holders the authority to vote in their discretion with respect to the approval of any proposal to postpone or adjourn the special meeting to a later date for a reasonable business purpose, including to solicit additional proxies in favor of the approval of the Share Issuance Resolution if there are not sufficient votes for its approval at the special meeting; and

to transact such further or other business as may properly come before the Atlantic Power special meeting or any adjournments or postponements thereof.

Table of Contents

***Share Issuance Resolution (see page 35)***

Pursuant to the rules of the NYSE and TSX, securityholder approval is required in instances where the number of securities issued or issuable in payment of the purchase price in a transaction such as the Plan of Arrangement exceeds 20% (NYSE) or 25% (TSX) of the number of securities of the listed issuer which are outstanding, on a non-diluted basis. Because the Arrangement Agreement contemplates the issuance of Atlantic Power common shares in excess of these thresholds on a non-diluted basis, the rules of the NYSE and TSX require that Atlantic Power must obtain approval of the Share Issuance Resolution by the holders of a majority of the Atlantic Power common shares represented in person or by proxy at the Atlantic Power special meeting.

On the date of this joint proxy statement, there were approximately 69 million outstanding Atlantic Power common shares. Pursuant to the Plan of Arrangement, Atlantic Power will issue approximately 31.5 million Atlantic Power common shares (equal to approximately 46% of Atlantic Power's current issued and outstanding common shares).

***Adjournment Resolution (see page 36)***

Atlantic Power shareholders will be asked to vote on a resolution granting proxy holders the authority to vote in their discretion with respect to the approval of any proposal to postpone or adjourn the special meeting to a later date for a reasonable business purpose, including to solicit additional proxies in favor of the approval of the Share Issuance Resolution if there are not sufficient votes in favor of such approval. Although it is not currently expected, the special meeting may need to be adjourned for, among other things, the purpose of soliciting additional proxies. Any adjournment to a date within 30 days of the original meeting date may be made without notice by announcement at the special meeting of the new date, time and place of the special meeting. If the adjourned meeting is to be held after 30 days of the original meeting date, then written notice of the date, time and place of the adjourned meeting will need to be provided to all shareholders in accordance with the requirements under applicable law. At the postponed or adjourned meeting, Atlantic Power may transact any business that might have been transacted at the original special meeting.

***Record Date; Shares Entitled to Vote (see page 36)***

Only holders of Atlantic Power common shares at the close of business on October 3, 2011, the record date for the Atlantic Power special meeting, will be entitled to notice of, and to vote at, the Atlantic Power special meeting or any adjournments or postponements thereof. On the date of this joint proxy statement, there were outstanding a total of 68,986,977 Atlantic Power common shares. Each outstanding Atlantic Power common share is entitled to one vote on the Share Issuance Resolution, the Adjournment Resolution and any other matter properly coming before the Atlantic Power special meeting.

***Required Vote (see page 37)***

The Share Issuance Resolution and the Adjournment Resolution will be approved if a majority of the votes cast by Atlantic Power shareholders, either in person or by proxy at the Atlantic Power special meeting are voted in favor of the resolutions. Notwithstanding the foregoing, the Share Issuance Resolution provides that the board of directors of Atlantic Power may, without further notice to, or approval of, the shareholders of Atlantic Power, subject to the terms of the Arrangement Agreement or the Plan of Arrangement, amend or terminate the Arrangement Agreement or the Plan of Arrangement, not proceed with the Arrangement, or revoke or abandon all or any part of the Share Issuance Resolution at any time prior to the effective time of the Plan of Arrangement.

Table of Contents

***Share Ownership by and Voting Rights of Directors and Executive Officers (see page 37)***

On the date of this joint proxy statement, Atlantic Power's directors and executive officers and their affiliates beneficially owned and had the right to vote approximately 0.36 million Atlantic Power common shares at the Atlantic Power special meeting, which represents approximately 0.01% of the Atlantic Power common shares entitled to vote at the Atlantic Power special meeting. Each of the directors and officers of Atlantic Power have indicated their intention to vote in favor of the Share Issuance Resolution.

***Failure to Vote and Broker Non-Vote (see page 37)***

If you are an Atlantic Power shareholder and fail to vote or fail to instruct your broker, investment dealer or other intermediary to vote, it will have no effect on any of the Atlantic Power proposals, assuming a quorum is present.

**The CPILP Special Meeting**

***Date, Time and Place (see page 41)***

The special meeting of CPILP unitholders will be held at Crowne Plaza, 10111 Bellamy Hill, Salon B, Edmonton, Alberta, on November 1, 2011, at 9:00 a.m. (Edmonton time).

***Purpose (see page 41)***

At the CPILP special meeting, CPILP unitholders will be asked to vote on the following resolutions:

to consider, and, if thought advisable, to pass, with or without variation, pursuant to the Interim Order of the Court of Queen's Bench of Alberta, the Arrangement Resolution, the full text of which is set forth in Annex G to this management proxy circular and joint proxy statement, to approve an arrangement under section 192 of the CBCA (all as more particularly described in this joint proxy statement); and

to transact such further or other business as may properly come before the CPILP special meeting or any adjournments or postponements thereof.

***Record Date; Units Entitled to Vote (see page 41)***

Only holders of CPILP units at the close of business on September 21, 2011, the record date for the CPILP special meeting, will be entitled to notice of, and to vote at, the CPILP special meeting or any adjournments or postponements thereof. On the record date, there were outstanding a total of 56,597,899 CPILP units. Each outstanding CPILP unit is entitled to one vote on the Arrangement Resolution and any other matter properly coming before the CPILP special meeting.

***Required Vote (see page 42)***

Pursuant to the Interim Order, the number of votes required to pass the Arrangement Resolution shall be not less than 66<sup>2</sup>/<sub>3</sub>% of the votes cast by CPILP unitholders, either in person or by proxy, at the CPILP special meeting. In addition, the Arrangement Resolution must be approved by a simple majority of the votes cast by the CPILP unitholders present in person or by proxy at the CPILP special meeting, after excluding those votes required to be excluded pursuant to the minority approval provisions of MI 61-101, being the votes of "interested parties" and their related parties and joint actors, which includes the General Partner and CPI Investments. Notwithstanding the foregoing, the Arrangement Resolution authorizes the board of directors of the General Partner, without further notice to, or approval of, the CPILP unitholders, subject to the terms of the Plan of Arrangement and



Table of Contents

the Arrangement Agreement, to amend or terminate the Plan of Arrangement or the Arrangement Agreement or, subject to the terms of the Arrangement Agreement, to decide not to proceed with the Arrangement at any time prior to the Plan of Arrangement becoming effective pursuant to the provisions of the CBCA.

*Unit Ownership by and Voting Rights of Directors and Executive Officers (see page 41)*

On the CPILP record date, CPILP's directors and executive officers and their affiliates beneficially owned and had the right to vote 41,430 CPILP units at the CPILP special meeting, which represents approximately 0.07% of the CPILP units entitled to vote at the CPILP special meeting. It is expected that CPILP's directors and executive officers will vote in favor of the Arrangement Resolution.

*Failure to Vote and Broker Non-Vote (see page 42)*

If you are a CPILP unitholder and fail to vote or fail to instruct your broker, investment dealer or other intermediary to vote, it will have no effect on any of the CPILP proposals, assuming a quorum is present.

*Procedures for the Surrender of Unit Certificate and Receipt of Consideration (see page 44)*

Each registered holder of CPILP units is required to validly complete and duly sign a Letter of Transmittal and Election Form and submit such documents, together with such holder's CPILP unit certificate(s), if any, to the Depositary in order to receive the consideration under the Plan of Arrangement. The details of the procedures for the deposit of CPILP unit certificates and the delivery by the Depositary of Atlantic Power common shares and cash are set out in the Letter of Transmittal and Election Form accompanying this joint proxy statement. If you hold your CPILP units through a nominee such as a broker or dealer, you should carefully follow any instructions provided to you by such nominee for making an election. CDS Clearing and Depositary Services Inc. is the only registered holder of CPILP units. All other holders should consult their broker, dealer or other nominee through which they hold CPILP units for instructions and assistance in making an election. Pursuant to the terms of the Arrangement Agreement and the Plan of Arrangement, CPILP unitholders are entitled to receive, at their election, for each CPILP unit held (i) C\$19.40 in cash (the "**Cash Consideration**") or (ii) 1.3 Atlantic Power common shares (the "**Share Consideration**"), subject to the Aggregate Cash Maximum and the Aggregate Share Maximum (together the "**Consideration**").

The Election Deadline to deposit such properly completed Letter of Transmittal and Election Form with the Depositary is 5:00 p.m. (Edmonton time) on the date that is three business days prior to the date of the CPILP special meeting. Assuming the CPILP special meeting is held on November 1, 2011, the Election Deadline will be 5:00 p.m. (Edmonton time) on October 27, 2011, or, if the CPILP special meeting is adjourned or postponed, 5:00 p.m. (Edmonton time) on the date that is three business days prior to the date of the adjourned or postponed meeting. CPILP unitholders who do not forward to the Depositary a validly completed and duly signed Letter of Transmittal and Election Form, together with their CPILP unit certificate(s), if any, will not receive the cash and/or Atlantic Power common shares, as applicable, to which they are otherwise entitled until such a deposit is made. Any CPILP unitholder who does not deposit a duly completed Letter of Transmittal and Election Form with the Depositary prior to the Election Deadline shall be deemed to have elected to receive the Share Consideration in respect of all of such holder's CPILP units.

Any certificate which immediately prior to the Effective Time represented outstanding CPILP units that is not deposited with the Depositary together with all other instruments or documents required by the Plan of Arrangement on or prior to the sixth anniversary of the Effective Date will cease to represent a claim or interest of any kind or nature as a CPILP unitholder or as a shareholder of Atlantic Power. On such date, the cash and Atlantic Power common shares to which the former holder

Table of Contents

of the certificate referred to in the preceding sentence was ultimately entitled under the Plan of Arrangement will be deemed to have been donated, surrendered and forfeited for no consideration to Atlantic Power.

**Appraisal/Dissent Rights (see page 50)**

The shareholders of Atlantic Power are not entitled to dissent rights in connection with the Share Issuance Resolution or the Adjournment Resolution.

The unitholders of CPILP are not entitled to dissent rights in connection with the Arrangement Resolution.

**U.S. Securities Law Matters (see page 90)**

The common shares of Atlantic Power to be issued pursuant to the Plan of Arrangement will not be registered under the *Securities Act of 1933*, as amended (the "**Securities Act**"), or the securities laws of any state of the United States and will be issued in reliance upon the exemption from registration set forth in Section 3(a)(10) of the Securities Act. The common shares of Atlantic Power to be issued pursuant to the Plan of Arrangement will be freely transferable under U.S. federal securities laws, except for securities held by persons who are deemed to be "affiliates" of Atlantic Power following completion of the Plan of Arrangement.

**Material Canadian Federal Income Tax Consequences (see page 112)**

CPILP unitholders will realize a taxable disposition of their CPILP units under the Plan of Arrangement. Eligible holders that receive Atlantic Power common shares pursuant to the Plan of Arrangement will be entitled to make a joint tax election with Atlantic Power under the Tax Act that will, depending on the circumstances of each particular CPILP unitholder, allow for a full or partial deferral of taxable gains that would otherwise be realized.

Atlantic Power common shares will be considered "qualified investments" for registered retirement savings plans and other tax-exempt plans.

The primary Canadian federal income tax considerations arising in respect of the Plan of Arrangement, as well as the procedure to be followed by CPILP unitholders intending to make a joint tax election, are described more fully below under the heading "Material Canadian Federal Income Tax Considerations".

**Certain U.S. Federal Income Tax Consequences (see page 116)**

CPILP does not permit non-residents of Canada (as determined for purposes of the Tax Act) to hold CPILP units. Persons who are not US Holders will not be subject to U.S. federal income tax with respect to their CPILP units or Atlantic Power common shares received in exchange therefor unless (1) such person's income with respect thereto is effectively connected with the conduct of a trade or business in the United States, or (2) such person is an individual who is present in the United States for 183 days or more during the taxable year and has a "tax home" in the United States. Even if a non-US Holder is subject to U.S. federal income tax under either test in the preceding sentence, such person may be eligible for relief from (or reduction to) any U.S. income tax under a tax treaty. See "Certain U.S. Federal Income Tax Considerations" beginning on page 116.

**Atlantic Power Financing (see page 117)**

Atlantic Power intends to finance the cash portion of the purchase price to complete the Plan of Arrangement by issuing approximately C\$200.0 million of equity and approximately C\$425.0 million of debt through public and private offerings. However, in the event that such financing is not available on terms satisfactory to Atlantic Power, Atlantic Power has received the TLB Commitment Letter, evidencing the commitment of a Canadian chartered bank and another financial institution to structure, arrange, underwrite and syndicate a senior secured credit facility consisting of the Tranche B Facility in the amount of \$625 million, subject to the terms and conditions set forth therein.

Table of Contents
**Selected Historical Consolidated Financial Data of Atlantic Power**

The following table presents selected consolidated financial information for Atlantic Power. The annual historical information as of December 31, 2010 and 2009 and for the years ended December 31, 2010, 2009 and 2008 has been derived from the audited consolidated financial statements appearing in Atlantic Power's Annual Report on Form 10-K for the year ended December 31, 2010, delivered together with, and/or incorporated by reference into this joint proxy statement. The annual historical information as of December 31, 2008, 2007 and 2006 and for the years ended December 31, 2007 and 2006 has been derived from historical financial statements not delivered with, or incorporated by reference into, this joint proxy statement. The historical information as of, and for the six month periods ended, June 30, 2011 and 2010 has been derived from the unaudited consolidated financial statements appearing in Atlantic Power's Quarterly Report on Form 10-Q for the quarter ended June 30, 2011, delivered together with, and/or incorporated by reference into this joint proxy statement. Data for all periods have been prepared under U.S. GAAP. You should read the following selected consolidated financial information together with Atlantic Power's consolidated financial statements and the notes thereto and the discussion under "Management's Discussion and Analysis of Financial Condition and Results of Operations" included as part of Atlantic Power's Annual Report on Form 10-K for the year ended December 31, 2010 and Quarterly Report on Form 10-Q for the quarter ended June 30, 2011, each of which has been delivered together with, and/or is incorporated by reference into this joint proxy statement. See "Where You Can Find More Information" beginning on page 152 of this joint proxy statement.

(in thousands of US dollars, except per share/subordinated note data and as otherwise stated)	Year Ended December 31,					Six months ended June 30,	
	2010	2009	2008	2007	2006(a)	2011(a)	2010(a)
Project revenue	\$ 195,256	\$ 179,517	\$ 173,812	\$ 113,257	\$ 69,374	\$ 106,923	\$ 95,125
Project income	41,879	48,415	41,006	70,118	57,247	27,900	19,405
Net (loss) income attributable to Atlantic Power Corporation	(3,752)	(38,486)	48,101	(30,596)	(2,408)	19,322	(4,618)
Basic earnings (loss) per share	\$ (0.06)	\$ (0.63)	\$ 0.78	\$ (0.50)	\$ (0.05)	\$ 0.28	\$ (0.08)
Basic earnings (loss) per share, C\$(b)	\$ (0.06)	\$ (0.72)	\$ 0.84	\$ (0.53)	\$ (0.06)	\$ 0.28	\$ (0.08)
Diluted earnings (loss) per share(c)	\$ (0.06)	\$ (0.63)	\$ 0.73	\$ (0.50)	\$ (0.05)	\$ 0.28	\$ (0.08)
Diluted earnings (loss) per share, C\$(b)(c)	\$ (0.06)	\$ (0.72)	\$ 0.78	\$ (0.53)	\$ (0.06)	\$ 0.28	\$ (0.08)
Distribution per subordinated note(d)	\$	\$ 0.51	\$ 0.60	\$ 0.59	\$ 0.57	\$	\$
Dividend declared per common share	\$ 1.06	\$ 0.46	\$ 0.40	\$ 0.40	\$ 0.37	\$ 0.57	\$ 0.52
Total assets	\$ 1,013,012	\$ 869,576	\$ 907,995	\$ 880,751	\$ 965,121	\$ 1,008,980	\$ 862,525
Total long-term liabilities	\$ 518,273	\$ 402,212	\$ 654,499	\$ 715,923	\$ 613,423	\$ 523,351	\$ 407,413

(a) Unaudited.

(b) The C\$ amounts were converted using the average exchange rates for the applicable reporting periods.

(c) Diluted earnings (loss) per share is computed including dilutive potential shares, which include those issuable upon conversion of convertible debentures and under Atlantic Power's long term incentive plan. Because Atlantic Power reported a loss during the years ended December 31, 2010, 2009, 2007 and 2006, and for the six month period ended June 30, 2010, the effect of including potentially dilutive shares in the calculation during those periods is anti-dilutive. Please see the notes to Atlantic Power's historical consolidated financial statements for information relating to the number of shares used in calculating basic and diluted earnings per share for the periods presented.

(d) At the time of Atlantic Power's initial public offering, its publicly traded security was an income participating security, or an "IPS", each of which was comprised of one common share and C\$5.767 principal amount of 11% subordinated notes due 2016. On November 27, 2009, Atlantic Power converted from the IPS structure to a traditional common share structure. In connection with the conversion, each IPS was exchanged for one new common share.

Table of Contents**Selected Historical Consolidated Financial Data of CPILP**

The following table presents selected consolidated financial information for CPILP. The selected historical financial data as of, and for the years ended, December 31, 2010, 2009 and 2008 has been derived from CPILP's audited consolidated financial statements for those periods prepared under Canadian generally accepted accounting principles and delivered together with, and/or incorporated by reference into this joint proxy statement. Data as of, and for the years ended, December 31, 2010 and 2009 has been reconciled to U.S. generally accepted accounting principles as noted below. The selected historical financial data as of, and for the years ended, December 31, 2007 and 2006 has been derived from the audited consolidated financial statements of CPILP prepared under Canadian generally accepted accounting principles not appearing in this joint proxy statement. The selected historical financial data as of, and for the six-month periods ended June 30, 2011 and 2010 has been derived from CPILP's unaudited consolidated financial statements for those periods prepared using International Financial Reporting Standards and delivered together with, and/or incorporated by reference into this joint proxy statement.

Data for all periods presented below is reported in Canadian dollars. You should read the following selected consolidated financial data together with CPILP's consolidated financial statements and the notes thereto and the discussion under "Management's Discussion and Analysis of Financial Condition and Results of Operations" for CPILP, delivered together with, and/or incorporated by reference into this joint proxy statement.

	Year Ended December 31,					Six months ended June 30,	
(in thousands of Canadian dollars, except per unit data)	2010	2009	2008	2007	2006	2011(a)(b)	2010(a)(b)
Revenue	\$ 532,377	\$ 586,491	\$ 499,267	\$ 549,872	\$ 326,900	\$ 261,524	\$ 241,453
Depreciation, amortization and accretion	\$ 98,227	\$ 93,249	\$ 88,313	\$ 85,553	\$ 65,200	\$ 45,461	\$ 47,826
Financial charges and other, net	\$ 40,179	\$ 46,462	\$ 94,836	\$ 8,574	\$ 42,200	\$ 21,457	\$ 21,384
Net income before tax and preferred share dividends	\$ 35,224	\$ 56,812	\$ (91,918)	\$ 108,953	\$ 67,400	\$ 18,741	\$ 4,705
Net income (loss) attributable to equity holders of CPILP	\$ 30,500	\$ 57,553	\$ (67,893)	\$ 30,816	\$ 62,121	\$ 10,529	\$ 8,410
Basic and diluted net income (loss) per unit, C\$	\$ 0.55	\$ 1.07	\$ (1.26)	\$ 0.59	\$ 1.28	\$ 0.19	\$ 0.15
Distributions declared per unit, C\$	\$ 1.76	\$ 1.95	\$ 2.52	\$ 2.52	\$ 2.52	\$ 0.88	\$ 0.88
Total assets	\$ 1,583,910	\$ 1,668,057	\$ 1,809,225	\$ 1,852,573	\$ 1,883,400	\$ 1,471,772	\$ 1,667,775
Total long-term liabilities	\$ 874,190	\$ 853,314	\$ 935,248	\$ 730,940	\$ 757,800	\$ 821,382	\$ 900,995
Operating margin(c)	\$ 187,567	\$ 211,680	\$ 111,446	\$ 216,188	\$ 185,900	\$ 99,675	\$ 77,753

(a) Unaudited.

(b) Results have been prepared using International Financial Reporting Standards.

(c) Operating margin is a non-GAAP financial measure. CPILP uses operating margin as a performance measure. Operating margin is not a defined financial measure according to Canadian generally accepted accounting principles or International Financial Reporting Standards and does not have a standardized meaning prescribed by Canadian generally accepted accounting principles or International Financial Reporting Standards. Therefore, operating margin may not be comparable to similar measures presented by other enterprises.

Table of Contents

Under U.S. GAAP, the following differences are noted for the years indicated below:

(in thousands of Canadian dollars, except per unit data)	Years Ended December 31,	
	2010	2009
Revenue	\$ 532,377	\$ 586,491
Depreciation, amortization and accretion	\$ 98,277	\$ 93,249
Financial charges and other, net	\$ 40,129	\$ 46,462
Net income before tax and preferred share dividends	\$ 39,179	\$ 54,753
Net income (loss) attributable to equity holders of CPILP	\$ 34,455	\$ 55,529
Basic and diluted net income (loss) per unit, C\$	\$ 0.63	\$ 1.03
Distributions declared per unit, C\$	\$ 1.76	\$ 1.95
Total assets	\$ 1,588,352	\$ 1,673,059
Total long-term liabilities	\$ 878,632	\$ 858,317
Operating margin	\$ 191,530	\$ 209,621

Table of Contents**Summary Unaudited Pro Forma Condensed Combined Consolidated Financial Information**

The following table sets forth selected information about the pro forma financial condition and results of operations, including per share data, of Atlantic Power after giving effect to the completion of Plan of Arrangement with CPILP. The table sets forth selected unaudited pro forma condensed combined consolidated statements of operations for the six months ended June 30, 2011 and the year ended December 31, 2010, as if the Plan of Arrangement had been completed on January 1, 2010, and the selected unaudited pro forma condensed combined consolidated balance sheet data as of June 30, 2011, as if the Plan of Arrangement had been completed on that date. The information presented below was derived from Atlantic Power's and CPILP's consolidated historical financial statements, and should be read in conjunction with these financial statements and the notes thereto, included elsewhere or delivered with, and/or incorporated by reference into this joint proxy statement and the other unaudited pro forma financial data, including related notes, included elsewhere in this joint proxy statement. CPILP's historical consolidated financial statements have been prepared in accordance with Canadian GAAP (or, in the case of the six months ended June 30, 2011, International Financial Reporting Standards) and include a discussion of the significant differences between Canadian GAAP and U.S. GAAP in Note 27 to the CPILP audited consolidated financial statements for the year ended December 31, 2010. For purposes of the unaudited pro forma condensed combined financial data, CPILP's balance sheet financial data has been translated from Canadian Dollars into U.S. Dollars using a C\$/\\$ exchange rate of C\$0.9643 to \$1.00 and is presented in accordance with U.S. GAAP. CPILP's statement of operations financial data has been translated from Canadian dollars into U.S. dollars using an average C\$/\\$ exchange rate of C\$0.9766 to \$1.00 and C\$1.0295 to \$1.00 for the six months ended June 30, 2011 and the year ended December 31, 2010, respectively, and is presented in accordance with U.S. GAAP.

The unaudited pro forma financial data is based on estimates and assumptions that are preliminary and does not purport to represent the financial position or results of operations that would actually have occurred had the Plan of Arrangement been completed as of the dates or at the beginning of the periods presented or what the Combined Company's results will be for any future date or any future period. See the sections entitled "Cautionary Note Regarding Forward-Looking Statements" and "Risk Factors".

**Unaudited Pro Forma Condensed Combined Consolidated Financial Information**

(in thousands of U.S. dollars, except per share data)	Six Months Ended June 30, 2011	Year Ended December 31, 2010
<b>Combined Consolidated Statement of Operations Information</b>		
Project revenues	\$ 346,015	\$ 669,985
Project income	60,937	91,687
Net income	19,817	11,135
Net income attributable to noncontrolling interest	6,952	13,597
Net income (loss) attributable to Atlantic Power Corporation/CPILP	12,865	(2,462)(1)
<b>Earnings (loss) per share</b>		
Basic	\$ 0.11	\$ (0.02)
Diluted	\$ 0.11	\$ (0.02)
<b>Weighted average shares outstanding</b>		
Basic	112,757	106,347
Diluted	113,184	106,347

Table of Contents

(in thousands of U.S. dollars)	As of June 30, 2011
<b>Balance sheet information</b>	
Cash and cash equivalents	\$ 145,409
Total assets	3,456,478
Long-term debt and convertible debentures	1,602,699
Total liabilities	2,096,958
Total Atlantic Power Corporation shareholders' equity	1,128,671
Noncontrolling interest	230,849
Total equity	\$ 1,359,520

- (1) Net income (loss) attributable to Atlantic Power/CPILP on a pro forma basis reflects:
- a. a significant increase in amortization expense as a result of the estimated increase in fair value associated with CPILP PPA's (see Note 5(e) in the notes to the unaudited pro forma condensed combined consolidated financial statements);
  - b. timing differences in Atlantic Power's deferred tax expense; and
  - c. timing differences in CPILP's deferred tax benefit.

Table of Contents
**Selected Comparative Per Share/Unit Market Price and Dividend Information**

Atlantic Power common shares are listed and traded on the NYSE under the symbol "AT" and on the TSX under the symbol "ATP". CPILP units are listed and traded on the TSX under the symbol "CPA.UN". On June 17, 2011, the last trading day prior to the announcement of entering into the Arrangement Agreement, the closing sales price of Atlantic Power common shares on the TSX and on the NYSE was C\$14.96 and \$15.41, respectively, and the closing sales price of CPILP units on the TSX was C\$18.63. On September 26, 2011, the most recent practicable date before the date of this joint proxy statement, the closing sales price of Atlantic Power common shares on the TSX and on the NYSE was C\$14.72 and \$14.37, respectively, and the closing sales price of CPILP units on the TSX was C\$19.00. On the date of this joint proxy statement, there were 68,986,977 common shares of Atlantic Power outstanding. On the CPILP record date (September 21, 2011), there were 56,597,899 CPILP units outstanding.

The following table sets forth, for the quarters indicated, the high and low sales price per Atlantic Power common share as reported on both the NYSE and the TSX and the high and low sales price per CPILP unit as reported on the TSX. In addition, the table sets forth the monthly cash dividends per share declared by Atlantic Power with respect to its common shares and the monthly cash distribution per unit declared by CPILP with respect to its limited partnership units.

	Atlantic Power (TSX)			CPILP(TSX)		
	High (C\$)	Low (C\$)	Dividends Declared	High (C\$)	Low (C\$)	Distribution Declared
<b>2009</b>						
First Quarter	9.28	6.34	0.2735	18.98	12.90	0.63
Second Quarter	9.45	7.71	0.2735	16.21	11.65	0.44
Third Quarter	9.49	8.55	0.2735	16.30	13.62	0.44
Fourth Quarter	11.90	9.08	0.2735	15.77	13.35	0.44
<b>2010</b>						
First Quarter	13.85	11.50	0.2735	18.43	15.54	0.44
Second Quarter	12.90	11.20	0.2735	18.14	15.05	0.44
Third Quarter	14.47	12.11	0.2735	18.85	16.03	0.44
Fourth Quarter	15.18	13.31	0.2735	19.02	17.11	0.44
<b>2011</b>						
First Quarter	15.50	14.41	0.2735	21.22	17.65	0.44
Second Quarter	15.72	13.82	0.2735	21.05	18.28	0.44
Third Quarter (until September 26, 2011)	15.46	12.92	0.1824	19.50	17.23	0.44

	Atlantic Power (NYSE)		
	High (\$)	Low (\$)	Dividends Declared
<b>2010</b>			
Third Quarter (beginning July 23, 2010)	14.00	12.10	0.266
Fourth Quarter	14.98	13.26	0.270
<b>2011</b>			
First Quarter	15.75	14.72	0.277
Second Quarter	16.18	14.33	0.280
Third Quarter (until September 26, 2011)	16.34	13.12	0.189



Table of Contents**Certain Historical and Pro Forma Per Share/Unit Data**

The following tables set forth certain historical, pro forma and pro forma equivalent per share financial information for Atlantic Power common shares and per unit financial information for CPILP units. The pro forma and pro forma equivalent per share/unit information gives effect to the Plan of Arrangement as if the Plan of Arrangement had occurred on June 30, 2011 in the case of book value per share data and as of January 1, 2010 in the case of net income per share/unit data.

The pro forma per share/unit balance sheet information combines CPILP's June 30, 2011 unaudited consolidated balance sheet with Atlantic Power's June 30, 2011 unaudited consolidated balance sheet. The pro forma per share/unit income statement information for the fiscal year ended December 31, 2010, combines CPILP's audited consolidated statement of income for the fiscal year ended December 31, 2010, with Atlantic Power's audited consolidated statement of operations for the fiscal year ended December 31, 2010. The pro forma per share/unit income statement information for the six months ended June 30, 2011, combines CPILP's unaudited consolidated statement of income for the six months ended June 30, 2011, with Atlantic Power's unaudited consolidated statement of operations for the six months ended June 30, 2011. The CPILP pro forma equivalent per share/unit financial information is calculated by multiplying the unaudited Atlantic Power pro forma combined per share/unit amounts by 1.3 (being the exchange ratio under the Plan of Arrangement). The balance sheet of CPILP as of June 30, 2011 has been translated using a C\$/\\$ exchange rate of C\$0.9643 to \\$1.00.

The per share data for the Combined Company on a pro forma basis presented below is not necessarily indicative of the financial condition of the Combined Company had the Plan of Arrangement been completed on June 30, 2011 and the operating results that would have been achieved by the Combined Company had the Plan of Arrangement been completed as of the beginning of the period presented, and should not be construed as representative of the Combined Company's future financial condition or operating results. The per share data for the Combined Company on a pro forma basis presented below has been derived from the unaudited pro forma condensed combined consolidated financial data of the Combined Company included in this joint proxy statement. In addition, the unaudited pro forma information does not purport to indicate balance sheet data or results of operations data as of any future date or for any future period.

	As of and for the Six Months Ended June 30, 2011		As of and for the Year Ended December 31, 2010	
<b>Atlantic Power Historical Data per Common Share</b>				
Income from continuing operations				
Basic	\$	0.28	\$	(0.06)
Diluted	\$	0.28	\$	(0.06)
Dividends declared per Common Share	\$	0.57	\$	1.06
Book value per Common Share	\$	6.33	\$	7.02

Table of Contents

	As of and for the Six Months Ended June 30, 2011(a)	As of and for the Year Ended December 31, 2010(b)
<b>CPILP Historical Data per Unit(a)</b>		
Income from continuing operations attributable to controlling interest		
Basic	C\$0.19	C\$0.55
Diluted	C\$0.19	C\$0.55
Distributions declared per unit	C\$0.88	C\$1.76
Book value per unit	C\$5.87	C\$7.30

(a) Results for 2011 have been prepared using International Financial Reporting Standards.

(b) Results for 2010 have been prepared using Canadian GAAP.

	As of and for the Six Months Ended June 30, 2011	As of and for the Year Ended December 31, 2010
<b>Atlantic Power Pro Forma Combined Data per Common Share</b>		
Income from continuing operations		
Basic	\$ 0.11	\$ (0.02)
Diluted	\$ 0.11	\$ (0.02)
Dividends declared per Common Share	\$ 0.58	\$ 1.12
Book value per Common Share	\$ 12.00	\$ 13.28

	As of and for the Six Months Ended June 30, 2011	As of and for the Year Ended December 31, 2010
<b>CPILP Pro Forma Equivalent Combined Data per unit</b>		
Income from continuing operations attributable to controlling interest		
Basic	\$ 0.14	\$ (0.03)
Diluted	\$ 0.14	\$ (0.03)
Distributions declared per unit	\$ 0.75	\$ 1.46

Edgar Filing: ATLANTIC POWER CORP - Form DEFM14A

Book value per unit	\$	15.60	\$	17.26
				21

---

Table of Contents

**Exchange Rate Information**

The following table sets forth, for each period indicated, the high and low exchange rates for one U.S. dollar, expressed in Canadian dollars, the average of such exchange rates on the last day of each month during such period and the exchange rate at the end of such period, based on the noon buying rate as quoted by the Bank of Canada. On September 26, 2011, the noon buying rate was \$1.00 = C\$1.0339.

	Six Months Ended June 30,				Twelve Months Ended December 31,					
	2011	2010	2010	2009	2008	2007	2006			
High	C\$ 1.0022	C\$ 1.0778	C\$ 1.0778	C\$ 1.3000	C\$ 1.2969	C\$ 1.1853	C\$ 1.1726			
Low	C\$ 0.9486	C\$ 0.9961	C\$ 0.9946	C\$ 1.0292	C\$ 0.9719	C\$ 0.9170	C\$ 1.0990			
Average	C\$ 0.9769	C\$ 1.0338	C\$ 1.0299	C\$ 1.1420	C\$ 1.0660	C\$ 1.0748	C\$ 1.1341			
Period End	C\$ 0.9643	C\$ 1.0606	C\$ 0.9946	C\$ 1.0466	C\$ 1.2246	C\$ 1.0120	C\$ 1.1653			

Source: Bank of Canada

Table of Contents

**RISK FACTORS**

*In addition to the other information included and incorporated by reference into this joint proxy statement, including the matters addressed in the section entitled "Cautionary Note Regarding Forward-Looking Statements," you should carefully consider the following risks before deciding whether to vote for the Share Issuance Resolution, in the case of Atlantic Power shareholders, or the Arrangement Resolution, in the case of CPILP unitholders. In addition, you should read and consider Atlantic Power's Annual Report on Form 10-K for the year ended December 31, 2010, as updated by subsequent Quarterly Reports on Form 10-Q, all of which are filed with the SEC and have been delivered with, and/or incorporated by reference into this joint proxy statement. See "Where You Can Find More Information" beginning on page 154.*

**Risk Factors Relating to the Plan of Arrangement**

***The exchange ratio is fixed and will not be adjusted in the event of any change in either CPILP's unit price or Atlantic Power's share price.***

Under the Plan of Arrangement, for each CPILP unit held, CPILP unitholders will be entitled to elect to receive either C\$19.40 in cash or 1.3 Atlantic Power common shares, subject to proration. This exchange ratio is fixed in the Plan of Arrangement and will not be adjusted for changes in the market price of either CPILP units or Atlantic Power shares. Changes in the price of Atlantic Power's shares prior to completion of the Plan of Arrangement may affect the market value that CPILP unitholders will receive on the date of the effective time for the Plan of Arrangement. Share price changes may result from a variety of factors (many of which are beyond Atlantic Power's or Capital Power's control).

***Because the Plan of Arrangement will be completed after the date of the special meetings, at the time of the applicable special meeting, you will not know the exact market value of the Atlantic Power shares that CPILP unitholders will receive upon completion of the Plan of Arrangement.***

If the price of Atlantic Power common shares increases between the time of the special meetings and the effective time of the Plan of Arrangement, CPILP unitholders will receive Atlantic Power common shares that have a market value that is greater than the market value of such shares at the time of the special meetings. If the price of Atlantic Power common shares decreases between the time of the special meetings and the effective time of the Plan of Arrangement, CPILP unitholders will receive Atlantic Power common shares that have a market value that is less than the market value of such shares at the time of the special meetings. Therefore, because the exchange ratio is fixed, Atlantic Power shareholders and CPILP unitholders cannot be sure at the time of the special meetings of the market value of the share consideration that will be paid to CPILP unitholders upon completion of the Plan of Arrangement.

***Failure to complete the Plan of Arrangement could negatively impact the share or unit prices and the future business and financial results of Atlantic Power and CPILP.***

If the Plan of Arrangement is not completed, the ongoing businesses of Atlantic Power and CPILP may be adversely affected. If the Plan of Arrangement is not completed, CPILP will have to consider alternative transactions, including the internalization of management. Additionally, if the Plan of Arrangement is not completed and the Arrangement Agreement is terminated, either Atlantic Power or CPILP, as the case may be, may be required to pay to the other a break-up fee under the Arrangement Agreement in the amount of C\$35.0 million. The foregoing risks, or other risks arising in connection with the failure of the Plan of Arrangement, including the diversion of management attention from conducting the business of the respective entity and pursuing other opportunities during the pendency of the Plan of Arrangement, may have an adverse effect on the business, operations, financial results and share or unit prices of Atlantic Power and CPILP.

Table of Contents

***The Arrangement Agreement contains provisions that could discourage a potential competing acquirer of CPILP.***

The Arrangement Agreement contains "no shop" provisions that, subject to limited exceptions, restrict CPILP's and the General Partner's ability to solicit, encourage, facilitate or discuss competing third-party proposals to acquire units or assets of CPILP. In certain specified circumstances, one of the parties will be required to pay a break-up fee of C\$35.0 million to the other party. See "Summary of the Arrangement Agreement Covenants Non-Solicitation" on page 104 and " Termination of the Arrangement Agreement Termination Payment" beginning on page 107.

These provisions could discourage a potential competing acquirer that might have an interest in acquiring all or a significant part of CPILP from considering or proposing that acquisition, even if it were prepared to pay consideration with a higher per share or unit cash or market value than the market value proposed to be received or realized in the Plan of Arrangement, or might result in a potential competing acquirer proposing to pay a lower price than it might otherwise have proposed to pay because of the added expense of the C\$35.0 million termination fee that may become payable in certain circumstances.

***In certain circumstances, if the Arrangement Agreement is terminated without any payment of a termination payment, Atlantic Power or CPILP may be required to make an expense reimbursement payment to the other party.***

Under the Arrangement Agreement, CPILP would be required to make an expense reimbursement payment to Atlantic Power, up to a maximum of C\$8.0 million, in the event the Arrangement Agreement is terminated in certain circumstances, including, but not limited to, if the CPILP unitholders do not approve the Arrangement Resolution at the CPILP special meeting.

Under the Arrangement Agreement, Atlantic Power would be required to make an expense reimbursement payment to CPILP, up to a maximum of C\$8.0 million, in the event the Arrangement Agreement is terminated in certain circumstances, including, but not limited to, if the Atlantic Power shareholders do not approve the Share Issuance Resolution at the Atlantic Power special meeting.

If the Arrangement Agreement is terminated and either Atlantic Power or CPILP determines to seek another business combination, it may not be able to negotiate a transaction with another party on terms comparable to, or better than, the terms of the Plan of Arrangement.

***If the financing for the transactions contemplated by the Arrangement Agreement becomes unavailable, the Plan of Arrangement may not be completed.***

Atlantic Power intends to finance the cash portion of the purchase price to complete the Plan of Arrangement by issuing approximately C\$200.0 million of equity and approximately C\$425.0 million of debt through public and private offerings. However, in the event that such financing is not available on terms satisfactory to Atlantic Power, Atlantic Power has received the written commitment of a Canadian chartered bank and another financial institution to structure, arrange, underwrite and syndicate the Tranche B Facility, being a senior secured credit facility in the amount of \$625 million. Funding under the Tranche B Facility is subject to certain conditions, including, without limitation, that there shall not have occurred a Material Adverse Effect (as defined in the Arrangement Agreement) in respect of Atlantic Power, CPILP, the General Partner and CPI Investments taken as a whole. In the event that the lenders under the Tranche B Facility fail to provide funding, Atlantic Power may not be able to complete the Plan of Arrangement and may be subject to a termination fee of C\$35.0 million.

Table of Contents

***Obtaining required governmental and court approvals necessary to satisfy closing conditions may delay or prevent completion of the Plan of Arrangement.***

Completion of the Plan of Arrangement is conditioned upon the receipt of certain governmental authorizations, consents, orders or other approvals, including but not limited to approval under the *Investment Canada Act*, the *Competition Act* (Canada), the *Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended* (United States) and the *United States Federal Power Act*. The Plan of Arrangement must also be approved by the Court of Queen's Bench of Alberta. No assurance can be given that the approvals not obtained to date will be obtained, and, even if such approvals are obtained, no assurance can be given as to the terms, conditions and timing of the approvals or that they will satisfy the terms of the Arrangement Agreement. See Summary of the Arrangement Agreement "Conditions Precedent to the Plan of Arrangement" beginning on page 98 for a discussion of the conditions to the completion of the Plan of Arrangement and "The Arrangement Agreement and Plan of Arrangement Regulatory Approvals Required for the Plan of Arrangement and Other Regulatory Matters" beginning on page 92 for a description of the regulatory approvals necessary in connection with the Plan of Arrangement.

**Risk Factors Relating to the Combined Company Following the Plan of Arrangement**

***The failure to integrate successfully the businesses of Atlantic Power and CPILP in the expected timeframe would adversely affect the Combined Company's future results.***

The success of the Plan of Arrangement will depend, in large part, on the ability of the Combined Company to realize the anticipated benefits, including cost savings, from combining the businesses of Atlantic Power and CPILP. To realize these anticipated benefits, the businesses of Atlantic Power and CPILP must be successfully integrated. This integration will be complex and time-consuming. The failure to integrate successfully and to manage successfully the challenges presented by the integration process may result in the Combined Company not fully achieving the anticipated benefits of the Plan of Arrangement.

Potential difficulties that may be encountered in the integration process include the following:

challenges and difficulties associated with managing the larger, more complex, combined business;

conforming standards, controls, procedures and policies, business cultures and compensation structures between the entities;

integrating personnel from the two entities while maintaining focus on developing, producing and delivering consistent, high quality services;

consolidating corporate and administrative infrastructures;

coordinating geographically dispersed organizations;

potential unknown liabilities and unforeseen expenses, delays or regulatory conditions associated with the Plan of Arrangement;

performance shortfalls at one or both of the entities as a result of the diversion of management's attention caused by completing the Plan of Arrangement and integrating the entities' operations; and

the ability of the Combined Company to deliver on its strategy going forward.





Table of Contents

***The growth plans of the Combined Company are dependent on future acquisitions and growth opportunities that may not be realized.***

The ability to expand through acquisitions and growth opportunities is integral to the Combined Company's business strategy and requires that it identifies and consummates suitable acquisition or investment opportunities that meet its investment criteria and are compatible with its growth strategy. The Combined Company may not be successful in identifying and consummating acquisitions or investments that meet its investment criteria on satisfactory terms or at all. The failure to identify and consummate suitable acquisitions, to take advantage of other investment opportunities, or to integrate successfully any acquisitions without substantial expense, delay or other operational or financial problems, would impede the Combined Company's growth and negatively affect its results of operations and cash available for distribution to its shareholders.

***Increased debt and debt service obligations may adversely affect the Combined Company.***

Atlantic Power intends to finance the cash portion of the purchase price to complete the Plan of Arrangement by issuing approximately C\$200.0 million of equity and approximately C\$425.0 million of debt through public and private offerings. However, in the event Atlantic Power is unable to successfully complete such offerings, it may need to borrow up to approximately \$625.0 million pursuant to a senior secured term loan facility. Such facility will be guaranteed by Atlantic Power and each of its existing and subsequently acquired or organized direct or indirect subsidiaries (excluding CPILP and each of its subsidiaries), and to contain covenants restricting certain actions by Atlantic Power and its subsidiaries (including CPILP and its subsidiaries), including financial, affirmative and negative covenants, which may include limitations on the ability to incur indebtedness, create liens and merge and consolidate with other companies, in each case, subject to exceptions and baskets that may be mutually agreed upon by Atlantic Power and the lender parties thereto, the exact terms of which will be negotiated before the effective time for the Plan of Arrangement.

After the Plan of Arrangement, the Combined Company will have an increased amount of indebtedness. On a pro forma basis assuming the Plan of Arrangement was consummated on June 30, 2011, the Combined Company would have had approximately \$1.6 billion of indebtedness. The Combined Company may also obtain additional long-term debt and working capital lines of credit to meet future financing needs, subject to certain restrictions under its existing indebtedness, which would increase its total debt.

The potential significant negative consequences on the Combined Company's financial condition and results of operations that could result from its increased amount of debt include:

limitations on the Combined Company's ability to obtain additional debt or equity financing;

instances in which the Combined Company is unable to meet the financial covenants contained in its debt agreements or to generate cash sufficient to make required debt payments, which circumstances would have the potential of accelerating the maturity of some or all of the Combined Company's outstanding indebtedness;

the allocation of a material portion of the Combined Company's cash flow from operations to service the Combined Company's debt, thus reducing the amount of the Combined Company's cash flow available for other purposes, including funding operating costs and capital expenditures that could improve the Combined Company's competitive position, results of operations or share price;

requiring the Combined Company to sell debt or equity securities or to sell some of its core assets, possibly on unfavorable terms, to meet payment obligations;

Table of Contents

compromising the Combined Company's flexibility to plan for, or react to, competitive challenges in its business and the power industry;

the possibility of the Combined Company being put at a competitive disadvantage with competitors that do not have as much debt as the Combined Company, and competitors that may be in a more favorable position to access additional capital resources in a timely manner; and

limitations on the Combined Company's ability to execute business development activities to support its strategies.

***A downgrade in Atlantic Power's or CPILP's credit ratings or any deterioration in their credit quality could negatively affect the Combined Company's ability to access capital and its ability to hedge and could trigger termination rights under certain contracts.***

A downgrade in Atlantic Power's or CPILP's credit ratings or deterioration in their credit quality could adversely affect the Combined Company's ability to renew existing, or obtain access to new, credit facilities and could increase the cost of such facilities and trigger termination rights or enhanced disclosure requirements under certain contracts to which CPILP is a party. Any downgrade of CPILP's corporate credit rating could cause counterparties and financial derivative markets to require CPILP to post letters of credit or other collateral, make cash prepayments, obtain a guarantee agreement or provide other security, all of which would expose CPILP to additional costs.

***The Plan of Arrangement, if completed, will dilute the ownership position of Atlantic Power's current common shareholders in the Combined Company.***

If the Plan of Arrangement is completed, Atlantic Power would issue approximately 31.5 million common shares in connection with the Plan of Arrangement, representing approximately 31.49% of its outstanding common shares after giving effect to the Plan of Arrangement (based on the number of Atlantic Power common shares outstanding on June 20, 2011, being the date of the Arrangement Agreement, and excluding any common shares that may be issued to finance the cash portion of the purchase price under the Plan of Arrangement). Consequently, following the Plan of Arrangement, Atlantic Power's current shareholders, as a general matter, would have less influence over the management and policies of the Combined Company than they currently exercise over the management and policies of Atlantic Power.

***The Combined Company's results of operations may differ significantly from the unaudited pro forma condensed combined financial information included in this joint proxy statement.***

This joint proxy statement includes unaudited pro forma condensed combined financial statements to illustrate the effects of the Plan of Arrangement on Atlantic Power's historical financial position and operating results. The unaudited pro forma condensed combined statements of income for the fiscal year ended December 31, 2010 and for the six months ended June 30, 2011 combine the historical consolidated statements of income of Atlantic Power and CPILP, giving effect to the Plan of Arrangement, as if it had occurred on January 1, 2010. The unaudited pro forma condensed combined balance sheet as of June 30, 2011 combines the historical consolidated balance sheets of Atlantic Power and CPILP, giving effect to the Plan of Arrangement as if it had occurred on June 30, 2011. This unaudited pro forma financial information is presented for illustrative purposes only and does not necessarily indicate the results of operations or the combined financial position that would have resulted had the Plan of Arrangement been completed as of the dates or at the beginning of the periods presented, as applicable, nor is it indicative of the results of operations in future periods or the future financial position of the Combined Company.

Table of Contents

***The Combined Company is expected to incur significant expenses related to the integration of Atlantic Power and CPILP.***

The Combined Company is expected to incur significant expenses in connection with the Plan of Arrangement and the integration of Atlantic Power and CPILP. There are a large number of processes, policies, procedures, operations, technologies and systems that must be integrated. While Atlantic Power and CPILP have assumed that a certain level of expenses will be incurred, there are many factors beyond their control that could affect the total amount or the timing of the integration expenses. Moreover, many of the expenses that will be incurred are, by their nature, difficult to estimate accurately. These integration expenses likely will result in the Combined Company taking significant charges against earnings following the completion of the Plan of Arrangement, and the amount and timing of such charges are uncertain at present.

***If goodwill or other intangible assets that the Combined Company records in connection with the Plan of Arrangement become impaired, the Combined Company could have to take significant charges against earnings.***

In connection with the accounting for the Plan of Arrangement, the Combined Company expects to record a significant amount of goodwill and other intangible assets. Under U.S. GAAP, the Combined Company must assess, at least annually and potentially more frequently, whether the value of goodwill and other indefinite-lived intangible assets has been impaired. Amortizing intangible assets will be assessed for impairment in the event of an impairment indicator. Any reduction or impairment of the value of goodwill or other intangible assets will result in a charge against earnings, which could materially adversely affect the Combined Company's results of operations and shareholders' equity in future periods.

***Atlantic Power, CPILP and, subsequently, the Combined Company must continue to retain, motivate and recruit executives and other key employees, which may be difficult in light of the uncertainty regarding the Plan of Arrangement, and failure to do so could negatively affect the Combined Company.***

The Combined Company must be successful at retaining, recruiting and motivating key employees following the completion of the Plan of Arrangement. Experienced employees in the power industry are in high demand and competition for their talents can be intense. Employees of both Atlantic Power and CPILP may experience uncertainty about their future role with the Combined Company until, or even after, strategies with regard to the Combined Company are announced or executed. These potential distractions of the Plan of Arrangement may adversely affect the ability of Atlantic Power, CPILP or the Combined Company to attract, motivate and retain executives and other key employees and keep them focused on applicable strategies and goals. A failure by Atlantic Power, CPILP or the Combined Company to retain and motivate executives and other key employees during the period prior to or after the completion of the Plan of Arrangement could have an adverse impact on the business of Atlantic Power, CPILP or the Combined Company.

***The Atlantic Power common shares to be received by CPILP unitholders as a result of the Plan of Arrangement will have different rights from the CPILP units.***

Upon completion of the Plan of Arrangement, many CPILP unitholders will become Atlantic Power shareholders and their rights as shareholders will be governed by Atlantic Power's articles and the *Business Corporations Act* (British Columbia) (the "BCBCA"). The rights associated with CPILP units are different from the rights associated with Atlantic Power common shares. Please see "Comparison of Rights of Atlantic Power Shareholders and CPILP Unitholders" beginning on page 146 for a discussion of the different rights associated with Atlantic Power common shares.

Table of Contents

***There are factors that could cause the Plan of Arrangement not to be accretive and could cause dilution to the Combined Company's distributable cash flow per share, which may negatively affect the market price of the Combined Company's common shares.***

Atlantic Power and CPILP currently anticipate that the Plan of Arrangement will be immediately accretive to distributable cash flow per share of the Combined Company. This expectation is based on preliminary estimates, which may materially change. The Combined Company could also encounter additional transaction and integration-related costs or other factors such as the failure to realize all of the benefits anticipated in the Plan of Arrangement. All of these factors could cause dilution to the Combined Company's distributable cash flow per share or decrease or delay the expected accretive effect of the Plan of Arrangement and cause a decrease in the market price of the Combined Company's common shares. Accordingly, Atlantic Power may not be able to increase its dividends following completion of the Plan of Arrangement as currently planned.

***Atlantic Power and CPI Preferred Equity Ltd. are subject to Canadian tax.***

As a Canadian corporation, Atlantic Power is generally subject to Canadian federal, provincial and other taxes, and dividends paid by it are generally subject to Canadian withholding tax if paid to a shareholder that is not a resident of Canada. In connection with Atlantic Power's conversion from an IPS structure to a traditional common share structure in 2009 and the related reorganization of its organizational structure, Atlantic Power received a note from its primary US holding company (the "**Intercompany Note**"). Atlantic Power is required to include in computing its taxable income interest on the Intercompany Note and following the completion of the Plan of Arrangement, income earned by CPILP. Atlantic Power expects that its existing tax attributes initially will be available to offset this income inclusion such that it will not result in an immediate material increase to its liability for Canadian taxes. However, once Atlantic Power fully utilizes its existing tax attributes (or if, for any reason, these attributes were not available), Atlantic Power's Canadian tax liability would materially increase. Although Atlantic Power intends to explore potential opportunities in the future to preserve the tax efficiency of its structure, no assurances can be given that its Canadian tax liability will not materially increase at that time.

CPI Preferred Equity Ltd., a subsidiary of CPILP, is also a Canadian corporation and is generally subject to Canadian federal, provincial and other taxes. CPI Preferred Equity Ltd. is, and following the completion of the Plan of Arrangement will continue to be, liable to pay material Canadian cash taxes.

***Atlantic Power's prior and current structure, and its incorporation of the CPILP structure following the Plan of Arrangement, may be subject to additional US federal income tax liability.***

Under Atlantic Power's prior IPS structure, Atlantic Power treated the subordinated note represented by such IPS's as debt for US federal income tax purposes. Accordingly, Atlantic Power deducted the interest payments on the subordinated notes and reduced its net taxable income treated as "effectively connected income" for US federal income tax purposes. Under Atlantic Power's current structure, its subsidiaries that are incorporated in the United States are subject to US federal income tax on their income at regular corporate rates (currently as high as 35%, plus state and local taxes), and Atlantic Power's primary US holding company will claim interest deductions with respect to the Intercompany Note in computing its income for US federal income tax purposes. To the extent this interest expense is disallowed or is otherwise not deductible, the US federal income tax liability of Atlantic Power's primary US holding company will increase, which could materially affect the after-tax cash available to distribute to Atlantic Power. While Atlantic Power received advice from its US tax counsel, based on certain representations by Atlantic Power and its primary US holding company and determinations made by its independent advisors, as applicable, that the subordinated notes and the Intercompany Note should be treated as debt for US federal income tax purposes, it is possible that the Internal Revenue Service ("IRS") could successfully challenge those positions and assert that

Table of Contents

subordinated notes or the Intercompany Note should be treated as equity rather than debt for US federal income tax purposes. In this case, the otherwise deductible interest on the subordinated notes or the Intercompany Note would be treated as non-deductible distributions and, in the case of the Intercompany Note, would be subject to US withholding tax to the extent Atlantic Power's primary US holding company had current or accumulated earnings and profits. The determination of whether the subordinated notes and the primary US holding company's indebtedness to Atlantic Power is debt or equity for US federal income tax purposes is based on an analysis of the facts and circumstances. There is no clear statutory definition of debt for US federal income tax purposes, and its characterization is governed by principles developed in case law, which analyzes numerous factors that are intended to identify the nature of the purported creditor's interest in the borrower.

Furthermore, not all courts have applied this analysis in the same manner, and some courts have placed more emphasis on certain factors than other courts have. To the extent it were ultimately determined that the subordinated notes or the Intercompany Note were not debt, Atlantic Power's US federal income tax liability for the applicable open tax years would materially increase, which could materially affect the after-tax cash available to Atlantic Power to distribute. Alternatively, the IRS could argue that the interest on the subordinated notes or the Intercompany Note exceeded or exceeds an arm's length rate, in which case only the portion of the interest expense that does not exceed an arm's length rate may be deductible and, in the case of the Intercompany Note, the remainder would be subject to US withholding tax to the extent Atlantic Power's primary US holding company had current or accumulated earnings and profits. Atlantic Power has received advice from independent advisors that the interest rates on the subordinated notes and the Intercompany Note were, when issued, commercially reasonable under the circumstances, but the advice is not binding on the IRS.

Furthermore, pursuant to the US "earnings stripping" limitations, Atlantic Power's primary US holding company's deductions attributable to the interest expense on the Intercompany Note may be limited by the amount by which its net interest expense (the interest paid by the US holding company on all debt, including the Intercompany Note, less its interest income) exceeds 50% of its adjusted taxable income (generally, US federal taxable income before net interest expense, net operating loss carryovers, depreciation and amortization). Any disallowed interest expense may currently be carried forward to future years. Moreover, proposed legislation has been introduced, though not enacted, several times in recent years that would further limit the 50% of adjusted taxable income cap described above to 25% of adjusted taxable income, although recent proposals in the Fiscal Year Budget for 2010 would only apply the revised rules to certain foreign corporations that were expatriated. Furthermore, if Atlantic Power's primary US holding company does not make regular interest payments as required under the Intercompany Note, other limitations on the deductibility of interest under US federal income tax laws could apply to defer and/or eliminate all or a portion of the interest deduction that the US holding company would otherwise be entitled to with respect to the Intercompany Note.

CPILP's US structure has in place intercompany financing arrangements (the "**CPILP Financing Arrangements**"). While CPILP has received advice from its US accountants, based on certain representations by its holding companies, that the payments on the CPILP Financing Arrangements should be deductible for US federal income tax purposes, it is possible that the IRS could successfully challenge the deductibility of these payments. If the IRS were to succeed in characterizing these payments as non-deductible, the adverse consequences discussed above with respect to the Intercompany Loan could apply in connection with the CPILP Financing Arrangements. In addition, even if the payments are respected as interest, the deduction thereof could nevertheless be limited by the earnings stripping limitations, as discussed in the preceding paragraph. The earnings stripping limitations will also apply to other indebtedness of CPILP's US group that is guaranteed by CPILP or Atlantic Power. Finally, the applicability of recent changes to the US-Canada Income Tax Treaty to the structure associated with certain of the CPILP Financing Arrangements may result in distributions from CPILP's US group to its Canadian parent being subject to a 30% rate of withholding tax instead of the 5% rate that would otherwise have applied.

Table of Contents

**CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This joint proxy statement and the documents incorporated by reference herein contain forward-looking statements within the meaning of the *Private Securities Litigation Reform Act of 1995* with respect to the financial condition, results of operations, business strategies, operating efficiencies, synergies, revenue enhancements, competitive positions, plans and objectives of management and growth opportunities of Atlantic Power and CPILP, and with respect to the Plan of Arrangement and the markets for CPILP units and Atlantic Power common shares and other matters. Statements in this joint proxy statement and the documents incorporated by reference herein that are not historical facts are hereby identified as forward-looking statements for the purpose of the safe harbor provided by Section 27A of the Securities Act and Section 21E of the Exchange Act and forward-looking information within the meaning defined under applicable Canadian securities legislation (collectively, "**forward-looking statements**").

These forward-looking statements relate to, among other things, the expected benefits of the Plan of Arrangement, such as accretion, the ability to pay increased dividends, enhanced cash flow, growth potential, liquidity and access to capital, market profile and financial strength; the position of the Combined Company; and the expected timing of the completion of the transaction.

Forward-looking statements can generally be identified by the use of words such as "should," "intend," "may," "expect," "believe," "anticipate," "estimate," "continue," "plan," "project," "will," "could," "would," "target," "potential" and other similar expressions. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances are forward-looking statements. Although Atlantic Power and CPILP believe that the expectations reflected in such forward-looking statements are reasonable, such statements involve risks and uncertainties, and undue reliance should not be placed on such statements. Certain material factors or assumptions are applied in making forward-looking statements, including, but not limited to, factors and assumptions regarding the items outlined above. Actual results may differ materially from those expressed or implied in such statements. Important factors that could cause actual results to differ materially from these expectations include, among other things:

the failure to receive, on a timely basis or otherwise, the required approvals by Atlantic Power shareholders, CPILP unitholders and government or regulatory agencies (including the terms of such approvals);

the risk that a condition to closing of the Plan of Arrangement may not be satisfied;

the possibility that the anticipated benefits and synergies from the Plan of Arrangement cannot be fully realized or may take longer to realize than expected;

the possibility that costs or difficulties related to the integration of Atlantic Power and CPILP operations will be greater than expected;

the ability of the Combined Company to retain and hire key personnel and maintain relationships with customers, suppliers or other business partners;

the impact of legislative, regulatory, competitive and technological changes; the risk that the credit ratings of the Combined Company may be different from what the companies expect; and

other risk factors relating to the power industry, as detailed from time to time in Atlantic Power's filings with the Securities and Exchange Commission ("**SEC**") and the Canadian Securities Administrators (the "**CSA**"), and CPILP's filings with the CSA.

Additional information about these factors and about the material factors or assumptions underlying such forward-looking statements may be found in this joint proxy statement, as well as under Item 1A in Atlantic Power's Annual Report on Form 10-K for the fiscal year ended



Table of Contents

December 31, 2010, as updated by subsequent Quarterly Reports on Form 10-Q, all of which are filed with the SEC and have been delivered with, and/or incorporated by reference into, this joint proxy statement. These important factors also include those set forth under the section entitled "Risk Factors", beginning on page 23 of the joint proxy statement.

Readers are cautioned that any forward-looking statement speaks only as of the date of this joint proxy statement or, if such statement is included in a document incorporated by reference into this joint proxy statement, as of the date of such other document. Neither Atlantic Power nor CPILP undertakes any obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise, except as may be required by applicable law. Atlantic Power and CPILP caution further that, as it is not possible to predict or identify all relevant factors that may impact forward-looking statements, the foregoing list should not be considered a complete statement of all potential risks and uncertainties.



Table of Contents

**THE ENTITIES**

**Atlantic Power Corporation**

Atlantic Power owns and operates a diverse fleet of power generation and infrastructure assets in the United States. Atlantic Power's generation projects sell electricity to utilities and other large commercial customers under long-term PPAs, which seek to minimize exposure to changes in commodity prices. Atlantic Power's power generation projects in operation have an aggregate gross electric generation capacity of approximately 1,948 MW in which Atlantic Power's ownership interest is approximately 871 MW. Atlantic Power's corporate strategy is to generate stable cash flows from Atlantic Power's existing assets and to make accretive acquisitions to sustain Atlantic Power's dividend payout to shareholders, which is currently paid monthly at an annual rate of C\$1.094 per share. Atlantic Power's current portfolio consists of interests in 12 operational power generation projects across nine states, one 53.5 MW biomass project under construction in Georgia, and an 84-mile, 500 kilovolt electric transmission line located in California. Atlantic Power also owns a majority interest in Rollcast Energy, a biomass power plant developer with several projects under development.

Atlantic Power sells the capacity and power from its projects under PPAs with a variety of utilities and other parties. Under the PPAs, which have expiration dates ranging from 2012 to 2037, Atlantic Power receives payments for electric energy sold to its customers (known as energy payments), in addition to payments for electric generation capacity (known as capacity payments). Atlantic Power also sells steam from a number of its projects under steam sales agreements to industrial purchasers. The transmission system rights owned by Atlantic Power in its power transmission project entitle it to payments indirectly from the utilities that make use of the transmission line.

Atlantic Power's projects generally operate pursuant to long-term supply agreements, typically accompanied by fuel transportation arrangements. In most cases, the fuel supply and transportation arrangements correspond to the term of the relevant PPAs and most of the PPAs and steam sales agreements provide for the pass-through or indexing of fuel costs to Atlantic Power's customers.

Atlantic Power partners with recognized leaders in the independent power business to operate and maintain its projects, including Caithness Energy LLC, Power Plant Management Services and the Western Area Power Administration. Under these operation, maintenance and management agreements, the operator is typically responsible for operations, maintenance and repair services.

Atlantic Power's common shares trade on the NYSE under the symbol "AT" and on the TSX under the symbol "ATP". Additional information about Atlantic Power is included in documents, which are delivered with, and/or incorporated by reference into, this joint proxy statement. See "Where You Can Find More Information" beginning on page 154.

Atlantic Power is a corporation continued under the laws of the Province of British Columbia. Atlantic Power's headquarters are located at 200 Clarendon Street, Floor 25, Boston, Massachusetts, USA 02116, telephone number 617-977-2400. Atlantic Power's registered office is located at 355 Burrard Street, Suite 1900, Vancouver, British Columbia, Canada V6C 2G8.

**Capital Power Income L.P.**

CPILP's primary business is the ownership and operation of power plants in Canada and the United States, which generate electricity and steam, from which it derives its earnings and cash flows. The power plants generate electricity and steam from a combination of natural gas, waste heat, wood waste, water flow, coal and tire-derived fuel. CPILP's generation projects sell electricity to utilities and other large commercial customers under long-term PPAs, which seek to minimize exposure to changes in commodity prices. At present, CPILP's portfolio consists of 19 wholly-owned power generation assets located in both Canada (in the provinces of British Columbia and Ontario) and the United States (in the states of California, Colorado, Illinois, New Jersey, New York and North Carolina), a 50.15%

Table of Contents

interest in a power generation asset in Washington State, and a 14.3% common equity interest in Primary Energy Recycling Holdings LLC. CPILP's assets have a total net generating capacity of 1,400 MW and more than four million pounds per hour of thermal energy.

The CPILP units trade on the TSX under the symbol "CPA.UN".

CPILP is a limited partnership created under the laws of the Province of Ontario pursuant to a limited partnership agreement dated March 27, 1997, as amended, which we refer to in this joint proxy statement as CPILP's partnership agreement. CPILP is only permitted to carry on activities that are directly or indirectly related to the energy supply industry and to hold investments in other entities which are primarily engaged in such industry. The head office of CPILP is located at 10065 Jasper Avenue, Edmonton, Alberta, T5J 3B1. The registered office of CPILP is 200 University Avenue, Toronto, Ontario, M5H 3C6, telephone number 1-866-896-4636 (toll free). See "Information Regarding CPILP" beginning on page 125.

**CPI Income Services Ltd.**

The General Partner is the general partner of CPILP and is responsible for the management of CPILP. Pursuant to CPILP's partnership agreement, the General Partner is prohibited from undertaking any business activity other than acting as general partner of CPILP. The General Partner has engaged the Manager, which consists of two subsidiaries of Capital Power, to perform management and administrative services for CPILP and to operate and maintain CPILP's power plants pursuant to certain management and operations agreements. The management and operations agreements will be terminated and/or assigned in connection with the Plan of Arrangement in consideration for the payment of an aggregate of C\$10.0 million. See "Summary of the Arrangement Agreement Summaries of Other Agreements Relating to the Arrangement Management Agreements Termination Agreement and Management Agreement Assignment Agreement" beginning on page 110.

The General Partner was incorporated on February 13, 1997 under the CBCA. The General Partner is a wholly-owned subsidiary of CPI Investments. The head and registered office of The General Partner is located at 10065 Jasper Avenue, Edmonton, Alberta, T5J 3B1, telephone number 1-866-896-4636 (toll free).

**CPI Investments Inc.**

CPI Investments is a holding company that owns 100% of the shares of the General Partner and, together with the CPILP units held by the General Partner, 29.18% of the outstanding CPILP units.

Capital Power LP holds a 49% voting interest and a 100% economic interest in CPI Investments and EPCOR holds the other 51% voting interest in CPI Investments. Pursuant to the shareholders agreement in respect of CPI Investments, CPILP and EPCOR agreed that the board of directors of CPI Investments shall consist of three directors and EPCOR is entitled to nominate one person for election to the board of directors of CPI Investments.

CPI Investments was incorporated on February 12, 2009 under the CBCA. The head and registered office of CPI Investments is located at TD Tower, 5th Floor, 10088-102 Avenue, Edmonton, Alberta, Canada, T5J 2Z1, telephone number 1-866-896-4636 (toll free).

Table of Contents

**THE ATLANTIC POWER SPECIAL MEETING**

**Date, Time and Place**

The special meeting of Atlantic Power shareholders will be held at the King Edward Hotel, Hampstead Room, 37 King Street East, Toronto, Ontario, on November 1, 2011, at 9:00 a.m. (Toronto time).

**Purpose of the Special Meeting**

At the Atlantic Power special meeting, Atlantic Power shareholders will be asked to vote on the following resolutions:

to consider, and if thought advisable, to approve, with or without variation, the Share Issuance Resolution, the full text of which is set forth in Annex F to this management proxy circular and joint proxy statement, authorizing Atlantic Power to issue such number of common shares in the capital of Atlantic Power as is necessary to complete the Arrangement, being 1.3 Atlantic Power common shares for each CPILP unit to a maximum of 31,500,221 Atlantic Power common shares pursuant to the terms of the Arrangement Agreement (all as more particularly described in this joint proxy statement);

to consider, and if thought advisable, to approve, with or without variation, the Adjournment Resolution, the full text of which is set forth in Annex F to this management proxy circular and joint proxy statement, granting to the proxy holders the authority to vote in their discretion with respect to the approval of any proposal to postpone or adjourn the special meeting to a later date for a reasonable business purpose, including to solicit additional proxies in favor of the approval of the Share Issuance Resolution if there are not sufficient votes for its approval at the special meeting; and

to transact such further or other business as may properly come before the Atlantic Power special meeting or any adjournments or postponements thereof.

**Recommendations of the Board of Directors of Atlantic Power**

At a meeting held on June 19, 2011, after considering, Atlantic Power's board of directors unanimously determined that the Arrangement and the other transactions contemplated by the Arrangement Agreement, including the issuance of Atlantic Power common shares necessary to complete the Arrangement, are in the best interests of Atlantic Power and are fair to its stakeholders. **Accordingly, the Atlantic Power board of directors unanimously recommends that the Atlantic Power shareholders vote "FOR" the Share Issuance Resolution.** For a discussion of the material factors considered by the Atlantic Power board of directors in reaching its conclusions, see "The Arrangement Agreement and Plan of Arrangement Atlantic Power's Reasons for the Agreement; Recommendations of the Atlantic Power Board of Directors" beginning on page 58.

Atlantic Power shareholders should carefully read this joint proxy statement in its entirety for more detailed information concerning the Plan of Arrangement and the Arrangement Agreement. In addition, Atlantic Power shareholders are directed to the Arrangement Agreement which is included as Annex A in this joint proxy statement.

**Share Issuance Resolution**

Pursuant to the rules of the NYSE and TSX, securityholder approval is required in instances where the number of securities issued or issuable in payment of the purchase price in a transaction such as the Plan of Arrangement exceeds 20% (NYSE) or 25% (TSX) of the number of securities of the listed issuer which are outstanding, on a non-diluted basis. Because the Arrangement Agreement

Table of Contents

contemplates the issuance of Atlantic Power common shares in excess of these thresholds on a non-diluted basis, the rules of the NYSE and TSX require that Atlantic Power must obtain approval of the Share Issuance Resolution by the holders of a majority of the Atlantic Power common shares represented in person or by proxy at the Atlantic Power special meeting.

On the date of this joint proxy statement, there were approximately 69 million outstanding Atlantic Power common shares. Pursuant to the Plan of Arrangement, Atlantic Power will issue approximately 31.5 million Atlantic Power common shares (equal to approximately 46% of Atlantic Power's current issued and outstanding common shares).

**Adjournment Resolution**

Atlantic Power shareholders will be asked to vote on a resolution granting proxy holders the authority to vote in their discretion with respect to the approval of any proposal to postpone or adjourn the special meeting to a later date for a reasonable business purpose, including to solicit additional proxies in favor of the approval of the Share Issuance Resolution if there are not sufficient votes in favor of such approval. Although it is not currently expected, the special meeting may need to be adjourned for, among other things, the purpose of soliciting additional proxies. Any adjournment to a date within 30 days of the original meeting date may be made without notice by announcement at the special meeting of the new date, time and place of the special meeting. If the adjourned meeting is to be held after 30 days of the original meeting date, then written notice of the date, time and place of the adjourned meeting will need to be provided to all shareholders in accordance with the requirements under applicable law. At the postponed or adjourned meeting, Atlantic Power may transact any business that might have been transacted at the original special meeting.

**Record Date; Shares Entitled to Vote**

Only holders of Atlantic Power common shares at the close of business on October 3, 2011, the record date for the Atlantic Power special meeting, will be entitled to notice of, and to vote at, the Atlantic Power special meeting or any adjournments or postponements thereof, except to the extent the shareholder has transferred any such common shares after the record date and the transferee of such common shares establishes ownership thereof and makes a written demand to the Corporate Secretary of Atlantic Power, not later than 10 days before the date of the special meeting, to be included in the list of shareholders entitled to vote at the special meeting, in which case the transferee will be entitled to vote such common shares. On the date of this joint proxy statement, there were outstanding a total of 68,986,977 Atlantic Power common shares. Each outstanding Atlantic Power common share is entitled to one vote on the Share Issuance Resolution, the Adjournment Resolution and any other matter properly coming before the Atlantic Power special meeting. The Atlantic Power common shares represented by the proxy will be voted for, voted against or withheld from voting in accordance with the instructions of the shareholder on any ballot that may be called for. If the shareholder specifies that the shares registered in the shareholder's name be voted for, voted against or withheld with respect to any matter to be acted upon, the shares will be voted accordingly.

**Share Ownership by and Voting Rights of Directors and Executive Officers**

On the date of this joint proxy statement, Atlantic Power's directors and executive officers and their affiliates beneficially owned and had the right to vote approximately 0.36 million Atlantic Power common shares at the Atlantic Power special meeting, which represents approximately 0.01% of the Atlantic Power common shares entitled to vote at the Atlantic Power special meeting. Each of the directors and officers of Atlantic Power have indicated their intention to vote in favor of the Share Issuance Resolution.

Table of Contents

**Quorum**

A quorum must be present at the Atlantic Power special meeting for any business to be conducted. Pursuant to Atlantic Power's articles, the presence of two persons, present in person, each being an Atlantic Power shareholder entitled to vote or a duly appointed proxy for an Atlantic Power shareholder so entitled constitutes a quorum.

**Required Vote**

The Share Issuance Resolution and the Adjournment Resolution will be approved if a majority of the votes cast by Atlantic Power shareholders, either in person or by proxy at the Atlantic Power special meeting, vote in favor of the resolutions. Notwithstanding the foregoing, the Share Issuance Resolution provides that the board of directors of Atlantic Power may, without further notice to, or approval of, the shareholders of Atlantic Power, subject to the terms of the Arrangement Agreement or the Plan of Arrangement, amend or terminate the Arrangement Agreement or the Plan of Arrangement, not proceed with the Arrangement, or revoke or abandon all or any part of the Share Issuance Resolution at any time prior to the effective time of the Plan of Arrangement.

**Failure to Vote and Broker Non-Votes**

If you are an Atlantic Power shareholder and fail to vote or fail to instruct your broker, investment dealer or other intermediary to vote, it will have no effect on any of the Atlantic Power proposals, assuming a quorum is present.

**Appointment of Proxyholder**

The persons designated by management of Atlantic Power in the enclosed proxy card are Irving Gerstein and John McNeil. **Each Atlantic Power shareholder has the right to appoint as proxyholder a person or company, who need not be a shareholder of Atlantic Power, other than the persons designated by management of Atlantic Power in the enclosed form of proxy, to attend and act on the shareholder's behalf at the Atlantic Power special meeting or at any adjournment or postponement thereof.** Such right may be exercised by inserting the name of the person or company in the blank space provided in the enclosed proxy card or by completing another proxy card.

A document appointing a proxy must be in writing and completed and signed by a shareholder or his or her attorney authorized in writing or, if the shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized. Instructions provided to the agent by a shareholder must be in writing and completed and signed by the shareholder or his or her attorney authorized in writing or, if the shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized. Persons signing as officers, attorneys, executors, administrators, and trustees or similarly otherwise should so indicate and provide satisfactory evidence of such authority.

**Record Holders**

If you are a registered holder of Atlantic Power common shares as of the close of business on the record date for the Atlantic Power special meeting, a form of proxy is enclosed for your use. Atlantic Power requests that you vote your shares by telephone or through the Internet, or sign the accompanying form of proxy and return it promptly in the enclosed postage-paid envelope. Information and applicable deadlines for voting by telephone or through the Internet are set forth on the enclosed form of proxy. When the enclosed form of proxy is returned completed and properly executed, the Atlantic Power common shares represented by it will be voted at the Atlantic Power special meeting or any adjournment or postponement thereof in accordance with the instructions contained in the form of proxy and if the shareholder specifies a choice with respect to any matter to be acted upon, the Atlantic Power common shares will be voted accordingly. Your telephone or Internet vote authorizes the named proxies to vote your shares in the same manner as if you had completed, signed and returned a form of proxy.

Table of Contents

**Your vote is important. Accordingly, if you are a registered holder of Atlantic Power common shares as of the close of business on the record date, please sign and return the enclosed form of proxy or vote via telephone or the Internet whether or not you plan to attend the Atlantic Power special meeting in person.**

**If a proxy is signed and returned without an indication as to how the Atlantic Power common shares represented are to be voted with regard to a particular proposal, the Atlantic Power common shares represented by the proxy will be voted in favor of the Share Issuance Resolution and in favor of the Adjournment Resolution.** At the date hereof, the Atlantic Power board of directors has no knowledge of any business that will be presented for consideration at the special meeting and which would be required to be set forth in this joint proxy statement or the related Atlantic Power proxy other than the matters set forth in Atlantic Power's Notice of Special Meeting of Shareholders. Business transacted at the Atlantic Power special meeting is expected to be limited to those matters set forth in such notice. Nonetheless, if any amendments to matters identified in the accompanying Notice of Atlantic Power Special Meeting of Shareholders or any other matter is properly presented at the Atlantic Power special meeting for consideration, it is intended that the persons named in the enclosed proxy and acting thereunder will vote in accordance with their best judgment and pursuant to such discretionary authority on such matter. It is anticipated that a representative of KPMG LLP will attend the meeting, will have an opportunity to make a statement if he or she desires to do so and will be available to respond to appropriate questions.

**Shares Held in Street Name/Non-Registered Shareholders**

The proxy card provided with this joint proxy statement will indicate whether or not you are a registered shareholder. Non-registered shareholders hold their Atlantic Power common shares through intermediaries, such as banks, trust companies, securities dealers or brokers. If you are a non-registered shareholder, the intermediary holding your Atlantic Power common shares should provide a voting instruction form which you must complete by using any one of the methods outlined therein. This voting instruction form will constitute voting instructions that the intermediary must follow and should be returned in accordance with the instructions to ensure it is counted for the Atlantic Power special meeting. In order to expedite your vote, you may vote by using a touch-tone telephone or via the Internet, following the instructions outlined on the voting instruction form.

If, as a non-registered shareholder, you wish to attend the Atlantic Power special meeting and vote your common shares in person, or have another person attend and vote your common shares on your behalf, you should fill your own name, or the name of your appointee, in the space provided on the voting instruction form. An intermediary's voting instruction form will likely provide corresponding instructions to cast your vote in person. In either case, you should carefully follow the instructions provided by the intermediary and contact the intermediary promptly if you need help.

A non-registered shareholder may revoke a proxy or voting instruction which has been previously given to an intermediary by written notice to the intermediary. In order to ensure that the intermediary acts upon a revocation, the written notice should be received by the intermediary well in advance of the Atlantic Power special meeting.

**Revocability of Proxy; Changing Your Vote**

*If you are a registered holder of Atlantic Power common shares as of the close of business on the record date for the Atlantic Power special meeting:* You can change your vote at any time before the start of the Atlantic Power special meeting, unless otherwise noted. In addition to revocation in any other manner permitted by law, you can do this in one of the following ways:

you can grant a new, valid proxy bearing a later date (including by telephone or Internet);

you can deposit a signed notice of revocation at Atlantic Power's registered office at any time up to and including the last business day preceding the day of the Atlantic Power special meeting

Table of Contents

(or any adjournment or postponement thereof) or with the chair of the Atlantic Power special meeting on the day of the Atlantic Power special meeting (or any adjournment or postponement thereof); or

you can attend the special meeting and vote in person, which will automatically cancel any proxy previously given, or you may revoke your proxy in person, but your attendance alone will not revoke any proxy that you have previously given.

If you choose any of the foregoing methods, your notice of revocation or your new proxy must be received by Atlantic Power no later than the beginning of the Atlantic Power special meeting. If you have voted your shares by telephone or through the Internet, you may revoke your prior telephone or Internet vote by any manner described above.

*If you hold Atlantic Power common shares in "street name":* You must contact your broker, investment dealer or other intermediary in writing to change your vote. In order to ensure that the broker, investment dealer or other intermediary acts upon revocation, the written notice should be received by the broker, investment dealer or other intermediary well in advance of your special meeting.

**Additional Disclosure Required by Canadian Securities Laws**

***Solicitation of Proxies***

**Management of Atlantic Power is soliciting proxies for use at the Atlantic Power special meeting or at any adjournment or postponement thereof.** In accordance with the Arrangement Agreement, the cost of proxy solicitation for the Atlantic Power special meeting will be borne by Atlantic Power. In addition to the use of the mail, proxies may be solicited by directors, officers and other employees of Atlantic Power, without additional remuneration, by personal interview, telephone, facsimile or otherwise. Atlantic Power will also request brokerage firms, nominees, custodians and fiduciaries to forward proxy materials to the beneficial owners of shares and will provide customary reimbursement to such firms for the cost of forwarding these materials.

***Principal Shareholders***

To the knowledge of the directors of Atlantic Power, there are no persons that beneficially own or exercise control or direction over Atlantic Power common shares carrying 10% or more of the votes attached to the issued and outstanding Atlantic Power common shares. See "Information Regarding Atlantic Power Security Ownership of Certain Beneficial Owners and Management" beginning on page 123.

***Executive Compensation***

Disclosure regarding compensation of the directors of Atlantic Power, compensation of the named executive officers of Atlantic Power, the equity compensation plans of Atlantic Power and Atlantic Power's compensation discussion and analysis may be found at pages C-13 to C-30 of Atlantic Power's management information circular filed on SEDAR on May 2, 2011 under the headings "Compensation Discussion and Analysis," "Summary Compensation Table," "Outstanding Share-Based Awards," "Stock Vested," "Equity Compensation Plan Information," "Employment Contracts," "Termination and Change of Control Benefits," "Compensation Risk Assessment" and "Compensation of Directors," which sections are incorporated by reference herein.

Table of Contents

***Directors' and Officers' Insurance and Indemnification***

Atlantic Power has obtained a directors' and officers' policy of insurance for directors and officers of the Atlantic Power and its subsidiaries that provides an aggregate limit of liability to the insured directors, officers and corporations of C\$40.0 million.

The articles of Atlantic Power also provide for the indemnification of the directors and officers from and against liability and costs in respect of any action or suit against them in connection with the execution of their duties of office, subject to certain limitations.

***Interest of Informed Persons in Material Transactions***

To the knowledge of the directors of Atlantic Power, other than as disclosed under the heading "The Atlantic Power Special Meeting Directors' and Officers' Insurance and Indemnification," no insider, director or any associate or affiliate of any such persons, had any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any material transaction with Atlantic Power since the commencement of Atlantic Power's last financial period.

The board of directors will review and approve all relationships and transactions in which Atlantic Power and any of the its directors and executive officers and their immediate family members, as well as holders of more than 5% of any class of its voting securities and their family members, have a direct or indirect material interest. In approving or rejecting such proposed relationships and transactions, the board shall consider the relevant facts and circumstances available and deemed relevant to this determination. Atlantic Power's Nominating and Governance Committee is responsible under its charter for monitoring compliance with the Code of Business Conduct and Ethics.



Table of Contents

**THE CPILP SPECIAL MEETING**

**Date, Time and Place**

The special meeting of CPILP unitholders will be held at Crowne Plaza, 10111 Bellamy Hill, Salon B, Edmonton, Alberta, on November 1, 2011, at 9:00 a.m. (Edmonton time).

**Purpose of the Special Meeting**

At the CPILP special meeting, CPILP unitholders will be asked:

to consider, and, if thought advisable, to pass, with or without variation, pursuant to the Interim Order of the Court of Queen's Bench of Alberta, the Arrangement Resolution, the full text of which is set forth in Annex G to this management proxy circular and joint proxy statement, to approve an arrangement under section 192 of the CBCA (all as more particularly described in this joint proxy statement); and

to transact such further or other business as may properly come before the CPILP special meeting or any adjournments or postponements thereof.

**Recommendations of the Board of Directors of the General Partner**

At a meeting held on June 19, 2011, after considering, among other things, the oral opinions of CIBC and Greenhill, subsequently confirmed in writing, the full text of which are attached as Annexes D and E, respectively, of this joint proxy statement, the members of the board of directors of the General Partner entitled to vote, being the independent directors of the General Partner, determined unanimously that the Arrangement is in the best interests of CPILP and is fair to the CPILP unitholders and resolved unanimously to recommend to the CPILP unitholders that they vote in favor of the Arrangement. The members of the board of directors of the General Partner entitled to vote also unanimously approved the Arrangement and the execution and performance of the Arrangement Agreement. **Accordingly, the board of directors of the General Partner unanimously recommends that the CPILP unitholders vote "FOR" the approval of the Arrangement Resolution.** For a discussion of the material factors considered by the board of directors of the General Partner in reaching its conclusions, see "The Arrangement Agreement and Plan of Arrangement CPILP's Reasons for the Plan of Arrangement; Recommendations of the Board of Directors of the General Partner" beginning on page 81.

CPILP unitholders should carefully read this joint proxy statement in its entirety for more detailed information concerning the Plan of Arrangement and the Arrangement Agreement. In addition, CPILP unitholders are directed to the Arrangement Agreement which is included as Annex A in this joint proxy statement.

**Record Date; Units Entitled to Vote**

Only holders of CPILP units at the close of business on September 21, 2011, the record date for the CPILP special meeting, will be entitled to notice of, and to vote at, the CPILP special meeting or any adjournments or postponements thereof. On the record date, there were outstanding a total of 56,597,899 CPILP units. Each outstanding CPILP unit is entitled to one vote on each proposal and any other matter properly coming before the CPILP special meeting.

**Unit Ownership by and Voting Rights of Directors and Executive Officers**

On the CPILP record date, CPILP's directors and executive officers and their affiliates beneficially owned and had the right to vote 41,430 CPILP units at the CPILP special meeting, which represents

Table of Contents

approximately 0.07% of the CPILP units entitled to vote at the CPILP special meeting. It is expected that CPILP's directors and executive officers will vote in favor of all resolutions.

**Quorum**

**A quorum must be present at the CPILP special meeting for any business to be conducted. Pursuant to the limited partnership agreement of CPILP, the quorum for the CPILP special meeting is one or more CPILP unitholders present in person or by proxy representing at least 10% of the outstanding units.**

**Required Vote**

Pursuant to the Interim Order, the number of votes required to pass the Arrangement Resolution shall be not less than 66<sup>2</sup>/<sub>3</sub>% of the votes cast by CPILP unitholders, either in person or by proxy, at the CPILP special meeting. In addition, the Arrangement Resolution must be approved by a simple majority of the votes cast by the CPILP unitholders present in person or by proxy at the CPILP special meeting, after excluding those votes required to be excluded pursuant to the minority approval provisions of MI 61-101, being the votes of "interested parties" and their related parties and joint actors, which include the General Partner and CPI Investments. Notwithstanding the foregoing, the Arrangement Resolution authorizes the board of directors of the General Partner, without further notice to, or approval of, the CPILP unitholders, subject to the terms of the Plan of Arrangement and the Arrangement Agreement, to amend or terminate the Plan of Arrangement or the Arrangement Agreement or, subject to the terms of the Arrangement Agreement, to decide not to proceed with the Arrangement at any time prior to the Plan of Arrangement becoming effective pursuant to the provisions of the CBCA. See "The Arrangement Agreement and Plan of Arrangement Canadian Securities Laws Matters" beginning on page 89.

**Failure to Vote and Broker Non-Votes**

If you are a CPILP unitholder and fail to vote or fail to instruct your broker, investment dealer or other intermediary to vote, it will have no effect on any of the CPILP proposals, assuming a quorum is present.

**Appointment of Proxyholder**

The persons designated by management of the General Partner in the enclosed proxy card are Stuart A. Lee, a director and president of the General Partner, and Anthony Scozzafava, the chief financial officer of the General Partner. **Each CPILP unitholder has the right to appoint as proxyholder a person or company, who need not be a unitholder of CPILP, other than the persons designated by management of the General Partner in the enclosed form of proxy, to attend and act on the unitholder's behalf at the CPILP special meeting or at any adjournment or postponement thereof.** Such right may be exercised by inserting the name of the person or company in the blank space provided in the enclosed proxy card or by completing another proxy card.

**Record Holders**

CDS Clearing and Depository Services Inc. is the only registered holder of CPILP units. All other holders of CPILP units are non-registered holders. See "Units Held in Street Name/Non-Registered CPILP Unitholders" beginning on page 43. If you are a registered holder of CPILP units as of the close of business on the record date for the CPILP special meeting, a proxy card is enclosed for your use. CPILP requests that you vote your shares by telephone or through the Internet, or sign the accompanying proxy card and return it promptly in the enclosed postage-paid envelope. Information and applicable deadlines for voting by telephone or through the Internet are set forth on the enclosed

Table of Contents

proxy card. When the enclosed proxy card is returned properly executed, the CPILP units represented by it will be voted at the CPILP special meeting or any adjournment or postponement thereof in accordance with the instructions contained in the proxy card and if the unitholder specifies a choice with respect to any matter to be acted upon, the CPILP units will be voted accordingly. Your telephone or Internet vote authorizes the named proxies to vote your units in the same manner as if you had marked, signed and returned a proxy card.

**Your vote is important. Accordingly, if you are a registered holder of CPILP units as of the close of business on the record date, please sign and return the enclosed proxy card or vote via telephone or the Internet whether or not you plan to attend the CPILP special meeting in person.**

If a proxy card is signed and returned without an indication as to how the CPILP units represented are to be voted with regard to a particular proposal, the CPILP units represented by the proxy will be voted in accordance with the recommendations of the General Partner's board of directors. At the date hereof, the board of directors of the General Partner has no knowledge of any business that will be presented for consideration at the special meeting and which would be required to be set forth in this joint proxy statement or the related CPILP proxy card other than the matters set forth in CPILP's Notice of Special Meeting of Unitholders. Business transacted at the CPILP special meeting is expected to be limited to those matters set forth in such notice. Nonetheless, if any amendments to matters identified in the accompanying Notice of CPILP Special Meeting of Unitholders or any other matter is properly presented at the CPILP special meeting for consideration, it is intended that the persons named in the enclosed proxy card and acting thereunder will vote in accordance with their best judgment and pursuant to such discretionary authority on such matter.

**Units Held in Street Name/Non-Registered CPILP Unitholders**

The proxy card provided with this joint proxy statement will indicate whether or not you are a registered unitholder. All holders other than CDS Clearing and Depositary Services Inc. are non-registered holders. Non-registered unitholders hold their CPILP units through intermediaries, such as banks, trust companies, securities dealers or brokers. If you are a non-registered unitholder, the intermediary holding your CPILP units should provide a voting instruction form which you must complete by using any one of the methods outlined therein. This voting instruction form will constitute voting instructions that the intermediary must follow and should be returned in accordance with the instructions to ensure it is counted for the CPILP special meeting. In order to expedite your vote, you may vote by using a touch-tone telephone or via the Internet, following the instructions outlined on the voting instruction form.

If, as a non-registered unitholder, you wish to attend the CPILP special meeting and vote your units in person, or have another person attend and vote your units on your behalf, you should fill your own name, or the name of your appointee, in the space provided on the voting instruction form. An intermediary's voting instruction form will likely provide corresponding instructions to cast your vote in person. In either case, you should carefully follow the instructions provided by the intermediary and contact the intermediary promptly if you need help.

A non-registered unitholder may revoke a proxy or voting instruction which has been previously given to an intermediary by written notice to the intermediary. In order to ensure that the intermediary acts upon a revocation, the written notice should be received by the intermediary well in advance of the CPILP special meeting.

**Revocability of Proxy; Changing Your Vote**

*If you are a registered holder of CPILP units as of the close of business on the record date for the CPILP special meeting:* You can change your vote at any time before the start of your special meeting,

Table of Contents

unless otherwise noted. In addition to revocation in any other manner permitted by law, you can do this in one of the following ways:

you can grant a new, valid proxy bearing a later date (including by telephone or Internet);

you can deposit a signed notice of revocation at CPILP's registered office at any time up to and including the last business day preceding the day of the CPILP special meeting (or any adjournment or postponement thereof) or with the chair of the CPILP special meeting on the day of the CPILP special meeting (or any adjournment or postponement thereof); or

you can attend the special meeting and vote in person, which will automatically cancel any proxy previously given, or you may revoke your proxy in person, but your attendance alone will not revoke any proxy that you have previously given.

If you choose any of the foregoing methods, your notice of revocation or your new proxy must be received by CPILP no later than the beginning of the CPILP special meeting. If you have voted your units by telephone or through the Internet, you may revoke your prior telephone or Internet vote by any manner described above.

*If you hold CPILP units in "street name":* You must contact your broker, investment dealer or other intermediary in writing to change your vote. In order to ensure that the broker, investment dealer or other intermediary acts upon revocation, the written notice should be received by the broker, investment dealer or other intermediary well in advance of your special meeting.

**Solicitation of Proxies**

**The management of the General Partner is soliciting proxies for use at the CPILP special meeting or at any adjournment or postponement thereof.** In accordance with the Arrangement Agreement, the cost of proxy solicitation for the CPILP special meeting will be borne by CPILP. In addition to the use of the mail, proxies may be solicited by directors, officers and other employees of CPILP, without additional remuneration, by personal interview, telephone, facsimile or otherwise. CPILP will also request brokerage firms, nominees, custodians and fiduciaries to forward proxy materials to the beneficial owners of units and will provide customary reimbursement to such firms for the cost of forwarding these materials. CPILP has retained Georgeson Shareholder Communications Canada, Inc. to assist in its solicitation of proxies and has agreed to pay them a fee of approximately C\$40,000, plus reasonable expenses, for these services.

**Principal Unitholders**

CPI Investments, together with its wholly-owned subsidiary CPI Incomes Services Ltd., holds 16,513,504 units representing approximately 29.18% of the issued and outstanding CPILP units. To the knowledge of the directors of the General Partner, there are no other persons that beneficially own or exercise control or direction over CPILP units carrying 10% or more of the votes attached to the issued and outstanding CPILP units.

**Procedures for the Surrender of Unit Certificate and Receipt of Consideration**

***Letter of Transmittal and Election Form***

***General***

Each registered holder of CPILP units is required to validly complete and duly sign a Letter of Transmittal and Election Form and submit such document, together with such holder's CPILP unit certificate(s), if any, to the Depositary in order to receive the consideration under the Plan of Arrangement.

Table of Contents

The details of the procedures for the deposit of CPILP unit certificates and the delivery by the Depositary of Atlantic Power common shares and cash are set out in the Letter of Transmittal and Election Form accompanying this joint proxy statement.

Registered holders of CPILP units who have not received a Letter of Transmittal and Election Form should contact CPILP, Attention: Investor Relations, at 866-896-4636 toll free or by e-mail at investor@capitalpower.com or Computershare Investor Services Inc. at 1-800-564-6253 toll free or by e-mail at corporateactions@computershare.com.

**Only registered holders of CPILP units are required to submit a Letter of Transmittal and Election Form. CDS Clearing and Depositary Services Inc. is the only registered holder of CPILP units. All other holders of CPILP units are non-registered holders. If you are a non-registered holder, you should carefully follow any instructions provided to you by your broker, dealer or investment advisor for making an election.** See " Units Registered in the Name of an Intermediary" beginning on page 48. Failure to return the Letter of Transmittal and Election Form and the certificates representing your CPILP units, if any, will result in a delay in you receiving your cash or Atlantic Power common shares under the Plan of Arrangement.

Each registered holder of CPILP units must validly complete, duly sign and return the enclosed Letter of Transmittal and Election Form, together with the certificate(s) representing their CPILP units, if any, to the Depositary at one of the offices specified in the Letter of Transmittal and Election Form.

CPILP unitholders who deposit a validly completed and duly signed Letter of Transmittal and Election Form, together with accompanying CPILP unit certificate(s), if any, will be entitled to receive in exchange therefor, and the Depositary will deliver as soon as possible to such CPILP unitholder following the Effective Time (i) a cheque for the cash consideration to which such CPILP unitholder is entitled to receive in accordance with the Plan of Arrangement, and (ii) a certificate representing that number of Atlantic Power common shares which such CPILP unitholder has the right to receive under the Plan of Arrangement (together with any dividends or distributions with respect thereto pursuant to the Plan of Arrangement), less any amounts required to be withheld. It is recommended that CPILP unitholders complete and return their Letter of Transmittal and Election Form to the Depositary on or before the Election Deadline (as defined below). Once CPILP unitholders surrender their CPILP unit certificates, they will not be entitled to sell the securities to which those certificates relate.

If a CPILP unitholder deposits CPILP units with the Depositary prior to the CPILP special meeting and if the Arrangement is approved at the CPILP special meeting (including any adjournment or postponement thereof) then the deposit of the CPILP units is irrevocable unless the Plan of Arrangement is not subsequently completed.

CPILP unitholders who do not forward to the Depositary a validly completed and duly signed Letter of Transmittal and Election Form, together with their CPILP unit certificate(s), if any, will not receive the cash and/or Atlantic Power common shares, as applicable, to which they are otherwise entitled until such a deposit is made. Whether or not CPILP unitholders forward their CPILP unit certificate(s) upon the completion of the Plan of Arrangement on the Effective Date, CPILP unitholders will cease to be unitholders of CPILP as of the Effective Date and will only be entitled to receive the cash and/or Atlantic Power common shares to which they are entitled under the Plan of Arrangement.

No commission will be charged to CPILP unitholders who deliver their certificate(s) evidencing CPILP units according to the instructions set out in the Letter of Transmittal and Election Form. It is not possible to determine precisely when the Plan of Arrangement will become effective. If the Final Order is obtained and all conditions set forth in the Arrangement Agreement are satisfied or waived, CPILP or the General Partner will file the Articles of Arrangement giving effect to the Plan of

Table of Contents

Arrangement as soon as reasonably practicable, such that the Effective Date is expected to be on or about November 3, 2011.

*How to Make an Election*

Pursuant to the terms of the Arrangement Agreement and the Plan of Arrangement, CPILP unitholders are entitled to receive, at their election, for each CPILP unit held (i) C\$19.40 in cash or (ii) 1.3 Atlantic Power common shares, subject to the Aggregate Cash Maximum (as defined below) and the Aggregate Share Maximum (as defined below), by completing a Letter of Transmittal and Election Form and sending it to the Depositary, together with any certificates representing the CPILP units in accordance with the instructions provided on the form, at one of the offices specified in the Letter of Transmittal and Election Form.

The Election Deadline to deposit such properly completed Letter of Transmittal and Election Form with the Depositary is 5:00 p.m. (Edmonton time) on the date that is three business days prior to the date of the CPILP special meeting. Assuming the CPILP special meeting is held on November 1, 2011, the Election Deadline will be 5:00 p.m. (Edmonton time) on October 27, 2011, or, if the CPILP special meeting is adjourned or postponed, 5:00 p.m. (Edmonton time) on the date that is three business days prior to the date of the adjourned or postponed meeting. Each CPILP unitholder's election is subject to the proration provisions described below.

*What Happens if a CPILP unitholder Fails to Make a Valid Election*

Any CPILP unitholder who does not deposit a duly completed Letter of Transmittal and Election Form with the Depositary prior to the Election Deadline, or otherwise fails to comply with the requirements of the Plan of Arrangement and the Letter of Transmittal and Election Form with respect to such holder's election to receive Cash Consideration or Share Consideration, shall be deemed to have elected to receive the Share Consideration in respect of all of such holder's CPILP units.

*Proration Provisions*

With respect to the Cash Consideration, the Plan of Arrangement provides that the aggregate amount of cash available to be paid under the Plan of Arrangement is limited to C\$506,513,834 (the "**Aggregate Cash Maximum**"). If the aggregate amount of Cash Consideration that would be paid to CPILP unitholders pursuant to the Plan of Arrangement (the "**Aggregate Cash Elected**"), but for prorationing pursuant to the Plan of Arrangement, exceeds the Aggregate Cash Maximum, then, notwithstanding any election to receive the Cash Consideration, the aggregate amount of cash paid to each CPILP unitholder that made an election to receive the Cash Consideration and to Capital Power LP (if it makes an election to receive Cash Consideration) will be prorated (based on the fraction equal to the Aggregate Cash Maximum divided by the Aggregate Cash Elected) so that the aggregate amount of cash payable to all such CPILP unitholders and Capital Power LP shall be equal to the Aggregate Cash Maximum (the amount of the reduction in cash payable to any CPILP unitholder being the "Cash Reduction" in respect of such holder). In lieu of the amount of cash equal to the Cash Reduction in respect of a CPILP unitholder, each such CPILP unitholder shall receive a number of Atlantic Power common shares equal to the product of (i) the Cash Reduction divided by the Cash Consideration per CPILP unit and (ii) 1.3.

With respect to the Share Consideration, the Plan of Arrangement provides that the aggregate number of Atlantic Power common shares to be issued under the Plan of Arrangement is limited to 31,500,221 shares (the "**Aggregate Share Maximum**"). If the aggregate number of Atlantic Power common shares that would be issued to CPILP unitholders pursuant to the Plan of Arrangement (the "**Aggregate Shares Elected**"), but for prorationing pursuant to the Plan of Arrangement, exceeds the Aggregate Share Maximum, then, notwithstanding any election or deemed election to receive the Share

Table of Contents

Consideration, the aggregate number of Atlantic Power common shares issued to each CPILP unitholder that made or was deemed to make an election to receive the Share Consideration and to Capital Power LP (if it makes or is deemed to make an election to receive Share Consideration) will be prorated (based on the fraction equal to the Aggregate Share Maximum divided by the Aggregate Shares Elected) so that the aggregate number of Atlantic Power common shares issuable to all such CPILP unitholders and Capital Power LP shall be equal to the Aggregate Share Maximum (the reduction in the number of Atlantic Power common shares payable to any CPILP unitholder being the "Share Reduction" in respect of such holder). In lieu of the number of the Atlantic Power common shares equal to the Share Reduction in respect of a CPILP unitholder, each such CPILP unitholder shall receive an amount of cash equal to the product of (i) the Share Reduction divided by 1.3 and (ii) the Cash Consideration per CPILP unit.

*Fractional Shares*

In no event shall any holder of CPILP units be entitled to receive a fraction of an Atlantic Power common share in consideration therefore. Where the aggregate number of Atlantic Power common shares to be issued to a holder of CPILP units as consideration under the Plan of Arrangement would result in a fraction of an Atlantic Power common share being issuable, the number of Atlantic Power common shares to be received by such holder shall be rounded down to the nearest whole number of Atlantic Power common shares and no CPILP unitholder will be entitled to any compensation in respect of such fractional Atlantic Power common share.

*Fractional Cash*

Any cash payable to a CPILP unitholder pursuant to the Plan of Arrangement shall be rounded down to the nearest whole cent.

*Method of Delivery*

The method of delivery of certificates representing CPILP units and all other required documents is at the option and risk of the person depositing his or her CPILP units. Any use of the mail to forward certificates representing CPILP units or the related Letter of Transmittal and Election Form is at the election and sole risk of the person depositing CPILP units, and documents so mailed shall be deemed to have been received by CPILP only upon actual receipt by the Depositary. If such certificates and other documents are to be mailed, CPILP recommends that insured mail be used with return receipt or acknowledgement of receipt requested.

Cheque(s) representing the cash payable and/or certificate(s) representing the Atlantic Power common shares issuable to a former holder of CPILP units who has complied with the procedures set out above will, as soon as practicable after the Effective Date and after the receipt of all required documents: (i) be forwarded to the former CPILP unitholder at the address specified in the Letter of Transmittal and Election Form by first-class mail; or (ii) be made available at the offices of the Depositary, Computershare Investor Services Inc., 9th Floor, 100 University Avenue, Toronto, Ontario M5J 2Y1 for pickup by the holder as requested by the holder, in the Letter of Transmittal and Election Form. Under no circumstances will interest accrue or be paid by CPILP, Atlantic Power or the Depositary on the consideration for the CPILP units to persons depositing CPILP units with the Depositary, regardless of any delay in issuing the applicable cheques and/or Atlantic Power common shares, as applicable, for the CPILP units.

*Destroyed, Lost or Misplaced Unit Certificates*

In the event any certificate which immediately prior to the Effective Time represented one or more outstanding CPILP units has been lost, stolen or destroyed, upon the making of an affidavit of

Table of Contents

that fact by the holder claiming such certificate to be lost, stolen or destroyed, the Depositary will deliver, in exchange for such lost, stolen or destroyed certificate, certificates representing Atlantic Power common shares and/or a cheque for the amount of any cash consideration to which such CPILP unitholder is entitled to receive in accordance with such holder's Letter of Transmittal and Election Form and the Plan of Arrangement, in each case, less any amounts required to be withheld. When authorizing such payment and delivery in exchange for any lost, stolen or destroyed certificate, the Person to whom cheques and/or certificates are to be issued shall, as a condition precedent to the payment and delivery thereof, give a bond satisfactory to Atlantic Power and the Depositary in such sum as Atlantic Power and the Depositary may direct, or otherwise indemnify CPILP, Atlantic Power and the Depositary in a manner satisfactory to Atlantic Power and the Depositary, against any claim that may be made with respect to the certificate alleged to have been lost, stolen or destroyed.

***Units Registered in the Name of Intermediary***

Only registered holders of CPILP units are entitled to make an election as to the type of consideration they will receive under the Plan of Arrangement. CDS Clearing and Depositary Services Inc. ("CDS") is the only registered holder of CPILP units. CDS will establish an electronic facility which will allow intermediaries to communicate election instructions they receive from brokers and the holders of CPILP units they represent to CDS who will, in turn, make the election on their behalf as the registered holder of CPILP units. CPILP unitholders who are beneficial holders of CPILP units should contact their investment advisor to determine how their election can be made. CPILP unitholders may also contact CPILP's proxy solicitor, Georgeson Shareholder Communications Canada, Inc. in the manner set out on page xvi of this management proxy circular and joint proxy statement for further information and assistance. If you fail to instruct your broker or investment advisor with respect to your election then, unless your broker or investment advisor has discretionary authority, they will not make an election on your behalf and you will be deemed to have elected Share Consideration in respect of your CPILP units.

***Failure to Deliver Unit Certificates***

Any certificate which immediately prior to the Effective Time represented outstanding CPILP units that is not deposited with the Depositary together with all other instruments or documents required by the Plan of Arrangement on or prior to the sixth anniversary of the Effective Date will cease to represent a claim or interest of any kind or nature as a CPILP unitholder or as a shareholder of Atlantic Power. On such date, the cash and Atlantic Power common shares to which the former holder of the certificate referred to in the preceding sentence was ultimately entitled under the Plan of Arrangement will be deemed to have been donated, surrendered and forfeited for no consideration to Atlantic Power. None of Atlantic Power, CPILP, the General Partner, CPI Investments or the Depositary shall be liable to any Person in respect of any cash or Atlantic Power common shares (or dividends, distributions and interest in respect thereof) delivered to a public official pursuant to any applicable abandoned property, escheat or similar law.

***Withholding***

A holder of CPILP units will be liable for, and Atlantic Power and the Depositary will be entitled to deduct and withhold from any amount paid to such holder, such amounts as each of Atlantic Power or the Depositary is required or permitted to deduct and withhold under the Tax Act, the *United States Internal Revenue Code of 1986*, as amended, or any provision of applicable federal, provincial, state, local or foreign tax law with respect to any consideration otherwise payable under the Plan of Arrangement to such holder, and Atlantic Power and the Depositary will be entitled to recover from such holder any portion of such amounts that is required to be withheld thereunder and is not otherwise deducted or withheld. To the extent that amounts are so withheld, such withheld amounts



Table of Contents

shall be treated for all purposes hereof as having been paid to the holder of the CPILP units in respect of which such deduction and withholding was made, provided that such withheld amounts are actually remitted by Atlantic Power or the Depositary to the appropriate taxing authority in the name of the relevant holder of CPILP units. To the extent that the amount so required or entitled to be deducted or withheld from any payment to such a holder exceeds the cash portion of the consideration otherwise payable to the holder, Atlantic Power and the Depositary are authorized pursuant to the Plan of Arrangement to sell or otherwise dispose of such portion of the Atlantic Power common shares otherwise deliverable to such holder as is necessary to provide sufficient funds to Atlantic Power or the Depositary, as the case may be, to enable it to comply with such deduction or withholding requirement or entitlement and Atlantic Power or the Depositary will notify the holder thereof and remit to such holder any unapplied balance of the net proceeds of such sale.

Table of Contents

**APPRAISAL/DISSENT RIGHTS**

Appraisal or dissent rights are statutory rights that, if applicable under law, enable shareholders or unitholders, as applicable, to dissent from an extraordinary transaction, such as the Plan of Arrangement, and to demand that the corporation or other entity pay the fair value for their shares or units, as applicable, as determined by a court in a judicial proceeding instead of receiving the consideration offered to holders in connection with the extraordinary transaction. Appraisal or dissent rights are not available in all circumstances.

**Atlantic Power**

The holders of Atlantic Power common shares are not entitled to dissent rights in connection with the Share Issuance Resolution or the Adjournment Resolution.

**CPILP**

The unitholders of CPILP are not entitled to dissent rights in connection with the Arrangement Resolution.

Table of Contents

**THE ARRANGEMENT AGREEMENT AND PLAN OF ARRANGEMENT**

**Effects of the Plan of Arrangement**

In order to effect the combination of Atlantic Power and CPILP, Atlantic Power will acquire, directly and indirectly, all of the outstanding CPILP units for C\$19.40 per unit in cash or 1.3 Atlantic Power common shares per unit, all subject to proration.

Under the terms of the Plan of Arrangement, CPILP unitholders will be entitled to elect to receive either C\$19.40 in cash or 1.3 Atlantic Power common shares for each CPILP unit held. All cash elections will be subject to proration if total cash elections exceed approximately C\$506.5 million and all share elections will be subject to proration if total share elections exceed approximately 31.5 million Atlantic Power common shares. As part of the Plan of Arrangement, Atlantic Power will acquire all of the outstanding shares of CPI Investments, the direct and indirect holder of 16,513,504 CPILP units, on effectively the same basis as the acquisition of CPILP units under the Plan of Arrangement. Atlantic Power shareholders will continue to hold their existing Atlantic Power common shares after the Plan of Arrangement. Based on the number of Atlantic Power common shares outstanding immediately prior to the Effective Date and excluding any common shares of Atlantic Power that may be issued to finance the cash portion of the purchase price under the Plan of Arrangement, Atlantic Power estimates that upon completion of the Plan of Arrangement current Atlantic Power shareholders will own approximately 70% of the Combined Company and former CPILP unitholders will own approximately 30% of the Combined Company, in each case on a fully-diluted basis.

Under the Plan of Arrangement, Atlantic Power will indirectly acquire the 16,513,504 CPILP units held by CPI Investments and the General Partner through the acquisition of all of the outstanding shares of CPI Investments from Capital Power L.P. and EPCOR.

Pursuant to the Plan of Arrangement, all of the shares of CPI Investments held by EPCOR will be transferred to Atlantic Power in exchange for C\$1.00 in cash and all of the shares of CPI Investments held by Capital Power L.P. will be transferred to Atlantic Power in exchange for aggregate consideration comprised of (i) a non-interest bearing promissory note (the "**Purchaser Note**") to be issued by Atlantic Power in favor of Capital Power L.P. in the principal amount of C\$121,405,211, and (ii) either (A) the Cash Consideration or (B) the Share Consideration, as elected or deemed to be elected by Capital Power L.P. Atlantic Power will subsequently, as part of the Plan of Arrangement, pay C\$121,405,211 to Capital Power L.P. in satisfaction in full of the Purchaser Note.

If Capital Power L.P. elects to receive Cash Consideration, then, in addition to the C\$121,405,211 payable in satisfaction of the Purchaser Note, it shall receive cash equal to (i) the product of (A) the Cash Consideration per CPILP unit and (B) the number of CPILP units held by CPI Investments and the General Partner, (ii) less the principal amount of the Purchaser Note, subject to proration as described under "The CPILP Special Meeting Procedures for the Surrender of Unit Certificate and Receipt of Consideration Letter of Transmittal and Election Form Proration Provisions" beginning on page 46.

If Capital Power L.P. elects to receive Share Consideration, then, in addition to the C\$121,405,211 payable in satisfaction of the Purchaser Note, it shall receive that number of Atlantic Power common shares equal to (i) the product of (A) 1.3 and (B) the number of CPILP units held by CPI Investments and the General Partner, (ii) less the product of (A) the principal amount of the Purchaser Note divided by the Cash Consideration per CPILP unit and (B) 1.3, subject to proration as described under "The CPILP Special Meeting Procedures for the Surrender of Unit Certificate and Receipt of Consideration Letter of Transmittal and Election Form Proration Provisions" beginning on page 46.

**Background of the Plan of Arrangement**

The provisions of the Arrangement Agreement are the result of negotiations conducted between representatives of CPILP, the General Partner, the Manager and Atlantic Power and their respective

Table of Contents

financial and legal advisors. The following is a summary of the principal events leading up to the settlement of the Arrangement Agreement and related transaction documents and the meetings, negotiations, discussions and actions between the parties that preceded the public announcement of the execution of the Arrangement Agreement.

At CPILP's annual strategic review meeting on June 7, 2010, the Manager delivered a presentation to the board of directors of the General Partner which questioned the status quo relationship between the Manager and CPILP, whereby the Manager (being two subsidiaries of Capital Power) was engaged by the General Partner to perform all of the management, employment and administrative services for CPILP and to operate and maintain all of CPILP's facilities pursuant to various management and operating agreements. Specifically, the Manager advised the board of directors of the General Partner that Capital Power was considering divesting itself of all of its CPILP interests in order to focus on its own core business. In this context, the Manager shared with the board of directors of the General Partner its preliminary analysis of strategic alternatives for CPILP, ultimately focusing on three: (i) internalization of management; (ii) merger with or sale to a third party; or (iii) purchase of CPILP by Capital Power. The Manager communicated Capital Power's commitment to continue managing CPILP to the best of its abilities and in accordance with the terms in the Management Agreements until the relationship was modified. The Manager also indicated that Capital Power would not be interested in acquiring CPILP.

Following this, the board of directors of the General Partner resolved to form the Special Committee comprised of members of the board who are considered to be independent and not related to the Manager or Capital Power, being Messrs. Francois Poirier (Chair), Brian Felesky, Allen Hagerman and Rod Wimer. The Special Committee's purpose was, among other things, to review and consider potential alternatives for the restructuring of the relationship between the Manager and CPILP and, if and when appropriate, to review and negotiate the terms and conditions of any transaction involving CPILP which may result.

Following the board meeting, the Special Committee met to discuss the Manager's preliminary analysis of alternatives. The Special Committee retained Greenhill as its independent financial advisor and McCarthy Tétrault LLP as its independent legal advisor. The Special Committee also retained Roades Advisors LLC ("**Roades**") to provide additional independent business and financial due diligence support. Between June 8, 2010 and June 18, 2011 (being the last meeting prior to the public announcement of the signing of the Arrangement Agreement), the Special Committee in executing its mandate would meet more than 30 times, most often with its financial advisors and legal counsel present at such meetings.

Throughout the summer of 2010, the Special Committee worked with its advisors to analyze a broad spectrum of strategic alternatives available to CPILP. The Special Committee directed its advisors to work with the Manager to analyze all reasonably viable alternatives including, but not limited to, the sale of CPILP to a third party, roll-up into Capital Power, a change in its distribution policy, one or more asset sales and/or the internalization of management.

On June 28, 2010, Greenhill and Roades met with the Manager to discuss their respective views on strategic alternatives. At this meeting, Capital Power reiterated that it did not feel that the status quo was the best option for CPILP or Capital Power.

On July 6, 2010, Greenhill made an initial presentation to the Special Committee. Greenhill noted that Capital Power's desire to terminate its relationship with CPILP raised a number of issues that needed to be carefully analyzed for each alternative to be considered. The Special Committee instructed Greenhill to carry out all analyses or preparatory work that it considered reasonably useful or necessary in connection with each potential alternative.

On August 9, 2010, Greenhill delivered its preliminary evaluation of strategic alternatives to the Special Committee. One alternative that Capital Power proposed involved the exchange of certain of

Table of Contents

CPILP's assets for Capital Power's partnership units. At the Special Committee's request, Greenhill examined a variety of asset swap scenarios. Based partially on Greenhill's examination, the Special Committee came to the preliminary conclusion that this alternative was unlikely to be in the best interests of CPILP and would, among other things, have a negative impact on CPILP's distribution sustainability. The other alternatives considered by Greenhill included maintaining the status quo and the internalization of management. With respect to this latter alternative, it was determined that, based on its preliminary analysis, the prospect of identifying and recruiting a credible management team would be time-consuming, may not ultimately be successful and would create uncertainty for CPILP in the meantime.

Over the next two months, the Special Committee and its advisors continued to conduct financial and legal analysis on various strategic alternatives. During this same period, the Special Committee and Capital Power met periodically to discuss the status of the Special Committee's strategic review process. On August 16, 2010, Messrs. Poirier and Hagerman met with Messrs. Vaasjo and Lee from Capital Power to discuss the Special Committee's preliminary view that pursuing a sale or merger transaction would be in CPILP's best interest. These same parties, and their respective financial advisors, met again on numerous occasions throughout September 2010 to discuss the most effective strategies to seek a successful sale or merger for CPILP. The parties worked collaboratively to align their interests on a number of issues in the event of a change of control transaction, including with respect to the treatment of the Management Agreements and CPILP's "right of first look" with respect to acquisition and disposition opportunities presented to it by Capital Power.

On August 20, 2010, Standard and Poor's published a credit ratings report which indicated that it had downgraded CPILP from BBB+ (outlook negative) to BBB (outlook stable). The reduced rating reflected, among other things, Standard and Poor's view that CPILP's financial risk profile had weakened as a result of debt-financed growth and the expectation that improvement in the medium term was unlikely as CPILP continued to execute its growth plan.

On October 1, 2010, the board of directors of the General Partner resolved to establish a strategic review sub-committee comprised of Messrs. Lee and Poirier. The strategic review sub-committee was to act in an administrative capacity only to investigate all available strategic alternatives in the best interests of CPILP. Notwithstanding the creation of the strategic review sub-committee, all material business and commercial decisions including, for example, the approval of a sale process, recommendation or rejection of any third party offer and any final unitholder recommendation, would be made by the Special Committee and the board of directors of the General Partner.

On October 5, 2010, CPILP and Capital Power issued a joint press release announcing that CPILP would initiate a process to review its strategic alternatives. The board of directors of the General Partner retained Greenhill and CIBC as co-financial advisors, and Roades Advisors LLC for due diligence support. McCarthy Tétrault LLP continued to act as legal advisors to CPILP, with Fraser Milner Casgrain LLP (Canadian counsel) and K&L Gates LLP (US counsel) acting for the General Partner and the Manager.

Under the direction of the board of directors of the General Partner, the strategic review sub-committee instructed its financial advisors to solicit indications of interest to acquire CPILP from a broad range of potential financial and strategic purchasers. With the assistance of the Manager and its advisors, CPILP and its advisors prepared a confidential information memorandum describing CPILP and its business. Greenhill and CIBC identified a list of over 60 prospective purchasers. These prospective purchasers were contacted by Greenhill and CIBC during the months of October and November 2010.

Of those prospective purchasers contacted, 27 of them executed confidentiality agreements and received a confidential information memorandum and were invited to submit preliminary indicative offers. On or before November 30, 2010, nine parties, including Atlantic Power, had submitted

Table of Contents

indicative offers to acquire all of CPILP or a selection of its assets. Of these nine parties, three were invited to proceed to a further round of enhanced due diligence access.

In order to facilitate their diligence review of CPILP and encourage the submission of more formal proposals, these three prospective purchasers were provided with access to an electronic data room containing detailed information regarding CPILP, and were also given access to certain of the Manager's personnel. Throughout this period, the strategic review sub-committee provided regular oversight and direction to CPILP's financial advisors. Informally, Mr. Poirier communicated regularly with the other members of the Special Committee to keep them informed about the status of the sales process.

At meetings of the independent directors' committee (the same directors that make up the Special Committee) on both December 17 and December 30, 2010, Mr. Poirier provided a status update on the steps undertaken to date in the sale process.

On January 17, 2011, the Special Committee met to discuss the uncertainty and timing issues surrounding the pending decision from the North Carolina Utilities Commission ("NCUC") pertaining to the Roxboro and Southport facilities in North Carolina (the "**North Carolina facilities**"), and its impact upon the sale process. At this meeting, Mr. Poirier and Greenhill also provided a further status update on the steps undertaken to date in the sale process.

On January 27, 2011, CPILP issued a press release announcing the issuance of an Order of Arbitration by the NCUC relating to the PPAs for CPILP's North Carolina facilities with Progress Energy Inc. In the months following the release of the Order, CPILP and Progress Energy Inc. negotiated the PPAs within the scope provided in the NCUC ruling. By the middle of March 2011, CPILP and Progress Energy Inc. concluded an interim contract setting out the material terms upon which the PPAs would ultimately be based. In the meantime, the remaining interested parties were asked to submit alternative offers for CPILP, one of which included the North Carolina facilities and another which excluded those assets.

On March 14, 2011, following their due diligence review period, two of the three parties, including Atlantic Power, submitted offers which included their respective comments on a draft form of the Arrangement Agreement. Atlantic Power's implied offer value was C\$16.50 per outstanding CPILP unit and excluded the North Carolina assets. The strategic review sub-committee and its financial advisors reviewed each offer. At the request and direction of the strategic review sub-committee, Greenhill and CIBC continued discussions with both prospective purchasers regarding, among other things, offer price and the prospective purchasers' sources of financing. As a result of such discussions, Atlantic Power submitted a subsequent proposal on April 11, 2011 at an increased implied offer value of C\$17.00 per outstanding CPILP unit, exclusive of the North Carolina assets. On April 26, 2011, Atlantic Power confirmed its implied offer value of C\$17.00 per outstanding CPILP unit, exclusive of the North Carolina assets, and further indicated an implied offer value of C\$18.50 per unit if the North Carolina assets were to be included. The other prospective purchaser elected not to amend its March 14, 2011 proposal.

Neither prospective purchaser had a strategic interest in acquiring the North Carolina facilities and, at the time, there remained uncertainty surrounding the negotiations and finalized terms of the PPAs for these facilities. Accordingly, the formal offers from both of these prospective purchasers either excluded or attributed less than fair value to these assets. CPILP proposed that Capital Power should enter into negotiations with CPILP to acquire these assets as a way to facilitate the sale process. On May 2, 2011, the Special Committee met to discuss the terms upon which CPILP would be willing to negotiate the sale of the North Carolina assets to Capital Power.

At this time, the strategic review sub-committee instructed the financial advisors to seek from Atlantic Power an enhancement to its April 26, 2011 offer (excluding the North Carolina facilities). On May 5, 2011, Atlantic Power submitted a further amended proposal outlining the terms upon which it

Table of Contents

would acquire CPILP (excluding the North Carolina facilities) for an implied offer value of C\$17.50 per outstanding CPILP unit. Atlantic Power requested that CPILP commit to exclusive negotiations with Atlantic Power for a 21 day period. After consideration of the merits of acceding to this request, CPILP, the Manager and CPI Investments entered an Exclusivity Agreement dated May 9, 2011 with Atlantic Power.

On May 6, 2011, the strategic review sub-committee and its financial and legal advisors met with Atlantic Power and its financial and legal advisors in Toronto. At this meeting, the parties discussed, among other things, the Exclusivity Agreement, Atlantic Power's proposed plan to finance the acquisition of CPILP and the overall transaction structure and timing.

In order to facilitate CPILP's due diligence review of Atlantic Power, CPILP, the Manager and Capital Power entered into a confidentiality agreement dated May 6, 2011 with Atlantic Power. On May 11, 2011, the Special Committee met with its advisors to receive an update on the due diligence performed to date on Atlantic Power. Financial due diligence on Atlantic Power was performed by the Manager and the financial advisors, with support from Roades Advisors LLC. Legal due diligence on Atlantic Power was performed on behalf of the General Partner by the Manager's counsel, Fraser Milner Casgrain LLP and K&L Gates LLP, with oversight and support from CPILP's counsel, Ogilvy Renault LLP and Richard A. Shaw Professional Corporation (CPILP's new counsel). The Special Committee discussed the appropriateness of the Manager and its advisors conducting due diligence on behalf of CPILP. At this same meeting, the Special Committee also discussed the progress of negotiations with Capital Power to acquire CPILP's North Carolina facilities.

Over the ensuing weeks, both CPILP and Atlantic Power and their respective advisors conducted detailed due diligence reviews of the other's business, financial models and legal structures and commitments. A number of meetings took place between CPILP and its advisors and representatives of Atlantic Power and its advisors, during which information regarding each entity and its business and operations was shared, and the proposed terms of a transaction between the parties were discussed. During this same period, the Manager, on behalf of the General Partner, and CPILP and their legal advisors, Fraser Milner Casgrain LLP and Ogilvy Renault LLP, respectively, continued to negotiate the terms of the Plan of Arrangement and the Arrangement Agreement with Atlantic Power and its legal counsel, Goodmans LLP.

On May 20, 2011, Greenhill and CIBC provided the Special Committee with a process and due diligence update. There was also a thorough discussion about financial analyses of both CPILP and Atlantic Power, particularly in the context of Atlantic Power's offer which included a mixture of cash and equity. The financial advisors were instructed to refine their analysis in this regard, as more information about Atlantic Power became available through the due diligence process.

On May 26, 2011, the strategic review sub-committee and its financial and legal advisors met in Toronto with Atlantic Power and its financial and legal advisors to further negotiate the terms and timing of a potential transaction.

On May 30, 2011, the board of directors of the General Partner met to receive an updated report from Greenhill and CIBC with respect to negotiations to date with Atlantic Power. At that meeting, it was resolved to extend the exclusivity period for discussions with Atlantic Power. Accordingly, effective May 30, 2011, CPILP, the Manager and CPI Investments agreed to extend the Exclusivity Agreement for a further 14 days, to expire on June 13, 2011. In the following two weeks, representatives of Atlantic Power and its outside financial and legal advisors and other consultants, and representatives of CPILP and its outside financial and legal advisors and other consultants, continued their respective due diligence investigations, including in relation to CPILP's pension liabilities, financial, legal, environmental and operational matters and potential synergies.

On June 2, 2011, the Special Committee asked its legal advisors to review the legal duties and standards for directors to follow in the context of the Arrangement. There was a discussion about

Table of Contents

various governance issues, including further discussions of the appropriateness of CPILP relying upon the due diligence performed by the Manager and its advisors.

On June 3, 2011, Atlantic Power's senior management made a presentation to the board of directors of the General Partner in Calgary regarding Atlantic Power and its view of the anticipated strategic, financial and operational characteristics of the Combined Company. At this same meeting, Atlantic Power alerted CPILP to the prospect of a credit rating for the Combined Company that may be lower than that of CPILP. The parties also made progress in their discussions regarding the contractual and other business terms of a transaction. These discussions included the scope of the support agreements to be provided by each of Capital Power LP and EPCOR, the prospect that Capital Power would agree to a lock-up of any Atlantic Power shares it received as a result of the Plan of Arrangement, the terms of Atlantic Power's bridge financing commitment and a number of other terms that affected transaction certainty.

During a meeting on June 10, 2011, Atlantic Power informed CPILP that it intended to lower its offer price by \$0.50 from \$17.50 to \$17.00 based on its due diligence findings, specifically, a newly-provided amendment to a PPA that was inconsistent with Atlantic Power's then-current model. The strategic review sub-committee met with its financial and legal advisors to discuss the implications of this information, in addition to the prospect of a credit ratings downgrade in the Combined Company.

On June 11, 2011, the Special Committee met with its legal advisors to review the status of negotiations with Atlantic Power. At this meeting, there was considerable discussion about the terms upon which CPILP would sell the North Carolina facilities to Capital Power, and the impact of that disposition upon a transaction with Atlantic Power for the remainder of CPILP. There was also a significant discussion about Atlantic Power's proposed reduction to the purchase price.

On June 15, 2011, the strategic review sub-committee and its financial and legal advisors met in Toronto with Atlantic Power and its financial and legal advisors to further negotiate the terms of a potential transaction. At this meeting, a broad list of issues were discussed including each parties' outstanding due diligence items, allocation of severance and pension deficit obligations, the scope of transitional services that would be required and the status of the legal documentation needed to consummate the Plan of Arrangement and the related transactions. Atlantic Power also provided the strategic review sub-committee and its advisors with the initial draft commitment letters in connection to the proposed bridge financing in support of the Plan of Arrangement. At the meeting, the terms and conditions of these commitment letters were reviewed in detail. There was also considerable discussion around Capital Power's acquisition of the North Carolina facilities, as well as Atlantic Power's request for a lock-up agreement from Capital Power to the extent that it received Atlantic Power common shares as consideration for its units. Over the course of the meeting, the parties and their respective advisors developed tentative agreement on each of the outstanding issues and were ultimately able to settle upon indicative terms pursuant to which Capital Power would acquire the North Carolina assets for an implied value of C\$2.15 per CPILP unit, and Atlantic Power would acquire all of the CPILP units for an implied value of C\$17.25 per unit, for a total implied value of C\$19.40 per CPILP unit.

On June 16, 2011, the board of directors of the General Partner met with their financial and legal advisors to receive an update on the transaction with Atlantic Power, as well as to discuss the preliminary version of the due diligence report prepared by the Manager and its advisors. The meeting also discussed Atlantic Power's proposed bridge financing commitment, involving up to C\$400 million to be drawn by CPILP, and its potential impact upon the credit profile and exposure of CPILP's existing debt instruments. In particular, the board of directors of the General Partner were particularly concerned about how the proposed bridge financing might impact the ability of CPILP and CPI Preferred Equity Ltd. to meet their respective payment obligations. In this regard, it was determined that Atlantic Power would be asked to provide parental guarantees to the payment obligations for the public debtholders at CPILP (medium term notes) in the event the portion of the bridge financing to be drawn by CPILP was drawn, and CPI Preferred Equity Ltd. (preferred shares). At this board



Table of Contents

meeting, representatives of Greenhill and CIBC reviewed with the board their financial analyses with respect to Atlantic Power and the proposed Arrangement. Each of Greenhill and CIBC also rendered oral versions of their respective opinions to the Special Committee with respect to the fairness, from a financial point of view, to the holders of CPILP units (other than the General Partner, CPI Investments and Atlantic Power in respect of the Greenhill opinion and other than Capital Power and its affiliates in respect of the CIBC opinion) of the consideration to be received by such holders pursuant to the Arrangement Agreement. Finally, the board discussed a likely timetable for the completion of the remaining items in relation to the execution of the Arrangement Agreement and related materials.

On June 18, 2011, the Special Committee met with its financial and legal advisors, as well as the Manager's legal advisor, to review the status of the key transaction documents including the Arrangement Agreement and the support agreements. At the meeting, the Special Committee's legal advisors reviewed the legal duties imposed upon the directors in the circumstances, and Greenhill and CIBC made presentations with respect to their respective fairness opinions and supporting analyses. The Special Committee spent a considerable amount of this meeting reviewing with its advisors the impact of the Plan of Arrangement upon CPILP's stakeholders including, but not limited to, the unitholders, public debtholders, preferred shareholders and creditors and employees.

On June 19, 2011, the board of directors of the General Partner met to consider the terms of the Arrangement Agreement, at which meeting representatives of CPILP's and the Manager's financial and legal advisors were present. At this meeting, Fraser Milner Casgrain LLP reviewed the key elements of the transaction documents, with a focus on the deal protection provisions in each such document. After the meeting, the Special Committee went *in camera* with its financial and legal advisors.

During its *in camera* session, at the request of the Special Committee, Greenhill and CIBC each confirmed that nothing had occurred that would alter either of its financial analysis that was presented on June 16, 2011. Greenhill and CIBC also confirmed that they would deliver their respective written fairness opinions as of this date. Representatives of Norton Rose OR LLP (successor of Ogilvy Renault LLP) and Richard A. Shaw Professional Corporation reviewed for the Special Committee the terms of the Arrangement Agreement and the conduct of the negotiations to that point in time. Members of the Special Committee, with the assistance of their legal and financial advisors, reviewed and discussed the terms of the Arrangement Agreement and the process for completing the transaction. After a thorough review and discussion, the Special Committee resolved unanimously to recommend that the board of directors of the General Partner approve the Arrangement Agreement and the Plan of Arrangement, authorize CPILP to enter into the Arrangement Agreement and recommend that unitholders vote in favor of the Plan of Arrangement.

Following the conclusion of the Special Committee's *in camera* session, the board of directors of the General Partner reassembled to receive the report of the Special Committee. The Special Committee reported that Greenhill and CIBC reviewed and discussed its financial analyses with respect to Atlantic Power and the proposed Plan of Arrangement and rendered their respective opinions to the Special Committee with respect to the fairness, from a financial point of view, to the holders of CPILP units (other than Capital Power, CPI Investments and Atlantic Power), of the consideration to be received by such holders pursuant to the Arrangement Agreement. The Special Committee further reported that it had reviewed the definitive agreements with counsel and, following its review and deliberations, was recommending that the board of directors of the General Partner approve and authorize CPILP to enter into the Arrangement Agreement and recommend to unitholders that they vote in favor of the transaction at a special unitholders meeting to be convened. At this point, the CPC-elect directors recused themselves and left the board meeting. After a further discussion, and consideration of the advice received from its financial and legal advisors, the board of directors of the General Partner resolved (with Messrs. Vaasjo, Lee, Oosterbaan and Brown abstaining) to approve the Plan of Arrangement and to recommend to unitholders that they vote in favor of the Plan of Arrangement.

Table of Contents

Later that day and into the following morning, the Arrangement Agreement, the support agreements, the Management Agreement Termination Agreement, the Management Agreement Assignment Agreement, Membership Interest Purchase Agreement with respect to the North Carolina facilities, the Employee Hiring Agreement and the Pension Transfer Agreement were finalized and executed by the appropriate parties.

Prior to the opening of the North American financial markets on June 20, 2011, Atlantic Power and CPILP issued a joint press release announcing the execution of the Arrangement Agreement and related aspects of the Plan of Arrangement.

**Atlantic Power's Reasons for the Arrangement Agreement; Recommendations of Atlantic Power's Board of Directors**

At a meeting held on June 19, 2011, Atlantic Power's board of directors, unanimously determined that the Arrangement and the other transactions contemplated by the Arrangement Agreement, including the issuance of Atlantic Power common shares to CPILP unitholders necessary to complete the Arrangement, are in the best interests of Atlantic Power and are fair to its stakeholders. **Accordingly, the Atlantic Power board of directors unanimously recommends that the Atlantic Power shareholders vote "FOR" the Share Issuance Resolution.** In reaching these determinations, the Atlantic Power board of directors consulted with Atlantic Power's management and its legal, financial and other advisors, and also considered numerous factors, including the following factors which the Atlantic Power board of directors viewed as supporting its decisions:

*Strategic Benefits of the Plan of Arrangement.* The Atlantic Power board of directors believes that the combination of Atlantic Power and CPILP should result in significant strategic benefits to the Combined Company, which benefits would accrue to Atlantic Power's shareholders, as shareholders of the Combined Company, and to the Combined Company. These strategic benefits include the following:

Atlantic Power will become a leading publicly-traded power generation and infrastructure company, with a larger and more diversified portfolio of contracted power generation assets in the United States and Canada;

combines Atlantic Power's proven management team with CPILP's highly qualified operations, maintenance, commercial management, accounting, human resources, legal and other personnel;

Atlantic Power's market capitalization and enterprise value are expected to nearly double, which is expected to add liquidity and enhance access to capital to fuel the long term growth of Atlantic Power's asset base throughout North America;

expands and diversifies Atlantic Power's asset portfolio to include projects in Canada and regions of the United States where Atlantic Power does not currently have a presence;

enhanced geographic diversification is anticipated to lead to additional growth opportunities in those regions that Atlantic Power did not previously operate; and

enhances diversification of the fuel types used by Atlantic Power's projects to include additional hydro, biomass and natural gas.

*Financial Benefits of the Plan of Arrangement.* The Atlantic Power board of directors believes that the combination of Atlantic Power and CPILP should result in significant financial benefits to Atlantic Power's shareholders and the Combined Company. These financial benefits include the following:

upon completion of the Plan of Arrangement, Atlantic Power intends to increase dividends by 5%, from C\$1.094 to C\$1.15 per share on an annual basis;

strengthens Atlantic Power's dividend sustainability for the foreseeable future with immediate accretion to cash available for distribution;



Table of Contents

significant improvement in Atlantic Power's dividend payout ratio starting in 2012;

extends Atlantic Power's average PPA term from 8.8 to 9.1 years and enhances the credit quality of Atlantic Power's power offtakers; and

the combined companies will benefit from cost savings attributable to synergies from combining the two entities and eliminating the public company reporting costs for CPILP.

*Other Factors Considered.* During the course of its deliberations relating to the Arrangement Agreement and Plan of Arrangement, Atlantic Power's board of directors considered the following factors in addition to the benefits described above, which, taken together, supported proceeding with the transaction:

the results of Atlantic Power's significant due diligence review of CPILP, which were incorporated into the financial analyses of the transaction;

the expectation that Atlantic Power's management team would be able to successfully integrate the labor force and the operations of Atlantic Power and CPILP;

the opinion of TD Securities dated June 19, 2011 and the opinion of Morgan Stanley dated June 19, 2011, to the Atlantic Power board of directors to the effect that, as of that date and based on and subject to the various limitations, qualifications and assumptions described in the opinions, included with this joint proxy statement as Annexes B and C, the consideration to be paid by Atlantic Power to CPILP unitholders pursuant to the Arrangement Agreement was fair, from a financial point of view, to Atlantic Power (as more fully described below under the caption " Opinions of Atlantic Power's Financial Advisors");

the board's understanding of the current and prospective competitive space in the industry in which Atlantic Power and CPILP operate, including the board's belief of the potential for further consolidation;

the terms and conditions of the Arrangement Agreement, which the board of directors concluded were overall in the best interests of Atlantic Power, including the commitments by both Atlantic Power and CPILP to complete the Plan of Arrangement, and the likelihood of completing the Plan of Arrangement and the fees and expenses that might be payable if the Plan of Arrangement is not completed;

the board's belief that Atlantic Power would be able to obtain the necessary financing given the financing commitments from the commitment parties, and the fact that Atlantic Power would only be required to pay a break-up fee and would not be required to complete the transaction in the event that the financing contemplated by the Arrangement Agreement is not consummated;

the impact and fairness of the Plan of Arrangement on all stakeholders in Atlantic Power, including holders of Atlantic Power common shares;

the expectation that the regulatory and other approvals and consents required to complete the Plan of Arrangement could be obtained; and

## Edgar Filing: ATLANTIC POWER CORP - Form DEFM14A

the fact that the shareholders or unitholders of both Atlantic Power and CPILP, respectively, would have the opportunity to vote on approval of the transaction.

The Atlantic Power board of directors weighed these factors against a number of uncertainties, risks and potentially negative factors relevant to the Plan of Arrangement, including:

the challenges inherent in the combination of two entities of the size, geographic diversity and complexity of Atlantic Power and CPILP, including the possible diversion of management attention for an extended period of time;

Table of Contents

the restrictions on the conduct of Atlantic Power's business during the period between execution of the Arrangement Agreement and the consummation of the Plan of Arrangement;

the risk of not being able to realize all of the anticipated cost savings and operational synergies between Atlantic Power and CPILP and the risk that other anticipated benefits to the Combined Company might not be realized;

the risk that, despite the combined efforts of Atlantic Power and CPILP prior to the consummation of the Plan of Arrangement, the Combined Company may lose key personnel or that certain employees do not transfer as contemplated by the employee transfer arrangement;

the costs associated with completion of the Plan of Arrangement and the realization of the benefits expected to be obtained in connection with the Plan of Arrangement, including transaction expenses arising from the Plan of Arrangement;

the risk that regulatory agencies may not approve the Plan of Arrangement or may impose terms and conditions on their approvals that adversely affect the business and financial results of the Combined Company. See "Regulatory Approvals Required for the Plan of Arrangement and Other Regulatory Matters" on page 92;

the risk that the Plan of Arrangement may not be completed despite the parties' efforts or that completion may be unduly delayed, even if the requisite approval is obtained from Atlantic Power's shareholders and CPILP's unitholders;

the increased leverage of the Combined Company which will result in high interest payments and could negatively affect the Combined Company's credit ratings, limit access to credit markets or make such access more expensive and reduce operational and strategic flexibility; and

the risks of the type and nature described under the section entitled "Risk Factors," beginning on page 23 and the matters described under "Cautionary Note Regarding Forward-Looking Statements" beginning on page 31.

Atlantic Power's board of directors further considered the proposed form of consideration to be received by CPILP unitholders pursuant to the Plan of Arrangement and the ways in which Atlantic Power would finance the payment of the consideration. Atlantic Power's board of directors consulted with Atlantic Power's management and its legal, financial and other advisors and determined that an all-cash transaction would not be optimal for Atlantic Power since it would need to raise substantially the full amount of the consideration payable under the Plan of Arrangement by either borrowings under new or existing credit facilities and/or in one or more capital markets transactions. Raising that much cash over so short a period, even if possible, would also result in Atlantic Power incurring an overall higher cost of capital in the way of fees, commissions and expenses of the borrowings and/or offerings. In addition, an all-cash transaction would be immediately taxable to CPILP unitholders, whereas eligible holders that received Atlantic Power common shares pursuant to a plan of arrangement would be entitled to make a joint tax election that would, depending on the circumstances of each particular CPILP unitholder, allow for a full or partial deferral of taxable gains that would otherwise be realized. Accordingly, under the Plan of Arrangement as ultimately approved by Atlantic Power's board of directors, CPILP unitholders could elect to receive either C\$19.40 in cash or 1.3 Atlantic Power common shares for each CPILP unit held but all cash elections would be subject to proration if total cash elections exceed approximately C\$506.5 million, setting a maximum on the aggregate amount of cash Atlantic Power would need to complete the Plan of Arrangement. Likewise, all share elections would be subject to proration if total share elections exceed approximately 31.5 million Atlantic Power common shares, thereby setting a maximum on the number of Atlantic Power common shares that could be issued under the Plan of Arrangement.

Table of Contents

Overall, Atlantic Power's board of directors concluded that the uncertainties, risks and potentially negative factors relevant to the Plan of Arrangement were outweighed by the potential benefits that it expected Atlantic Power would achieve as a result of the Plan of Arrangement, each as discussed above.

This discussion of the information and factors considered by Atlantic Power's board of directors includes the principal positive and negative factors considered by the Atlantic Power board of directors, but is not intended to be exhaustive and may not include all of the factors considered by the Atlantic Power board of directors. In view of the wide variety of factors considered in connection with its evaluation of the Plan of Arrangement and the other transactions contemplated in connection with the Plan of Arrangement, and the complexity of these matters, Atlantic Power's board of directors did not find it useful and did not attempt to quantify or assign any relative or specific weights to the various factors that it considered in reaching its determination to approve the Plan of Arrangement and the other transactions contemplated in connection with the Plan of Arrangement and to make its recommendations to Atlantic Power shareholders. Rather, Atlantic Power's board of directors viewed its decisions as being based on the totality of the information presented to it and the factors it considered. In addition, individual members of Atlantic Power's board of directors may have given differing weights to different factors. It should be noted that this explanation of the reasoning of the Atlantic Power board of directors and certain information presented in this section is forward-looking in nature and, therefore, that information should be read in light of the factors discussed in the section entitled "Cautionary Note Regarding Forward-Looking Statements" in this joint proxy statement, beginning on page 31.

**Opinions of Atlantic Power's Financial Advisors**

***Opinion of TD Securities Inc.***

On June 19, 2011, TD Securities rendered to Atlantic Power's board of directors its opinion that on such date and based upon and subject to the limitations, qualifications and assumptions set forth in the written opinion, the Consideration to be paid by Atlantic Power in connection with the transaction contemplated by the Arrangement Agreement (the "**Proposed Transaction**") was fair, from a financial point of view, to Atlantic Power (the "**TD Securities Fairness Opinion**").

**The full text of the written fairness opinion of TD Securities, dated June 19, 2011, is attached to this joint proxy statement as Annex B. The opinion sets forth, among other things, the assumptions made, procedures followed, matters considered and qualifications and limitations on the scope of the review undertaken by TD Securities in rendering its opinion. You should read the entire opinion carefully and in its entirety. TD Securities Inc.'s opinion is directed to Atlantic Power's board of directors and addresses only the fairness from a financial point of view of the Consideration to be paid by Atlantic Power in connection with the Proposed Transaction as at the date of the opinion. It does not address any other aspect of the Proposed Transaction and does not constitute a recommendation to the shareholders of Atlantic Power or unitholders of CPILP as to how to vote with respect to the Plan of Arrangement or any other matter. In addition, the opinion does not in any manner address the prices at which Atlantic Power common shares will trade following the consummation of the Plan of Arrangement. The summary of the opinion of TD Securities set forth in this joint proxy statement is qualified in its entirety by reference to the full text of the opinion.**

In connection with the TD Securities Fairness Opinion, TD Securities reviewed (where applicable) and relied upon (without attempting to verify independently the completeness, accuracy, or fair presentation of) or carried out, among other things, the following:

A draft of the Arrangement Agreement dated June 17, 2011;

## Edgar Filing: ATLANTIC POWER CORP - Form DEFM14A

### Table of Contents

Annual reports (or equivalent Form 10-K) of Atlantic Power and CPILP, including the audited financial statements and management's discussion and analysis contained therein, for the three years ended December 31, 2008, 2009 and 2010;

Quarterly interim reports (or equivalent Form 10-Q) of Atlantic Power and CPILP including the unaudited financial statements and management's discussion and analysis contained therein, for each of the quarterly periods in 2008, 2009, 2010 and 2011;

Annual information forms (or equivalent Form 10-K) of Atlantic Power and CPILP for the three years ended December 31, 2008, 2009 and 2010;

Notices of meetings and management information circulars for the annual meeting of shareholders (or equivalent Schedule 14A) of Atlantic Power for the three years ended December 31, 2008, 2009 and 2010;

Unaudited financial forecast and financial model for CPILP as prepared by management of CPILP and included in the electronic data room;

Certain financial forecasts for CPILP as prepared by the management of Atlantic Power;

Base case financial forecast for Atlantic Power as prepared by the management of Atlantic Power;

Discussions with management of Atlantic Power and CPILP with respect to the information referred to herein and other issues deemed relevant by TD Securities including the financial outlook of Atlantic Power, CPILP and the combined company including synergies resulting from the Proposed Transaction;

Discussions with the management of Atlantic Power pertaining to target pro forma capital structure and dividend policy for Atlantic Power;

Discussions with Atlantic Power's tax advisor, KPMG LLP, regarding Atlantic Power, CPILP and the combined company;

Review of Atlantic Power and CPILP data room materials considered relevant to the Proposed Transaction;

Representations contained in a certificate dated June 19, 2011 from a senior officer of Atlantic Power;

Various research publications prepared by equity research analysts regarding Atlantic Power, CPILP and the overall power generation industry in Canada and the United States, and other selected public companies considered relevant;

Atlantic Power management presentations dated May 16, 2011 and May 20, 2011;

CPILP management presentation dated January 6, 2011;



## Edgar Filing: ATLANTIC POWER CORP - Form DEFM14A

CPILP Confidential Information Memorandum dated October 2010;

Public information relating to the business, operations, financial performance and share/unit trading history of Atlantic Power and CPILP and other selected public companies considered relevant;

Public information with respect to certain other transactions of a comparable nature considered relevant; and

Such other corporate, industry, and financial market information, investigations and analyses as TD Securities considered necessary or appropriate in the circumstances.

Table of Contents

With Atlantic Power's acknowledgement and agreement, TD Securities relied upon and assumed the accuracy, completeness and fair presentation of all data, documents, advice, opinions and other information obtained by it from public sources (including on SEDAR) or provided to it by or on behalf of Atlantic Power and/or CPILP and/or their respective personnel, consultants and advisors, or otherwise obtained by TD Securities, including the certificate dated June 19, 2011 from a senior officer of Atlantic Power and all other documents and information referred to above (collectively, the "Data"). The TD Securities Fairness Opinion is premised and conditional upon such accuracy, completeness and fair presentation and upon there being no "misrepresentation" (as defined in the *Securities Act* (Ontario)) in the Data. In addition, TD Securities assumed that there is no information relating to the business, operations, assets, liabilities, condition (financial or otherwise), capital or prospects of Atlantic Power, CPILP or any of their respective affiliates that is or could reasonably be expected to be material to the TD Securities Fairness Opinion that was not disclosed or otherwise made available to TD Securities as part of the Data. Subject to the exercise of professional judgment and except as expressly described in the TD Securities Fairness Opinion, TD Securities did not attempt to verify independently the accuracy, completeness or fair presentation of any of the Data.

With respect to the budgets, forecasts, projections or estimates provided to TD Securities and used in its analyses, TD Securities noted that projecting future results is inherently subject to uncertainty. TD Securities assumed, however, that such budgets, forecasts, projections and estimates were prepared using the assumptions identified therein (as discussed between senior management of Atlantic Power and TD Securities) which TD Securities was advised are (or were at the time of preparation and continue to be), in the opinion of Atlantic Power, reasonable in the circumstances. In addition, TD Securities assumed that the expected synergies will be achieved at the times and in the amounts projected by Atlantic Power. TD Securities expressed no independent view as to the reasonableness of such budgets, forecasts, projections and estimates and the assumptions on which they are based.

TD Securities was not engaged to review and did not review any of the legal, accounting or tax aspects of the Proposed Transaction. In preparing the TD Securities Fairness Opinion, TD Securities assumed that the Proposed Transaction complies with all applicable laws and accounting requirements and has no adverse tax or other adverse consequences for Atlantic Power.

In preparing the TD Securities Fairness Opinion, TD Securities made several assumptions, including that all final executed versions of agreements and documents relating to the Proposed Transaction will conform in all material respects to the drafts provided to or terms discussed with TD Securities, all conditions to the completion of the Proposed Transaction can and will be satisfied in due course, that all consents, permissions, exemptions or orders of relevant regulatory authorities or third parties will be obtained, without adverse condition or qualification, and that the actions being taken and procedures being followed to implement the Proposed Transaction are valid and effective and comply with all applicable laws and regulatory requirements. In its analysis in connection with the preparation of the TD Securities Fairness Opinion, TD Securities made numerous assumptions with respect to industry performance, general business and economic conditions, and other matters, many of which are beyond the control of TD Securities, Atlantic Power, CPILP or their respective affiliates. Among other things, TD Securities assumed the accuracy, completeness and fair presentation of and relied upon the financial statements forming part of the Data. The TD Securities Fairness Opinion is conditional on all such assumptions being correct.

The TD Securities Fairness Opinion is directed to Atlantic Power's board of directors and is not intended to be, and does not constitute, a recommendation that Atlantic Power shareholders vote in favor of the Proposed Transaction or as an opinion concerning the trading price or value of any securities of Atlantic Power following the announcement or completion of the Proposed Transaction. The TD Securities Fairness Opinion does not address the relative merits of the Proposed Transaction as compared to other transactions or business strategies that might be available to Atlantic Power, nor does it address the underlying business decision to implement the Proposed Transaction. In preparing

Table of Contents

the TD Securities Fairness Opinion TD Securities did not consider the economic or other interests of either individual, or particular groups of, Atlantic Power stakeholders. The TD Securities Fairness Opinion was rendered as of June 19, 2011, on the basis of securities markets, economic and general business and financial conditions prevailing on that date and the condition and prospects, financial and otherwise, of Atlantic Power and CPILP and their respective subsidiaries and affiliates as they were reflected in the Data provided or otherwise available to TD Securities. Although TD Securities reserved the right to change, modify, update, supplement or withdraw the TD Securities Fairness Opinion in the event that there is any material change in any fact or matter affecting the TD Securities Fairness Opinion, it disclaims any undertaking or obligation to advise any person of any such material change that may come to its attention or to change, modify, update, supplement or withdraw the TD Securities Fairness Opinion as a result of any such material change. TD Securities did not undertake an independent evaluation, appraisal or physical inspection of any assets or liabilities of Atlantic Power or CPILP or their respective subsidiaries. TD Securities is not an expert on, and did not render advice to the Board of Directors of Atlantic Power regarding, legal, accounting, regulatory or tax matters.

In accordance with the terms of the engagement of TD Securities by Atlantic Power, the TD Securities Fairness Opinion provides, among other things, that it (i) is being provided to the Atlantic Power board of directors, and is intended solely for the use of the Atlantic Power board of directors with respect to the Proposed Transaction, and (ii) must not be published, reproduced, disseminated, quoted from, made public or referred to, in whole or in part, or be used or relied upon by any other person, or for any other purpose, without TD Securities' prior written consent, except that a copy of the opinion may be included in its entirety in the management information circular to be sent to the shareholders of Atlantic Power in respect of the Proposed Transaction and any filing Atlantic Power is required to make with the Securities and Exchange Commission in connection with the Proposed Transaction, if such inclusion is required by applicable law. TD Securities is not aware of any applicable provincial or state court decision regarding the availability of a defense by TD Securities based on this limitation in the engagement letter in connection with any claim of reliance on the TD Securities Fairness Opinion by an Atlantic Power shareholder. Accordingly, the availability of any such defense will be resolved by a court of competent jurisdiction. Resolution of the question of the availability of such a defense will have no effect on the rights and responsibilities of the Atlantic Power board of directors under applicable state law. Further, the availability of such a state-law defense to TD Securities would have no effect on the rights and responsibilities of either TD Securities or the Atlantic Power board of directors under the federal securities laws of the United States.

The following is a brief summary of the material analyses performed by TD Securities in connection with its oral opinion and the preparation of its written opinion letter dated June 19, 2011. Some of these summaries of financial analyses include information presented in tabular format. In order to understand fully the financial analyses used by TD Securities, the tables must be read together with the text of each summary. The tables alone do not constitute a complete description of the financial analyses.

***Historical Share Price Analysis***

TD Securities reviewed the share price performance of Atlantic Power and CPILP for various periods ending on June 17, 2011 (the last trading day prior to the meeting of the Board of Directors of Atlantic Power approving the execution of the Arrangement Agreement) as observed on the Toronto Stock Exchange (TSX) and other Canadian exchanges as reported by Bloomberg L.P. TD Securities noted that the range of low and high closing prices of Atlantic Power common shares during the prior 60-day period was C\$13.96 to C\$15.19. TD Securities noted that the range of low and high closing prices of CPILP units during the prior 60-day period was C\$18.28 to C\$20.90. The consideration

Table of Contents

(C\$19.42 assuming the closing price C\$14.96 for Atlantic Power common shares on the TSX on June 17, 2011) represented a 4.2% premium to the closing price of CPILP units on June 17, 2011.

***Equity Research Analyst Price Targets***

TD Securities reviewed the public market trading price targets for Atlantic Power common shares prepared and published by equity research analysts between May 12, 2011 and May 27, 2011. These targets reflected each analyst's estimate of the 12-month target trading price of Atlantic Power common shares. TD Securities noted that the range of 12-month research analyst price targets for Atlantic Power was C\$12.00 to C\$15.00 per share. Using a discount rate of 9%, TD Securities discounted the analysts' price targets back 12-months to arrive at a range of present values for these targets. TD Securities' analysis of the present value of equity research analysts' future price targets implied an equity range for Atlantic Power of approximately \$11.01 to \$13.76 per share.

TD Securities reviewed the public market trading price targets for CPILP units prepared and published by equity research analysts between April 28, 2011 and June 13, 2011. These targets reflected each analyst's estimate of the 12-month target trading price of CPILP units. TD Securities noted that the range of 12-month research analyst price targets for CPILP was C\$16.50 to C\$20.00 per unit. Using a discount rate of 9%, TD Securities discounted the analysts' price targets back 12-months to arrive at a range of present values for these targets. TD Securities' analysis of the present value of equity research analysts' future price targets implied an equity range for CPILP of approximately C\$15.14 to C\$18.35 per unit.

The public market trading price targets published by equity research analysts do not necessarily reflect current market trading prices for Atlantic Power common shares and CPILP units and these estimates are subject to uncertainties, including the future financial performance of Atlantic Power and CPILP and future financial market conditions.

***Comparable Company Analysis***

TD Securities performed a comparable company analysis, which is designed to provide an implied value of a company by comparing it to similar companies. TD Securities compared certain financial information of Atlantic Power and CPILP with publicly-available information for peer group companies and funds that operate in and are exposed to similar lines of business as Atlantic Power and CPILP, namely Canadian-traded independent power producers. The peer group included:

Algonquin Power & Utilities Corp.

Atlantic Power Corp.

Boralex Inc.

Brookfield Renewable Power Fund

Capital Power Income L.P.

Innergex Renewable Energy Inc.

Capstone Infrastructure Corp.

Northland Power Inc.

## Edgar Filing: ATLANTIC POWER CORP - Form DEFM14A

For this analysis, TD Securities considered the ratio of enterprise value (defined as equity value plus total debt, minority interest, capital lease obligations and preferred shares less cash and cash equivalents, referred to as EV) to 2011 estimated earnings before interest, taxes, depreciation and amortization (referred to as EBITDA), EV/EBITDA, to be the primary value multiple when analyzing each of these companies or funds. Based on estimates for the peer group companies or funds provided

Table of Contents

by the Institutional Brokers' Estimate System (I/B/E/S), and public filings, TD Securities calculated the relevant metrics for each of the comparable companies or funds. TD Securities selected, using its experience and judgment, a representative range of EV/EBITDA multiples of the comparable companies or funds and applied this range of multiples to the relevant financial statistics for Atlantic Power and CPILP. For purposes of estimated 2011 EBITDA, TD Securities utilized consensus metrics provided by I/B/E/S, as well as estimates prepared by Atlantic Power management.

TD Securities calculated the implied equity range for Atlantic Power common shares as follows:

	Estimated 2011 EBITDA (C\$MM)	EV/EBITDA Multiple Range	Implied Range Per Atlantic Power Common Share
I/B/E/S Consensus	C\$ 133	10.0x - 11.0x	C\$10.40 - \$12.34
Atlantic Power Management	C\$ 147	10.0x - 11.0x	C\$12.43 - \$14.57

TD Securities calculated the implied equity range per CPILP unit as follows:

	Estimated 2011 EBITDA (C\$MM)	EV/EBITDA Multiple Range	Implied Range Per CPILP Unit
I/B/E/S Consensus	C\$ 187	10.0x - 11.0x	C\$ 17.79 - \$21.10
Atlantic Power Management	C\$ 174	10.0x - 11.0x	C\$ 17.51 - \$20.58

The process of analyzing EV/EBITDA multiples implied by comparable publicly traded companies or funds and applying these EV/EBITDA multiples to Atlantic Power and CPILP involved certain judgments concerning the financial and operating characteristics of the peer group compared to Atlantic Power and CPILP. Given differences in business mix, growth prospects and risks inherent in the comparable companies or funds identified, TD Securities did not consider any specific company to be directly comparable to Atlantic Power or CPILP.

***Precedent Transaction Analysis***

Using publicly-available information, TD Securities reviewed the terms of selected precedent transactions in which the targets were Canadian independent power producers, such as Atlantic Power and CPILP.

TD Securities reviewed the consideration given and calculated the ratio of EV to EBITDA ("EV/EBITDA Multiple").

For this analysis, TD Securities reviewed the following transactions:

Acquiror	Target	Announcement Date
Boralex Inc.	Boralex Power Income Fund	05/03/2010
Innergex Power Income Fund	Innergex Renewable Energy Inc.	02/01/2010
Northland Power Income Fund	Northland Power Inc.	04/23/2009
FPL Energy, LLC	Creststreet Power & Income Fund LP	04/18/2008
Cheung Kong Infrastructure Holdings Ltd.	TransAlta Power, LP	10/15/2007
Fort Chicago Energy Partners LP	Countryside Power Income Fund	06/20/2007
Macquarie Power & Infrastructure Income Fund	Clean Power Income Fund	04/15/2007
Harbinger Capital Partners	Calpine Power Income Fund	01/29/2007
EPCOR Utilities Inc.	TransCanada Power L.P. (30.6% interest in public units and control of the General Partner)	05/17/2005

Table of Contents

Based on the analysis of the relevant characteristics for each of the selected precedent transactions and on the experience and judgment of TD Securities, TD Securities selected a representative range of EV/EBITDA Multiples of the selected precedent transactions and applied this range of multiples to the relevant EBITDA estimates for CPILP.

TD Securities calculated the implied equity range per CPILP unit as follows:

	Estimated 2011 EBITDA (C\$MM)	EV/EBITDA Multiple Range	Implied Range Per CPILP Unit
I/B/E/S Consensus	C\$ 187	9.5x - 11.0x	C\$16.13 - \$21.10
Atlantic Power Management	C\$ 174	9.5x - 11.0x	C\$15.97 - \$20.58

The process of analyzing EV/EBITDA Multiples implied by selected precedent transactions and applying these EV/EBITDA multiples to CPILP involved certain judgments concerning, among other things, the financial and operating characteristics of the companies or funds acquired in these transactions compared to the business of CPILP. Given the differences in business mix, economic and market conditions, growth prospects and risks inherent in the selected precedent transactions identified, TD Securities did not consider any specific selected precedent transaction to be directly comparable to CPILP.

***Discounted Cash Flow Analysis***

TD Securities performed discounted cash flow (DCF) analysis on Atlantic Power and CPILP, which is an analysis of the present value of expected future cash flows. The DCF methodology reflects the growth prospects and risks inherent in each business by taking into account the amount, timing and relative certainty of projected free cash flows expected to be generated by each business. The DCF approach requires that certain assumptions be made regarding, among other things, future free cash flows, discount rates and terminal values. The possibility that some of the assumptions will prove to be inaccurate is one factor involved in the determination of discount rates to be used in establishing a range of values. TD Securities' DCF analysis of Atlantic Power and CPILP involved discounting to a present value the projected levered after tax free cash flows from January 1, 2012 until December 31, 2024 for each of Atlantic Power and CPILP, plus terminal values determined as at December 31, 2024, utilizing an appropriate cost of equity as the discount rate.

TD Securities analyzed Atlantic Power's business through discussions with Atlantic Power management, a review of 2012 - 2024 financial forecasts prepared by Atlantic Power management and by using publicly-available information. The terminal value was calculated by applying a terminal year perpetual growth formula to 2025 free cash flow as projected by Atlantic Power management. The perpetual growth formula used a 0% terminal year growth rate and 8.5% - 9.5% was selected as the appropriate equity discount rate range. The discount rate range was selected based on an analysis of Atlantic Power's cost of equity. This analysis resulted in an implied equity range for Atlantic Power of C\$9.49 - C\$10.57 per share.

TD Securities analyzed CPILP's business through discussions with both Atlantic Power and CPILP management, a review of 2012 - 2024 financial forecasts prepared by Atlantic Power management and by using publicly-available information. Atlantic Power management prepared two financial forecasts for CPILP. A low case and a high case incorporating the results of the due diligence performed by Atlantic Power on CPILP. Atlantic Power management also identified synergies related to the elimination of certain public company costs and efficient use of available tax deductions. The terminal value was calculated by applying a terminal year perpetual growth formula to 2025 free cash flow, as projected by Atlantic Power management. The perpetual growth formula used a 0% terminal year growth rate and 8.5% - 9.5% was selected as the appropriate equity discount rate range. The discount rate range was

Table of Contents

selected based on an analysis of CPILP's cost of equity. This analysis resulted in an implied equity range for CPILP of C\$15.72 - C\$19.33 per unit including synergies.

TD Securities analyzed the implied value, using the DCF methodology described above, of Atlantic Power per common share on a pro forma basis, after giving effect to the Proposed Transaction. TD Securities assumed that Atlantic Power successfully completes the public market financings for the Proposed Transaction as contemplated at June 17, 2011. The public market financings contemplated at June 17, 2011 included, among other things, a term-debt issuance of approximately \$430 million and an Atlantic Power public common share offering of approximately C\$200 million. TD Securities performed its analysis using the low and high financial forecasts including the identified synergies above. The analysis resulted in an implied equity range for Atlantic Power on a pro forma basis, after giving effect to the Proposed Transaction of C\$10.23 - C\$12.52 per share including synergies.

***Distributable Cash Flow Accretion and Payout Ratio Analysis***

TD Securities performed distributable cash flow accretion analysis, which compares the projected cash flows available for distribution to common shareholders of Atlantic Power on a standalone and pro forma basis, using forecasts prepared by Atlantic Power management. Cash flow available for distribution is defined as cash from operations less maintenance capital expenditures and mandatory debt principal or amortization payments.

<b>Distributable Cash Flow Per Share</b>	<b>2011 - 2020 Average</b>
Atlantic Power Standalone	C\$0.95
Pro Forma Atlantic Power Management	C\$1.20 - C\$1.29

TD Securities performed payout ratio analysis, which is an analysis of the percentage resulting from the projected dividends paid to common shareholders of Atlantic Power compared to projected cash flows available for distribution to common shareholders on a standalone and pro forma basis, using forecasts prepared by Atlantic Power management, Atlantic Power standalone annual dividend per share used in the analysis was C\$1.09 and the Atlantic Power pro forma annual dividend per share (under the low and high case) used in the analysis was C\$1.15. The forecasted annual dividend per share, as a percentage of forecasted cash flow available for distribution per share, results in an implied forecasted payout ratio.

<b>Payout Ratio</b>	<b>2011 - 2020 Average</b>
Atlantic Power Standalone	124.9%
Pro Forma Atlantic Power Management	90.0% - 97.4%

***Exchange Ratio Analysis***

TD Securities performed an analysis of the exchange ratio of CPILP units to Atlantic Power common shares, using the transaction consideration of C\$19.42 (based on the closing price for Atlantic Power common shares on June 17, 2011) and the volume-weighted average prices of Atlantic Power's shares as at June 17, 2011 as observed on the Toronto Stock Exchange (TSX) and other Canadian exchanges as reported by Bloomberg L.P. This implied exchange ratios observed during these periods ranging from 1.29x to 1.33x Atlantic Power common shares per CPILP unit.

**General**

In connection with the review of the Proposed Transaction by the board of directors of Atlantic Power, TD Securities performed a variety of financial and comparative analyses for purposes of rendering its opinion. The preparation of a financial opinion is a complex process and is not necessarily amenable to partial analysis or summary description. In arriving at its opinion, TD Securities



Table of Contents

considered the results of all of its analyses as a whole and did not attribute any particular weight to any single analysis or factor it considered. TD Securities believes that its analyses must be considered as a whole and that selecting portions of the analyses or the factors considered by it, without considering all factors and analyses together, could create an incomplete or misleading view of the process underlying the TD Securities Fairness Opinion. In addition, TD Securities may have given various analyses and factors more or less weight than other analyses and factors, and may have deemed various assumptions more or less probable than other assumptions. As a result, the ranges of implied values resulting from any particular analysis or combination of analyses described above should not be taken to be the view of TD Securities with respect to the actual value of Atlantic Power or CPILP. TD Securities has not prepared a valuation of Atlantic Power or CPILP or any of their respective securities or assets or liabilities and the Fairness Opinion should not be construed as such.

In performing its analyses, TD Securities made numerous assumptions with respect to industry performance, general business, regulatory, economic, market and financial conditions and other matters. Many of these assumptions are beyond the control of Atlantic Power and CPILP. Any estimates contained in TD Securities' analyses are not necessarily indicative of future results or actual values, which may be significantly more or less favourable than those suggested by such estimates.

The analyses performed were prepared solely as part of TD Securities' analysis of the fairness of the Consideration to be paid by Atlantic Power in connection with the Proposed Transaction from a financial point of view to Atlantic Power, and were conducted in connection with the delivery of the TD Securities Fairness Opinion to the board of directors of Atlantic Power. These analyses do not purport to be appraisals or to reflect the prices at which shares of common stock of Atlantic Power or CPILP units might actually trade. The consideration to be paid to the holders of CPILP units and other terms of the Proposed Transaction were determined through arm's-length negotiations between Atlantic Power and CPILP and were approved by Atlantic Power's board of directors. TD Securities provided advice to Atlantic Power during such negotiations; however, TD Securities did not recommend any specific consideration to Atlantic Power or that any specific consideration constituted the only appropriate consideration for the Proposed Transaction. In addition, as described above, TD Securities' opinion and presentation to Atlantic Power's board of directors were one of many factors taken into consideration by such Board in making their decision to approve the Proposed Transaction. Consequently, the TD Securities analyses as described above should not be viewed as determinative of the opinion of Atlantic Power's board of directors with respect to the consideration or the value of CPILP, or of whether the board of directors of Atlantic Power would have been willing to agree to pay a different consideration. See the section entitled "Atlantic Power's Reasons for the Arrangement Agreement; Recommendations of Atlantic Power's Board of Directors" beginning on page 58.

The TD Securities Fairness Opinion was approved by a committee of senior investment banking professionals of TD Securities in accordance with its customary practice.

Atlantic Power retained TD Securities based upon TD Securities' qualifications, experience and expertise and its knowledge of the business affairs of Atlantic Power. Neither TD Securities, nor any of its affiliates is an insider, associate or affiliate (as those terms are defined in the Securities Act (Ontario)) of Atlantic Power, CPILP or any of their respective affiliates (collectively, the "Interested Parties"). Neither TD Securities nor any of its affiliates is an advisor to any Interested Party with respect to the Proposed Transaction, other than to Atlantic Power and its affiliates.

TD Securities and its affiliates have not been engaged to provide any financial advisory services, have not acted as lead or co-lead manager on any offering of securities of Atlantic Power or any other Interested Party, or had a material financial interest in any transaction involving Atlantic Power or any other Interested Party during the 24 months preceding the date on which TD Securities was first contacted in respect of the Proposed Transaction other than services provided under its engagement in respect of the Proposed Transaction or as described hereinafter. TD Securities acted as a co-manager

Table of Contents

for the offering of Atlantic Power common shares and convertible debentures in October 2010. TD Securities acted as co-financial advisor, co-lead underwriter, lead arranger and co-lead arranger in connection with the initial public offering of common shares of Capital Power and the related reorganization and acquisition transactions involving EPCOR Utilities Inc. ("EPCOR") and Capital Power LP and related financings in 2009. TD Securities acted as financial advisor to EPCOR for two unrelated transactions during the 24 month period referenced above.

No understanding or agreement exists between TD Securities and any Interested Party with respect to future financial advisory or investment banking business other than those that may arise as a result of the terms of its engagement in respect of the Proposed Transaction. TD Securities may in the future, in the ordinary course of its business, perform financial advisory or investment banking services for Atlantic Power, any other Interested Party or any of their respective associates. A Canadian chartered bank, the parent company of TD Securities, directly or through one or more affiliates may provide banking services, extend loans or credit, offer financial products or provide other financial services to Atlantic Power, any other Interested Party or any of its associates.

TD Securities and its affiliates act as a trader and dealer, both as principal and as agent, in major financial markets and, as such, may have and may in the future have positions in the securities of Atlantic Power and/or any other Interested Party and/or their respective associates and, from time to time, may have executed or may execute transactions on behalf of Atlantic Power and/or any other Interested Party and/or their respective associates or other clients for which it may have received or may receive compensation. As an investment dealer, TD Securities conducts research on securities and may, in the ordinary course of its business, provide research reports and investment advice to its clients on investment matters, including matters with respect to the Proposed Transaction, Atlantic Power and/or any other Interested Party and/or their respective associates.

Pursuant to the terms of its engagement, Atlantic Power Corp. ("Atlantic Power") has agreed to pay TD Securities Inc. ("TD Securities") a fee of \$1,900,000, which became payable upon public announcement of the Proposed Transaction and upon delivery of the TD Securities Fairness Opinion and an additional fee of \$5,600,000 that is payable upon consummation of the Proposed Transaction. Atlantic Power has also agreed to reimburse TD Securities for its fees and expenses incurred in performing its services. In addition, Atlantic Power has agreed to indemnify TD Securities and its affiliates, and each of their respective directors, officers, employees, partners, agents and shareholders against certain expenses, losses, claims, actions, suits, proceedings, damages and liabilities, including certain liabilities under the federal securities laws, related to, caused by, resulting from, arising out of or based on, directly or indirectly, TD Securities' engagement and any related transactions. TD Securities (jointly with Morgan Stanley) also entered into financing commitments to provide Atlantic Power with a \$625 million senior secured credit facility in connection with the consummation of the Proposed Transaction, subject to the terms of such commitments, and pursuant to which TD Securities received customary fees. TD Securities has also been mandated as a joint bookrunner for any equity or debt offering related to the Proposed Transaction and pursuant to which TD Securities will be paid customary fees. In addition, TD Securities has provided certain services related to hedging foreign exchange exposure related to the Proposed Transaction pursuant to which TD Securities was paid customary fees. To the extent that Atlantic Power requires additional financing with respect to the Proposed Transaction, TD Securities and/or its affiliates may arrange and/or provide such additional financing and would expect to receive customary compensation.

During the two years preceding the delivery of the opinion, TD Securities and its affiliates provided certain services to Atlantic Power and CPILP for which it received compensation. TD Securities acted as a co-manager on the issuance of \$70 million aggregate principal amount of Atlantic Power Common Shares and \$70 million aggregate principal amount of Atlantic Power Series B Convertible Debentures due 2017 in October, 2010, for which it received aggregate compensation of approximately \$0.3 million. TD Securities and its affiliates also provided certain investment banking

Table of Contents

services, including equity financing, foreign exchange, commercial paper and corporate lending services to CPILP during this period, for which it received aggregate compensation of approximately \$1.3 million.

*Opinion of Morgan Stanley & Co. LLC*

Atlantic Power retained Morgan Stanley to provide it with financial advisory services and a financial opinion in connection with the transaction. Atlantic Power selected Morgan Stanley to act as its financial advisor based on Morgan Stanley's qualifications, expertise and reputation and its knowledge of the business and affairs of Atlantic Power. At the meeting of the Atlantic Power board of directors on June 19, 2011, Morgan Stanley rendered its oral opinion, subsequently confirmed in writing, that as of such date and based upon and subject to the various assumptions, considerations, qualifications and limitations set forth in its written opinion, the consideration to be paid by Atlantic Power pursuant to the Arrangement Agreement was fair, from a financial point of view, to Atlantic Power.

**The full text of the written opinion of Morgan Stanley, dated June 19, 2011, which discusses, among other things, the assumptions made, procedures followed, matters considered, and qualifications and limitations of the review undertaken by Morgan Stanley in rendering its opinion, is attached as Annex C and incorporated by reference into this section of the joint proxy statement. The summary of the Morgan Stanley opinion provided in this joint proxy statement is qualified in its entirety by reference to the full text of the opinion. We encourage you to read the opinion carefully and in its entirety. The Morgan Stanley opinion is directed to the Atlantic Power board of directors and addresses only the fairness, from a financial point of view, of the consideration to be paid by Atlantic Power pursuant to the Arrangement Agreement. The Morgan Stanley opinion does not address any other aspect of the transaction and does not constitute a recommendation to any Atlantic Power shareholder or unitholder of CPILP as to how any such shareholder or unitholder should vote with respect to the proposed transaction or whether to take any other action with respect to the transaction. The opinion also does not address the prices at which Atlantic Power common shares will trade following the completion of the transaction or at any time.**

For the purposes of its opinion, Morgan Stanley, among other things:

Reviewed certain publicly available financial statements and other business and financial information of CPILP and Atlantic Power, respectively;

Reviewed certain internal financial statements and other financial and operating data concerning CPILP and Atlantic Power, respectively;

Reviewed certain financial projections relating to CPILP prepared by the management of CPILP (the "CPILP Forecasts") and certain financial projections relating to Atlantic Power prepared by the management of Atlantic Power (the "Atlantic Power Forecasts");

Reviewed certain adjustments to the CPILP Forecasts prepared by the management of Atlantic Power (the "Atlantic Power-CPILP Forecasts") and discussed with the management of Atlantic Power its assessments as to the relative likelihood of achieving the future financial results reflected in the CPILP Forecasts and the Atlantic Power-CPILP Forecasts;

Discussed with the management of Atlantic Power the past and current operations and financial condition and the prospects of Atlantic Power, including information relating to certain strategic, financial and operational benefits anticipated from the transaction (the "Synergy/Costs Savings");

Reviewed the pro forma impact of the transaction on Atlantic Power's earnings per share, cash flow, consolidated capitalization and financial ratios;

Table of Contents

Reviewed the reported prices and trading activity for the CPILP units and Atlantic Power common shares;

Compared the financial performance of CPILP and Atlantic Power and the prices and trading activity of the CPILP units and the Atlantic Power common shares with that of certain other publicly-traded companies that Morgan Stanley deemed relevant, and their securities;

Reviewed the financial terms, to the extent publicly available, of certain acquisition transactions that Morgan Stanley deemed relevant;

Participated in certain discussions and negotiations among representatives of CPILP and Atlantic Power and certain parties and their financial and legal advisors;

Reviewed the Arrangement Agreement and certain related documents; and

Performed such other analyses and considered such other factors as Morgan Stanley deemed appropriate.

In arriving at its opinion, Morgan Stanley assumed and relied upon, without independent verification, the accuracy and completeness of the information that was publicly available or supplied or otherwise made available to it by CPILP and Atlantic Power, and formed a substantial basis for its opinion. With respect to the CPILP Forecasts, Morgan Stanley assumed that they were reasonably prepared on bases reflecting the best currently available estimates and judgments of the management of CPILP of the future financial performance of CPILP. With respect to the Atlantic Power-CPILP Forecasts, the Atlantic Power Forecasts, and the Synergy/Cost Savings, Morgan Stanley assumed that they were reasonably prepared on bases reflecting the best currently available estimates and judgments of the management of Atlantic Power of the future financial performance of CPILP and Atlantic Power and the other matters covered thereby, and based on the assessments of the management of Atlantic Power as to the relative likelihood of achieving the future financial results reflected in the CPILP Forecasts and the Atlantic Power-CPILP Forecasts, Morgan Stanley relied, at the direction of Atlantic Power, on the Atlantic Power-CPILP Forecasts for purposes of its opinion. In addition, Morgan Stanley assumed that the Synergies/Cost Savings will be achieved at the times and in the amounts projected. In rendering its opinion, Morgan Stanley assumed that the final form of the Arrangement Agreement will not differ in any material respect from the draft reviewed by Morgan Stanley. In addition, Morgan Stanley assumed that the transaction will be consummated in accordance with the terms set forth in the Arrangement Agreement without any waiver, amendment or delay of any terms or conditions. Morgan Stanley assumed that in connection with the receipt of all the necessary governmental, regulatory or other approvals and consents required for the proposed transaction, no delays, limitations, conditions or restrictions will be imposed that would have a material adverse effect on the contemplated benefits expected to be derived in the proposed transaction.

Morgan Stanley is not a legal, tax or regulatory advisor. Morgan Stanley is a financial advisor only and it relied upon, without independent verification, the assessment of Atlantic Power and CPILP and their legal, tax or regulatory advisors with respect to legal, tax or regulatory matters. Morgan Stanley expressed no view on, and its opinion did not address, any other term or aspect of the Arrangement Agreement or the transaction or any term or aspect of any other agreement or instrument contemplated by the Arrangement Agreement or entered into in connection with the transaction, including, without limitation, the NC Purchase Agreement, or the fairness of the transactions contemplated thereby, including, without limitation, the North Carolina transaction. Morgan Stanley expressed no opinion as to the relative fairness of any portion of the consideration to be paid by Atlantic Power for the CPILP units and the Class A and Class B shares in the capital of CPI Investments. Morgan Stanley expressed no opinion with respect to the fairness of the amount or nature of the compensation to any of the officers, directors or employees of CPILP or CPI Investments, or any class of such persons, relative to the consideration to be paid to the holders of the

Table of Contents

CPILP units and the Class A and Class B shares in the capital of CPI Investments in the transaction. Morgan Stanley did not make any independent valuation or appraisal of the assets or liabilities of CPILP, CPI Investments or Atlantic Power, nor was Morgan Stanley furnished with any such valuations or appraisals. Morgan Stanley's opinion was necessarily based on financial, economic, market and other conditions as in effect on, and the information made available to it as of, June 19, 2011. Events occurring after June 19, 2011 may affect Morgan Stanley's opinion and the assumptions used in preparing it, and Morgan Stanley did not assume any obligation to update, revise or reaffirm its opinion.

The following is a summary of the material financial analyses performed by Morgan Stanley in connection with its oral opinion and the preparation of its written opinion, dated as of June 19, 2011. Although each analysis was provided to the Atlantic Power board of directors, in connection with arriving at its opinion, Morgan Stanley considered all of its analysis as a whole and did not attribute any particular weight to any analysis described below. Some of these summaries include information in tabular format. In order to understand fully the financial analyses used by Morgan Stanley, the tables must be read together with the text of each summary. The tables alone do not constitute a complete description of the analyses.

**Historical Trading and Exchange Ratio Review.** Morgan Stanley reviewed the ranges of closing prices of Atlantic Power common shares and CPILP units for various periods ending on June 17, 2011. Morgan Stanley noted that for the 52-week period ending June 17, 2011 the ranges of closing prices per share for Atlantic Power common shares and CPILP units were C\$12.11 to C\$15.50 and C\$15.90 to C\$21.22, respectively. Morgan Stanley also calculated the average trading ratio of the price of CPILP units to the price of Atlantic Power common shares over the following periods:

Period Ending June 17, 2011	Average Historical Trading Ratio
June 17, 2011	1.25x
1 Week Prior	1.26x
1 Month Prior	1.29x
3 Months Prior	1.33x
6 Months Prior	1.29x
1 Year Prior	1.30x

Morgan Stanley noted that the exchange ratio pursuant to the Arrangement Agreement is 1.3 shares of Atlantic Power common shares for each CPILP unit, and that the implied offer value per CPILP unit as of June 17, 2011 was C\$19.42, based on the closing price of Atlantic Power common shares on June 17, 2011 of \$14.96.

**Equity Research Analysts' Price Targets.** Morgan Stanley reviewed the most recent equity research analysts' per-share target prices for Atlantic Power common shares and CPILP units, respectively. These targets reflect each analyst's estimate of the future public market trading price for Atlantic Power common shares and CPILP units. Target prices for CPILP units ranged from C\$16.50 to C\$20.00, compared with the implied offer value per unit of C\$19.42 as of June 17, 2011. Target prices for Atlantic Power common shares ranged from C\$12.00 to C\$15.00, compared with the closing price of Atlantic Power common shares of \$14.96 as of June 17, 2011.

The public market trading price targets published by equity research analysts do not necessarily reflect current market trading prices for Atlantic Power common shares or CPILP units and these estimates are subject to uncertainties, including the future financial performance of Atlantic Power and CPILP and future financial market conditions.

# Edgar Filing: ATLANTIC POWER CORP - Form DEFM14A

## Table of Contents

**Selected Companies Analysis.** Morgan Stanley reviewed and compared certain publicly available and internal financial information, ratios and publicly available market multiples relating to Atlantic Power and CPILP, respectively, to corresponding financial data for publicly-traded companies that shared characteristics with Atlantic Power and CPILP to derive an implied per share equity reference range for Atlantic Power and CPILP.

The companies included in the selected companies analysis were:

Capstone Infrastructure Corporation;

Brookfield Renewable Power Fund;

Northland Power Incorporated;

Algonquin Power and Utilities Corporation; and

Innergex Renewable Energy Inc.

Morgan Stanley then reviewed both publicly available and internal financial information for each of Atlantic Power and CPILP to compare financial information and multiples of market value of the companies included in the selected companies analysis to the following metrics for Atlantic Power and CPILP:

aggregate value (defined as equity value plus estimated total debt, minority interest, capital lease obligations and preferred stock less cash and cash equivalents) to 2011 estimated earnings before interest, taxes, depreciation and amortization (which is referred to herein as EBITDA); and

aggregate value to 2012 estimated EBITDA.

The following table reflects the results of this analysis, as well as the multiples for Atlantic Power and CPILP based on the median statistics of EBITDA for these companies obtained from I/B/E/S, a data service that monitors and publishes a compilation of earnings estimates produced by selected research analysts on companies of interest to investors:

	<b>Aggregate Value to EBITDA</b>	
	<b>2011E</b>	<b>2012E</b>
Representative range derived for Atlantic Power from selected companies	11.0x - 13.0x	9.0x - 11.0x
Atlantic Power multiples (I/B/E/S)	13.9x	13.0x
Representative range derived for CPILP from selected companies	11.0x - 13.0x	9.0x - 11.0x
CPILP multiples (I/B/E/S)	10.3x	10.0x

Applying representative ranges of multiples that were derived from the selected companies analysis, Morgan Stanley calculated an implied per share equity reference range for Atlantic Power common shares and CPILP units with respect to the following metrics:

aggregate value to 2011 estimated EBITDA; and

aggregate value to 2012 estimated EBITDA.

Based on this analysis, Morgan Stanley derived an implied per share equity reference range for Atlantic Power common shares of C\$12.26 to C\$18.85 and an implied per share equity reference range for CPILP units of C\$14.94 to C\$28.33.

## Edgar Filing: ATLANTIC POWER CORP - Form DEFM14A

Morgan Stanley noted that the implied offer value per CPILP unit as of June 17, 2011 was C\$19.42, based on the closing price of Atlantic Power common shares on June 17, 2011 of \$14.96.

Table of Contents

Atlantic Power management prepared two financial forecasts for CPILP, referred to as Case 1 and Case 2, which incorporated the results of due diligence that were performed by Atlantic Power on CPILP. Morgan Stanley also performed an EBITDA multiple analysis on Atlantic Power common shares in the combined company post-transaction, using projections for both Atlantic Power and CPILP provided by the management of Atlantic Power, which incorporated synergies related to the elimination of certain public company costs identified by Atlantic Power management. Applying representative ranges of multiples that were derived from the selected companies analysis, Morgan Stanley calculated a range of implied per share equity reference ranges for Atlantic Power common shares in the combined company post-transaction with respect to the following metrics:

aggregate value to 2011 estimated EBITDA; and

aggregate value to 2012 estimated EBITDA.

Based on this analysis, Morgan Stanley derived an implied per share equity reference range for Atlantic Power common shares in the combined company post-transaction of C\$10.83 to C\$20.89.

No company utilized in the selected companies analysis is identical to Atlantic Power or CPILP. Accordingly, an analysis of the results of the foregoing necessarily involves complex considerations and judgments concerning differences in financial and operating characteristics of Atlantic Power and CPILP and other factors that could affect the public trading value of the companies to which they are being compared. In evaluating the selected companies, Morgan Stanley made judgments and assumptions with regard to industry performance, general business, economic, market and financial conditions and other matters, many of which are beyond the control of Atlantic Power and CPILP, such as the impact of competition on the businesses of Atlantic Power or CPILP and the industry generally, industry growth and the absence of any adverse material change in the financial conditions and prospects of Atlantic Power or CPILP or the industry or in the financial markets in general. Mathematical analysis, such as determining the mean, median or average, is not in itself a meaningful method of using selected company data.

**Discounted Cash Flow Analyses.** Morgan Stanley performed a discounted cash flow analysis (DCF) on Atlantic Power and CPILP using projections provided by Atlantic Power management. A discounted cash flow analysis is designed to provide insight into the value of a company as a function of its future cash flows and terminal value. Morgan Stanley's DCF analysis of Atlantic Power and CPILP involved discounting to a present value the projected levered after tax free cash flows from January 1, 2012 until December 31, 2024 for each of Atlantic Power and CPILP, plus terminal values determined as at December 31, 2024, utilizing a range of costs of equity which were chosen by Morgan Stanley based upon an analysis of market discount rates applicable to selected companies.

**Atlantic Power.** Morgan Stanley calculated indications of net present value of levered after tax free cash flows for Atlantic Power for the years 2012 through 2024 using discount rates ranging from 8.0% to 9.0%, reflecting estimates of Atlantic Power's cost of equity. Morgan Stanley then calculated an implied terminal value for Atlantic Power by applying a perpetual growth rate of 0% to an illustrative terminal year levered after tax free cash flow, which is the cash flow assumed to continue into perpetuity following the initial projection period that ends in the year 2024. This illustrative terminal value was then discounted to calculate indications of present value using an illustrative terminal discount rate ranging from 8.0% to 9.0%. From this analysis, Morgan Stanley calculated an implied per share equity reference range for Atlantic Power common shares of C\$8.24 to C\$8.93.

**CPILP.** Morgan Stanley calculated indications of net present value of levered after tax free cash flows for CPILP for the years 2012 through 2024 using discount rates ranging from 8.0% to 9.0%, reflecting estimates of CPILP's cost of equity. Morgan Stanley then calculated an implied terminal value for CPILP by applying a perpetual growth rate of 0% to an illustrative terminal year levered after tax free cash flow, which is the cash flow assumed to continue into perpetuity following the initial



Table of Contents

projection period that ends in the year 2024. This illustrative terminal value was then discounted to calculate indications of present value using an illustrative terminal discount rate ranging from 8.0% to 9.0%. Morgan Stanley performed these analyses utilizing Cases 1 and 2, the two financial forecasts prepared for CPILP by Atlantic Power management. From this analysis, Morgan Stanley calculated an implied per share equity reference range for CPILP units of C\$14.52 to C\$18.85.

**Pro Forma Analysis.** Morgan Stanley calculated indications of net present value of levered after tax free cash flows for Atlantic Power on a pro forma basis for the transaction for the years 2012 through 2024 using discount rates ranging from 8.0% to 9.0%, reflecting estimates of Atlantic Power's pro forma cost of equity. Morgan Stanley then calculated an implied terminal value for Atlantic Power on a pro forma basis by applying a perpetual growth rate of 0% to an illustrative terminal year levered after tax free cash flow, which is the cash flow assumed to continue into perpetuity following the initial projection period that ends in the year 2024. This illustrative terminal value was then discounted to calculate indications of present value using an illustrative terminal discount rate ranging from 8.0% to 9.0%. Morgan Stanley performed these pro forma analyses utilizing Cases 1 and 2, the two financial forecasts prepared for CPILP by Atlantic Power management. Included in this pro forma analysis were synergies related to the elimination of certain public company costs identified by Atlantic Power management. From this analysis, Morgan Stanley calculated an implied per share equity reference range for Atlantic Power common shares pro forma for the transaction of C\$9.51 to C\$11.69.

Morgan Stanley noted that the implied offer value per CPILP unit as of June 17, 2011 was C\$19.42, based on the closing price of Atlantic Power common shares on June 17, 2011 of \$14.96.

**Distributable Cash Flow Accretion Analysis.** Morgan Stanley performed distributable cash flow accretion analysis, which compares projected cash flows available for distribution to common shareholders of Atlantic Power on a standalone basis and pro forma for the transaction, using forecasts prepared by Atlantic Power management. For purposes of this analysis, cash flow available for distribution is cash from operations less maintenance capital expenditures and mandatory debt principal or amortization payments.

<b>Distributable Cash Per Share</b>	<b>2012 - 2016 Average</b>
Atlantic Power Standalone	C\$0.96
Pro Forma Atlantic Power Management Case 1	C\$1.23
Pro Forma Atlantic Power Management Case 2	C\$1.29

**Analysis of Selected Precedent Transactions.** Morgan Stanley also performed an analysis of selected precedent transactions, which attempted to provide an implied value for CPILP by comparing it to

## Edgar Filing: ATLANTIC POWER CORP - Form DEFM14A

### Table of Contents

other companies involved in business combinations. Using publicly available information, Morgan Stanley considered the following set of transactions:

<b>Announcement Date</b>	<b>Acquiror</b>	<b>Target</b>
May 2010	Boralex Inc.	Boralex Power Income Fund
February 2010	Innergex Power Income Fund	Innergex Renewable Energy Inc.
April 2009	Northland Power Income Fund	Northland Power Inc.
April 2008	FPL Energy, LLC	Creststreet Power & Income Fund LP
October 2007	Cheung Kong Infrastructure Holdings Ltd.	TransAlta Power, LP
June 2007	Fort Chicago Energy Partners LP	Countryside Power Income Fund
April 2007	Macquarie Power & Infrastructure Income Fund	Clean Power Income Fund
January 2007	Harbinger Capital Partners	Calpine Power Income Fund
May 2005	EPCOR Utilities Inc.	TransCanada Power L.P. (30.6% interest of public units and control of the GP)

Morgan Stanley compared certain financial and market statistics of the selected precedent transactions. Based on an assessment of the selected precedent transactions, Morgan Stanley applied a representative range of multiples that were derived from the selected precedent transaction analysis and calculated an implied per share equity reference range for CPILP units with respect to aggregate value to 2011 estimated EBITDA.

Based on this analysis, Morgan Stanley derived an implied per share equity reference range for CPILP units of C\$14.30 to C\$21.32.

Morgan Stanley noted that the implied offer value per CPILP unit as of June 17, 2011 was C\$19.42, based on the closing price of Atlantic Power common shares on June 17, 2011 of \$14.96.

No company or transaction utilized as a comparison in the analysis of selected precedent transactions is identical to CPILP, Atlantic Power, or the transaction in business mix, timing and size. Accordingly, an analysis of the results of the foregoing necessarily involves complex considerations and judgments concerning differences in financial and operating characteristics of CPILP and Atlantic Power and other factors that would affect the value of the companies to which they are being compared. In evaluating the precedent transactions, Morgan Stanley made judgments and assumptions with regard to industry performance, global business, economic, market and financial conditions and other matters, many of which are beyond the control of CPILP and Atlantic Power, such as the impact of competition on CPILP and Atlantic Power and the industry generally, industry growth and the absence of any adverse material change in the financial conditions and prospects of CPILP, Atlantic Power, or the industry or the financial markets in general. Mathematical analysis, such as determining the mean or median, is not in itself a meaningful method of using precedent transactions data.

### *General*

In connection with the review of the transaction by Atlantic Power's board of directors, Morgan Stanley performed a variety of financial and comparative analyses for purposes of rendering its opinion. The preparation of a fairness opinion is a complex process and is not susceptible to partial analysis or summary description. In arriving at its opinion, Morgan Stanley considered the results of all of its

Table of Contents

analyses as a whole and did not attribute any particular weight to any analysis or factor considered. Furthermore, Morgan Stanley believes that the summary provided and the analyses described above must be considered as a whole and that selecting any portion of the analyses, without considering all of them, would create an incomplete view of the process underlying Morgan Stanley's analyses and opinion. In addition, Morgan Stanley may have given various analyses and factors more or less weight than other analyses and factors, and may have deemed various assumptions more or less probable than other assumptions. As a result, the ranges of valuations resulting from any particular analysis or combination of analyses described above should not be taken to be the view of Morgan Stanley with respect to the actual value of CPILP units or Atlantic Power common shares.

In performing its analyses, Morgan Stanley made numerous assumptions with respect to industry performance, general business and economic conditions and other matters, many of which are beyond the control of CPILP or Atlantic Power. Many of these assumptions are beyond the control of CPILP and Atlantic Power. Any estimates contained in Morgan Stanley's analyses are not necessarily indicative of future results or actual values, which may be significantly more or less favorable than those suggested by the estimates. The analyses were performed solely as part of Morgan Stanley's analysis of the fairness from a financial point of view of the consideration to be paid by Atlantic Power pursuant to the Arrangement Agreement and were conducted in connection with the delivery of Morgan Stanley's opinion dated June 19, 2011 to the Atlantic Power board of directors. The analyses do not purport to be appraisals or to reflect the prices at which CPILP units or Atlantic Power common shares might actually trade. The consideration under the Arrangement Agreement and other terms of the Arrangement Agreement were determined through arm's length negotiations between CPILP and Atlantic Power and approved by the Atlantic Power board of directors. Morgan Stanley provided advice to Atlantic Power during these negotiations, but did not, however, recommend any specific purchase price or transaction consideration to Atlantic Power, or that any specific purchase price or transaction consideration constituted the only appropriate purchase price or transaction consideration for the transaction. The opinion of Morgan Stanley was one of a number of factors taken into consideration by Atlantic Power's board of directors in making its decision to approve the Arrangement Agreement and the transactions contemplated by the Arrangement Agreement. Consequently, Morgan Stanley's analyses described above should not be viewed as determinative of the opinion of Atlantic Power's board of directors with respect to the value of CPILP or Atlantic Power, or the consideration, or of whether the Atlantic Power board of directors would have been willing to agree to a different purchase price or transaction consideration. See the section entitled "The Arrangement Agreement and Plan of Arrangement Atlantic Power's Reasons for the Arrangement Agreement; Recommendations of Atlantic Power's Board of Directors" beginning on page 58. Morgan Stanley's opinion was approved by a committee of Morgan Stanley investment banking and other professionals in accordance with its customary practice.

Morgan Stanley, as part of its investment banking businesses, is continually engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, negotiated underwritings, competitive biddings, secondary distributions of listed and unlisted securities, private placements and valuations for estate, corporate and other purposes. Atlantic Power selected Morgan Stanley as its financial advisor based upon the firm's qualifications, experience and expertise and because it is an internationally recognized investment banking firm with substantial experience in transactions similar to the transaction. In the ordinary course of its trading and brokerage activities, Morgan Stanley and its affiliates may at any time hold long or short positions, trade or otherwise effect transactions, for their own accounts or for the accounts of customers, in the equity or debt securities or senior loans of CPILP or Atlantic Power or any currency or commodity related to CPILP or Atlantic Power.

Pursuant to the terms of its engagement, Atlantic Power has agreed to pay Morgan Stanley a fee of \$1,000,000, which became payable upon announcement of the execution of the Arrangement

Table of Contents

Agreement and an additional fee of \$4,000,000 that is payable upon consummation of the Plan of Arrangement. A portion of this fee is creditable against any financing fees that Morgan Stanley may receive in connection with the proposed transaction. Atlantic Power has also agreed to reimburse Morgan Stanley for its fees and expenses incurred in performing its services. In addition, Atlantic Power has agreed to indemnify Morgan Stanley and its affiliates, their respective directors, officers, agents and employees and each person, if any, controlling Morgan Stanley or any of its affiliates against certain liabilities and expenses, including certain liabilities under the federal securities laws, related to or arising out of Morgan Stanley's engagement and any related transactions.

In addition, Morgan Stanley (jointly with TD Securities) has committed to provide a \$625 million senior secured credit facility to Atlantic Power that can be utilized to fund the cash consideration required under the Plan of Arrangement and related fees and expenses, for which Morgan Stanley will receive customary compensation. Furthermore, Atlantic Power has agreed to retain Morgan Stanley and TD Securities to jointly lead any debt or equity offering related to the proposed transaction, for which Morgan Stanley will receive customary compensation. Other than as described above, Morgan Stanley has not received compensation from Atlantic Power or CPILP, or their respective affiliates, during the prior two years.

**Interests of Atlantic Power Directors and Officers in the Plan of Arrangement**

No current Atlantic Power directors or officers own CPILP units. Current Atlantic Power directors and officers will continue to hold their positions at the Combined Company after the Plan of Arrangement.

**Certain Atlantic Power Prospective Financial Information**

Atlantic Power does not as a matter of course make public long-term forecasts as to future performance or other prospective financial information beyond the current fiscal year, and Atlantic Power is especially wary of making forecasts or projections for extended periods due to the unpredictability of the underlying assumptions and estimates. However, as part of the due diligence review of Atlantic Power in connection with the Arrangement Agreement, Atlantic Power's management prepared and provided to CPILP, as well as to TD Securities, Morgan Stanley, CIBC and Greenhill in connection with their respective evaluation of the fairness of the Arrangement Agreement consideration, non-public, internal financial forecasts regarding Atlantic Power's projected future operations for the 2011 through 2015 fiscal years. Atlantic Power has included below a summary of these forecasts for the purpose of providing shareholders and investors access to certain non-public information that was furnished to third parties and such information may not be appropriate for other purposes. These forecasts were also considered by the Atlantic Power board of directors for purposes of evaluating the Plan of Arrangement. The Atlantic Power board of directors also considered non-public, financial forecasts prepared by CPILP regarding CPILP's anticipated future operations for the 2011 through 2015 fiscal years for purposes of evaluating CPILP and the Plan of Arrangement. See "The Arrangement Agreement and Plan of Arrangement Certain CPILP Prospective Financial Information" beginning on page 86 for more information about the forecasts prepared by CPILP.

**The Atlantic Power internal financial forecasts are not guidance and were not prepared with a view toward public disclosure, nor were they prepared with a view toward compliance with published guidelines of the SEC, the guidelines established by the American Institute of Certified Public Accountants for preparation and presentation of financial forecasts, the guidelines established by the Canadian Institute of Chartered Accountants Handbook, rules relating to future oriented financial information under Canadian securities laws or generally accepted accounting principles in the United States or Canada.** KPMG LLP has not examined, compiled or performed any procedures with respect to the accompanying prospective financial information and, accordingly, KPMG LLP does not express an opinion or any other form of assurance with respect thereto. The KPMG LLP reports incorporated

Table of Contents

by reference in this joint proxy statement relate only to Atlantic Power's historical financial information. They do not extend to the prospective financial information and should not be read to do so. The summary of these internal financial forecasts included below is not being included to influence your decision whether to vote for the Arrangement and the transactions contemplated in connection with the Arrangement, but because these internal financial forecasts were provided by Atlantic Power to CPILP and TD Securities, Morgan Stanley, CIBC and Greenhill.

The inclusion of a summary of these internal financial forecasts in this joint proxy statement should not be regarded as an indication that any of Atlantic Power, CPILP or their respective affiliates, advisors or representatives considered these internal financial forecasts to be predictive of actual future events, and these internal financial forecasts should not be relied upon as such nor should the information contained in these internal financial forecasts be considered appropriate for purposes of making investment decisions in relation to Atlantic Power securities or for any other purposes. None of Atlantic Power, CPILP or their respective affiliates, advisors, officers, directors, partners or representatives can give you any assurance that actual results will not differ materially from these internal financial forecasts, and none of them undertakes any obligation to update or otherwise revise or reconcile these internal financial forecasts to reflect circumstances existing after the date these internal financial forecasts were generated or to reflect the occurrence of future events, even in the event that any or all of the assumptions underlying these forecasts are shown to be in error. Since the forecasts cover multiple years, such information by its nature becomes less meaningful and predictive with each successive year. Atlantic Power does not intend to make publicly available any update or other revision to these internal financial forecasts. None of Atlantic Power or its affiliates, advisors, officers, directors, partners or representatives has made or makes any representation to any shareholder or other person regarding Atlantic Power's ultimate performance compared to the information contained in these internal financial forecasts or that the forecasted results will be achieved. Atlantic Power has made no representation to CPILP, in the Arrangement Agreement or otherwise, concerning these internal financial forecasts. The below forecasts do not give effect to the Plan of Arrangement. Atlantic Power urges all shareholders to review Atlantic Power's most recent SEC filings for a description of Atlantic Power's reported financial results.

	Fiscal Year				
	2011	2012	2013	2014	2015
	(US\$ in millions)				
<b>EBITDA</b>	\$ 139.7	\$ 154.0	\$ 158.8	\$ 116.7	\$ 127.4
<b>Distributable Cash Flow</b>	\$ 62.4	\$ 82.1	\$ 76.1	\$ 42.5	\$ 56.9

Atlantic Power's internal financial forecasts above reflect numerous judgments, estimates and assumptions with respect to industry performance, general business, economic, regulatory, market and financial conditions and other future events, as well as matters specific to Atlantic Power's business all of which are difficult to predict and many of which are beyond control. Atlantic Power's internal financial forecasts are subjective in many respects and thus are susceptible to multiple interpretations and periodic revisions based on actual experience and business developments. **As such, internal financial forecasts constitute forward-looking information and are subject to risks and uncertainties that could cause actual results to differ materially from the results forecasted in such projections, including the various risks described under the heading "Risk Factors" in this joint proxy statement and in Atlantic Power's Annual Report on Form 10-K for the year ended December 31, 2010, as updated by Atlantic Power's subsequent Quarterly Reports on Form 10-Q, all of which are filed with the SEC and/or delivered with, and/or incorporated by reference into this joint proxy statement. See also "Cautionary Note Regarding Forward-Looking Statements" beginning on page 31 of this joint proxy statement.** There can be no assurance that the forecasted results will be realized or that actual results will not be significantly higher or lower than forecasted. Atlantic Power's internal financial forecasts cannot be considered a reliable predictor of future results and should not be relied upon as

Table of Contents

such. Atlantic Power's internal financial forecasts cover multiple years and such information by its nature becomes less reliable with each successive year.

**ATLANTIC POWER DOES NOT INTEND TO UPDATE OR OTHERWISE REVISE THE ABOVE INFORMATION TO REFLECT CIRCUMSTANCES EXISTING AFTER THE DATE WHEN MADE OR TO REFLECT THE OCCURRENCE OF FUTURE EVENTS, EVEN IN THE EVENT THAT ANY OR ALL OF THE ASSUMPTIONS UNDERLYING SUCH INFORMATION ARE NO LONGER APPROPRIATE, EXCEPT AS MAY BE REQUIRED BY APPLICABLE LAW.**

**CPILP's Reasons for the Plan of Arrangement; Recommendations of the Board of Directors of CPILP's General Partner**

At a meeting held on June 19, 2011, after considering, among other things, the oral opinions of CIBC and Greenhill, subsequently confirmed in writing, the full text of which are attached as Annexes D and E, respectively, of this joint proxy statement, the members of the board of directors of the General Partner entitled to vote, being the independent directors, determined unanimously that the Arrangement is in the best interests of CPILP and is fair to the CPILP unitholders and resolved unanimously to recommend to the CPILP unitholders that they vote in favor of the Arrangement. The members of the board of directors of the General Partner entitled to vote also unanimously approved the Arrangement and the execution and performance of the Arrangement Agreement. **Accordingly, the board of directors of the General Partner unanimously recommends that the CPILP unitholders vote "FOR" the approval of the Arrangement Resolution.**

In considering the proposed business combination with Atlantic Power and in making its determination that the Arrangement is advisable and in the best interests of CPILP and its unitholders, the board of directors of the General Partner consulted with its management and financial, legal and other advisors, and considered a variety of factors weighing in favor of or relevant to the Plan of Arrangement, including the factors discussed below.

*Strategic Benefits of the Plan of Arrangement.* The board of directors of the General Partner believes that the combination of Atlantic Power and CPILP should result in significant strategic benefits to the Combined Company, which would benefit CPILP and its unitholders to the extent they receive Atlantic Power common shares of the Combined Company. These strategic benefits include the following:

the creation of a more diversified, larger combined power company than CPILP currently is alone;

the enhancement to Atlantic Power's proven management team by combining it with CPILP's highly qualified operations and other personnel;

the advantages presented by the larger scale and expanded scope of the Combined Company in meeting the challenges facing the power industry in light of current and potential future changes in regulatory, financial and economic conditions affecting the industry;

the benefit of allowing the business of CPILP to grow independently of the Manager, which has its own power generation business, and the additional growth opportunities of the Combined Company;

the complementary nature of the respective products and geographic markets of Atlantic Power and CPILP, and the opportunity created by the transaction to enhance the capabilities of both entities to operate more effectively and efficiently;

the additional growth opportunities presented by the expanded operating platform of the Combined Company and strong and stable cash flows from existing Atlantic Power and CPILP facilities that are expected to support future growth; and

Table of Contents

the expected market capitalization, free cash flow, liquidity and capital structure of the Combined Company relative to CPILP on a stand-alone basis, including the potential for the Combined Company to participate in strategic opportunities that otherwise might not be available to CPILP.

*Financial Benefits of the Plan of Arrangement.* The board of directors of the General Partner believes that the combination of Atlantic Power and CPILP should result in significant financial benefits to CPILP's unitholders and the Combined Company. These financial benefits include the following:

the fact that CPILP unitholders may receive as consideration for their units the Combined Company's common shares, which would allow CPILP unitholders to share in value-creation opportunities of the Combined Company;

the belief that, after completion of the Plan of Arrangement, the Combined Company will have a strong cash generation profile; and

the business operations and prospects of the Combined Company and each of Atlantic Power and CPILP, and the then-current financial market conditions and historical market prices, volatility and trading information with respect to Atlantic Power shares and CPILP units.

*Other Factors Considered.* During the course of its deliberations relating to the Arrangement Agreement, the board of directors of the General Partner considered the following factors in addition to the benefits described above:

the inherent constraints associated with CPILP's current growth structure and the belief that the Combined Company will be well positioned and structured to generate and exploit future growth opportunities;

the prospect of finding it necessary to develop or otherwise replace the management, employee work force and administrative functions performed by the Manager, given that Capital Power had advised CPILP that was considering divesting itself of all of its CPILP interests in order to focus on its own core business;

its analysis and understanding of the business, operations, financial performance, financial condition, earnings, strategy and future prospects of CPILP on a stand-alone basis, and the assessment, based on such analysis and understanding, that the Plan of Arrangement would be more favorable to CPILP and its unitholders in the long-term in light of the potential rewards, risks and uncertainties associated with CPILP continuing to operate as a stand-alone entity;

the reduction of the proposed per share dividend of the Combined Company relative to the per unit distributions of CPILP and the increased sustainability of the Combined Company's dividend over time;

the alternatives available to CPILP if it continued on a stand-alone basis;

the financial analyses reviewed and discussed with the board of directors of the General Partner by representatives of CIBC, as well as the opinion rendered by CIBC to the effect that, as of June 19, 2011 and based upon and subject to the various limitations, qualifications and assumptions set forth in its opinion, the consideration of C\$19.40 per unit in cash or 1.3 Atlantic Power common shares per unit to be received by holders of CPILP pursuant to the Arrangement Agreement was fair from a financial point of view, to such holders units (other than Capital Power and its affiliates);

the financial analyses reviewed and discussed with the board of directors of the General Partner by representatives of Greenhill, as well as the written opinion rendered by Greenhill to the effect that, on June 19, 2011 and based upon and

subject to the various limitations,



Table of Contents

qualifications and assumptions set forth in its written opinion, the purchase price of C\$19.40 per unit in cash or 1.3 Atlantic Power common shares per unit to be paid to holders of CPILP units (other than the General Partner, CPI Investments and Atlantic Power) pursuant to the Arrangement Agreement was fair, from a financial point of view, to such holders;

the fact that the respective shareholders of Atlantic Power and unitholders of CPILP would vote on approval of the transaction, including the fact that the required vote of CPILP unitholders for the adoption of the Arrangement Agreement is (i) at least two-thirds of the votes cast by the unitholders of CPILP, and (ii) a majority of the votes cast by CPILP's unitholders (excluding the General Partner and CPI Investments and their respective associates and affiliates), at a special meeting of CPILP unitholders;

the results of the due diligence investigations of Atlantic Power by CPILP's management and financial, legal and other advisors;

the structure of the Plan of Arrangement and terms and conditions of the Arrangement Agreement, including the commitment by Atlantic Power and CPILP to take all actions to complete the Plan of Arrangement as soon as reasonably possible (see "Summary of the Arrangement Agreement" beginning on page 97); and

the fact that the Arrangement Agreement does not preclude a third party from making a proposal for an acquisition of or business combination with CPILP and that, under certain circumstances more fully described in the sections "Summary of the Arrangement Agreement Covenants Non-Solicitation" on page 104 and "Summary of the Arrangement Agreement Termination of the Arrangement Agreement" on page 106 of this joint proxy statement, CPILP may provide information to and negotiate with such a third party and the board of directors of the General Partner may change its recommendation to CPILP unitholders regarding the transaction with Atlantic Power.

The board of directors of the General Partner weighed these factors against a number of uncertainties, risks and potentially negative factors relevant to the Arrangement Agreement, including:

the challenges inherent in the combination of entities of the size and geographic scope of Atlantic Power and CPILP, the risk of not capturing all of the anticipated synergies and the risk that other anticipated benefits might not be fully realized or may take longer than expected to achieve;

the risk that integration of the two businesses, including the transaction expenses associated with the Plan of Arrangement, may be more costly, and may divert management attention for a greater period of time, than anticipated and that it may be difficult to retain key employees;

the possibility that the efficiencies inherent in Atlantic Power's corporate structure cannot be fully realized for the Combined Company or may take longer to realize than expected;

the risk of not maintaining Atlantic Power's and CPILP's revenues given the challenges facing the power industry in light of changes in regulatory, financial and economic conditions affecting the industry, including possible industry consolidation;

the restrictions on the conduct of CPILP's business during the period between execution of the Arrangement Agreement and the completion of the Plan of Arrangement;

the risk that regulatory agencies may not approve the proposed Plan of Arrangement or may impose terms and conditions on their approvals that adversely affect the business and financial results of the Combined Company;



Table of Contents

the risk that the Plan of Arrangement may not be completed despite the parties' efforts or that completion may be unduly delayed, even if the requisite approval is obtained from Atlantic Power's shareholders and CPILP's unitholders;

the fact that certain provisions of the Arrangement Agreement, although reciprocal, may have the effect of discouraging alternative acquisition transactions involving CPILP, including: (1) the restrictions on CPILP's ability to solicit proposals for alternative transactions; and (2) the requirement that CPILP pay a termination fee of C\$35.0 million to Atlantic Power in certain circumstances following the termination of the Arrangement Agreement;

the increased leverage of the Combined Company which, while believed to be appropriate for a company with the expected earnings profile of the Combined Company, could negatively affect the Combined Company's credit ratings, limit access to credit markets or make such access more expensive and reduce operational and strategic flexibility; and

the other risks described in the sections entitled "Risk Factors" beginning on page 23 and "Cautionary Note Regarding Forward-Looking Statements" beginning on page 31.

The board of directors of the General Partner concluded that the uncertainties, risks and potentially negative factors relevant to the Plan of Arrangement were outweighed by the potential benefits that it expected CPILP and CPILP unitholders would achieve as a result of the Plan of Arrangement.

This discussion of the information and factors considered by the board of directors of the General Partner includes the principal positive and negative factors considered by the board of directors, but is not intended to be exhaustive and may not include all of the factors considered. The board of directors of the General Partner did not quantify or assign any relative or specific weights to the various factors that it considered in reaching its determination that the Arrangement Agreement and the Arrangement is in the best interests of CPILP and is fair to the CPILP unitholders. Rather, the board of directors of the General Partner viewed its position and recommendation as being based on the totality of the information presented to it and the factors it considered. In addition, individual members of the board of directors of the General Partner may have given differing weights to different factors. It should be noted that this explanation of the reasoning of the board of directors of the General Partner and certain information presented in this section is forward-looking in nature and, therefore, that information should be read in light of the factors discussed in the section entitled "Cautionary Note Regarding Forward-Looking Statements" in this joint proxy statement, beginning on page 31.

**Opinions of CPILP's Financial Advisors**

***Opinion of CIBC World Markets Inc.***

CIBC rendered its opinion to the board of directors of the General Partner that, as of June 19, 2011 and based upon and subject to the assumptions, limitations and qualifications set forth therein, the consideration to be received by holders of CPILP units, pursuant to the Arrangement Agreement was fair from a financial point of view to such holders (other than Capital Power and its affiliates).

**The full text of the written opinion of CIBC, dated June 19, 2011, which sets forth assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with the opinion, is attached as Annex D to this joint proxy statement. CIBC provided its opinion for the information and assistance of the board of directors of CPILP's general partner in connection with its consideration of the Plan of Arrangement and was one of a number of factors taken into consideration by the board of directors of the General Partner in making its unanimous determination that the offer is in the best interests of CPILP and is fair to the unitholders and to recommend that CPILP unitholders vote in favor of the Arrangement. The CIBC opinion does not constitute a**

Table of Contents

**recommendation as to how any CPILP unitholder should vote with respect to the Plan of Arrangement or any other matter.**

***Opinion of Greenhill & Co. Canada Ltd.***

The board of directors of the General Partner retained Greenhill to act as a financial advisor to the board of directors of the General Partner in connection with the Plan of Arrangement and to render to the board of directors of the General Partner an opinion as to the fairness to the holders of CPILP units (other than the General Partner, CPI Investments and Atlantic Power) of the purchase price pursuant to the Arrangement Agreement to be paid to such holders. At the meeting of the board of directors of CPILP's general partner on June 19, 2011, Greenhill rendered its opinion to the board of directors of CPILP's general partner to the effect that, as of that date and based upon and subject to various limitations, qualifications and assumptions set forth in its written opinion, the purchase price pursuant to the Arrangement Agreement to be paid to the holders of CPILP units (other than the General Partner, CPI Investments and Atlantic Power), was fair, from a financial point of view, to such holders.

**The full text of the written opinion of Greenhill, dated as of June 19, 2011, is attached as Annex E to this joint proxy statement. Greenhill's opinion sets forth, among other things, the assumptions made, procedures followed, matters considered and limitations and qualifications on the scope of the review undertaken by Greenhill in rendering its opinion. CPILP encourages its unitholders to read the opinion carefully and in its entirety. Greenhill's opinion was directed to the board of directors of CPILP's general partner and addresses only the fairness from a financial point of view of the purchase price to the CPILP unitholders (other than the General Partner, CPI Investments and Atlantic Power), as of the date of the opinion. It does not address any other aspects of the Plan of Arrangement and does not constitute a recommendation as to how any holder of CPILP unit should vote on the Arrangement or any matter related thereto.**

**Interests of CPILP Directors and Officers in the Plan of Arrangement**

Certain of the directors and officers of the general partner of CPILP are also officers and/or directors of Capital Power and its affiliates and are not considered to be independent of CPILP within the meaning of applicable Canadian securities laws. Capital Power and its affiliates have interests in the Plan of Arrangement and certain other transactions to be completed in connection with the Plan of Arrangement that are different from, or in addition to, the interests of the other CPILP unitholders. See "Canadian Securities Law Matters" beginning on page 89.

The board of directors of the General Partner was aware of and considered these interests, among other matters, in evaluating the Plan of Arrangement, and in recommending that CPILP unitholders vote in favor of the Arrangement Resolution. The members of the board of directors of the General Partner who are officers and/or directors of Capital Power and its affiliates did not participate in the vote to approve the Arrangement, as a result of the potential conflict of interest presented by their positions with Capital Power and its affiliates.

The following table indicates, on the CPILP record date, the number of CPILP units beneficially owned, directly or indirectly, or over which control or direction is exercised, by: (i) each director and officer of CPILP; (ii) each associate or affiliate of an insider of CPILP; (iii) each associate or affiliate of CPILP; (iv) each insider of CPILP (other than a director or officer of CPILP); and (v) each person

## Table of Contents

acting jointly or in concert with CPILP, and the maximum amount of potential cash consideration payable to each pursuant to the Plan of Arrangement:

Name	Position with CPILP	CPILP Units	Maximum Amount of Potential Cash Consideration
Graham L. Brown	Director		n/a
Brian A. Felesky	Director (Independent)	5,640	C\$ 109,416
Allen R. Hagerman	Director (Independent)	17,702	C\$ 343,419
Francois L. Poirier	Director (Independent)	3,100	C\$ 60,140
Brian T. Vaasjo	Chairman and Director	7,400	C\$ 143,560
Rodney D. Wimer	Director (Independent)		n/a
James Oosterbaan	Director		n/a
Stuart A. Lee	Director and President	3,669	C\$ 71,179
B. Kathryn Chisholm	General Counsel and Corporate Secretary	1,469	C\$ 28,499
Peter D. Johanson	Controller	400	C\$ 7,760
Leah M. Fitzgerald	Assistant Corporate Secretary		n/a
Anthony Scozzafava	Chief Financial Officer	2,050	C\$ 39,770
Yale Loh	Vice President, Treasurer		n/a
Capital Power Corporation(1)	Unitholder	16,513,504	C\$ 320,361,978

- (1) Capital Power indirectly owns 49% of the voting interests and all of the economic interests in CPI Investments. EPCOR owns the remaining 51% voting interest in CPI Investments. CPI Investments owns 16,513,504 CPILP units. Under the Plan of Arrangement, Atlantic Power will acquire all of the outstanding shares of CPI Investments on effectively the same basis as the acquisition of CPILP units under the Plan of Arrangement.

The current directors and officers of the General Partner will resign their positions in connection with the Plan of Arrangement.

## Certain CPILP Prospective Financial Information

CPILP does not as a matter of course make public long-term forecasts as to future performance or other prospective financial information beyond the current fiscal year, and CPILP is especially wary of making forecasts or projections for extended periods due to the unpredictability of the underlying assumptions and estimates. However, as part of the due diligence review of CPILP in connection with the Plan of Arrangement, CPILP's management prepared and provided to Atlantic Power, as well as to TD Securities, Morgan Stanley, CIBC and Greenhill in connection with their respective evaluation of the fairness of the Arrangement Agreement consideration, non-public, internal financial forecasts regarding CPILP's projected future operations for the 2011 through 2015 fiscal years. CPILP has included below a summary of these forecasts for the purpose of providing unitholders and investors access to certain non-public information that was furnished to third parties and such information may not be appropriate for other purposes. These forecasts were also considered by the CPILP's general partner's board of directors for purposes of evaluating the Plan of Arrangement. The CPILP's general partner's board of directors also considered non-public, financial forecasts prepared by Atlantic Power regarding Atlantic Power's anticipated future operations for the 2011 through 2015 fiscal years for purposes of evaluating Atlantic Power and the Plan of Arrangement. See "The Arrangement Agreement and Plan of Arrangement Certain Atlantic Power Prospective Financial Information" beginning on page 79 for more information about the forecasts prepared by Atlantic Power.

**The CPILP internal financial forecasts are not guidance and were not prepared with a view toward public disclosure, nor were they prepared with a view toward compliance with published guidelines of the SEC, the guidelines established by the American Institute of Certified Public**

Table of Contents

**Accountants for preparation and presentation of financial forecasts, the guidelines established by the Canadian Institute of Chartered Accountants Handbook, rules relating to future oriented financial information under Canadian securities laws or generally accepted accounting principles in the United States or Canada.** KPMG has not examined, compiled or performed any procedures with respect to the accompanying prospective financial information and, accordingly, KPMG does not express an opinion or any other form of assurance with respect thereto. The KPMG reports incorporated by reference in this joint proxy statement relate to CPILP's historical financial information. They do not extend to the prospective financial information and should not be read to do so. The summary of these internal financial forecasts included below is not being included to influence your decision whether to vote for the Arrangement and the transactions contemplated in connection with the Arrangement, but because these internal financial forecasts were provided by CPILP to Atlantic Power and TD Securities, Morgan Stanley, CIBC and Greenhill.

The inclusion of a summary of these internal financial forecasts in this joint proxy statement should not be regarded as an indication that any of CPILP, Atlantic Power or their respective affiliates, advisors or representatives considered these internal financial forecasts to be predictive of actual future events, and these internal financial forecasts should not be relied upon as such nor should the information contained in these internal financial forecasts be considered appropriate for purposes of making investments decisions in relation to CPILP units or for any other purposes. None of Atlantic Power, CPILP or their respective affiliates, advisors, officers, directors, partners or representatives can give you any assurance that actual results will not differ materially from these internal financial forecasts, and none of them undertakes any obligation to update or otherwise revise or reconcile these internal financial forecasts to reflect circumstances existing after the date these internal financial forecasts were generated or to reflect the occurrence of future events, even in the event that any or all of the assumptions underlying these forecasts are shown to be in error. Since the forecasts cover multiple years, such information by its nature becomes less meaningful and predictive with each successive year. CPILP does not intend to make publicly available any update or other revision to these internal financial forecasts. None of CPILP or its affiliates, advisors, officers, directors, partners or representatives has made or makes any representation to any shareholder or other person regarding CPILP's ultimate performance compared to the information contained in these internal financial forecasts or that the forecasted results will be achieved. CPILP has made no representation to Atlantic Power, in the Arrangement Agreement or otherwise, concerning these internal financial forecasts. The below forecasts do not give effect to the Plan of Arrangement. CPILP urges all unitholders to review CPILP's financial statements included in CPILP's Audited Consolidated Financial Statements as at and for the Years Ended December 31, 2010, 2009 and 2008 and Unaudited Condensed Interim Financial Statements as at and for the Six Months Ended June 30, 2011, which are delivered with, and/or incorporated by reference into, this joint proxy statement.

	Fiscal Year				
	2011	2012	2013	2014	2015
	(\$ in millions)				
<b>EBITDA</b>	\$ 205.2	\$ 215.2	\$ 219.7	\$ 219.7	\$ 234.3
<b>Cash available for distribution</b>	\$ 122.3	\$ 136.3	\$ 130.7	\$ 135.3	\$ 134.1

CPILP's internal financial forecasts above reflect numerous judgments, estimates and assumptions with respect to industry performance, general business, economic, regulatory, market and financial conditions and other future events, as well as matters specific to CPILP's business as set out in CPILP's "Forward Looking Statements" contained in CPILP's Management's Discussion and Analysis for the Year Ended December 31, 2010, which is delivered with, and/or incorporated by reference into this joint proxy statement. All of these assumptions and estimates are difficult to predict and many of which are beyond control. CPILP's internal financial forecasts are subjective in many respects and thus are susceptible to multiple interpretations and periodic revisions based on actual experience and

Table of Contents

business developments. As such, internal financial forecasts constitute forward-looking information and are subject to risks and uncertainties that could cause actual results to differ materially from the results forecasted in such projections, including the various risks and uncertainties described under the heading "Risk Factors" included in CPILP's Annual Information Form dated March 11, 2011 and under the heading "Business Risks" included in CPILP's Management's Discussion and Analysis for the Year Ended December 31, 2010, as well as the risk factors set forth elsewhere in this joint proxy statement and also under the heading "Cautionary Note Regarding Forward-Looking Statements" beginning on page 31 of this joint proxy statement and CPILP's "Forward-Looking Information" contained in CPILP's Management's Discussion and Analysis for the Year Ended December 31, 2010, which is delivered with, and/or incorporated by reference into, this joint proxy statement. There can be no assurance that the forecasted results will be realized or that actual results will not be significantly higher or lower than forecasted. CPILP's internal financial forecasts cannot be considered a reliable predictor of future results and should not be relied upon as such. CPILP's internal financial forecasts cover multiple years and such information by its nature becomes less reliable with each successive year.

**CPILP DOES NOT INTEND TO UPDATE OR OTHERWISE REVISE THE ABOVE INFORMATION TO REFLECT CIRCUMSTANCES EXISTING AFTER THE DATE WHEN MADE OR TO REFLECT THE OCCURRENCE OF FUTURE EVENTS, EVEN IN THE EVENT THAT ANY OR ALL OF THE ASSUMPTIONS UNDERLYING SUCH INFORMATION ARE NO LONGER APPROPRIATE, EXCEPT AS MAY BE REQUIRED BY APPLICABLE LAW.**

**Accounting Treatment of the Arrangement**

Atlantic Power will account for the acquisition using the acquisition method of accounting, as prescribed in Accounting Standards Codification 805, "Business Combinations," under US generally accepted accounting principles.

**Court Approval Required for the Plan of Arrangement**

***Interim Order***

On September 28, 2011, the Court of Queen's Bench of Alberta (the "**Court**") granted the Interim Order facilitating the calling of the CPILP special meeting and prescribing the conduct of the CPILP special meeting and other matters. The Interim Order is attached hereto as Annex H to this joint proxy statement.

***Final Order***

The CBCA provides that an arrangement requires court approval. Subject to the terms of the Arrangement Agreement, and if the Arrangement Resolution is approved by CPILP unitholders at the CPILP special meeting in the manner required by the Interim Order, CPILP and the General Partner, as general partner of CPILP, will make an application to the Court for a final order (the "**Final Order**").

The application for the Final Order approving the Arrangement is scheduled for November 1, 2011 at 2:00 p.m. (Calgary time), at Calgary, Alberta, or as soon thereafter as counsel may be heard in Calgary, Alberta. The notice of application in respect of the Final Order is attached hereto as Annex I. At the hearing, the Court will consider, among other things, the fairness and reasonableness of the terms of the Arrangement, including the fairness of the Arrangement to CPILP unitholders. At the hearing, any CPILP unitholder and any other interested party who wishes to participate or to be represented or to present evidence or argument may do so, subject to filing with the Court and serving upon CPILP and Atlantic Power a notice of intention to appear together with any evidence or materials which such party intends to present to the Court on or before October 25, 2011. **Service of such notice will be effected by service upon the General Partner's legal counsel, Fraser Milner**

Table of Contents

**Casgrain LLP, Bankers Court, 15<sup>th</sup> Floor, 850-2<sup>nd</sup> Street SW, Calgary, Alberta T2P 0R8, Attention: Brian Foster with a copy to Atlantic Power's legal counsel, Goodmans LLP, 333 Bay Street, Suite 3400, Toronto, Ontario M5H 2S7, Attention: Tom Friedland and Jason Wadden.**

The Court has broad discretion under the CBCA when making orders with respect to the Arrangement and that the Court will consider, among other things, the fairness and reasonableness of the Arrangement, both from a substantive and a procedural point of view. The Court may approve the Arrangement, either as proposed or as amended, in any manner the Court may direct, subject to compliance with such terms and conditions, if any, as the Court thinks fit. Depending upon the nature of any required amendments, CPILP, the General Partner, CPI Investments and Atlantic Power may determine not to proceed with the Arrangement.

If made, the Final Order will constitute the basis for an exemption, under Section 3(a)(10) of the Securities Act, from the registration requirements of the Securities Act with respect to the Plan of Arrangement and the Court will be so advised in advance.

**Canadian Securities Law Matters**

***Ongoing Canadian Reporting Obligations***

CPILP is a reporting issuer (or the equivalent) in all of the provinces and territories of Canada. CPILP units currently trade on the TSX. After the Plan of Arrangement, Atlantic Power intends to delist the CPILP units from the TSX. The preferred shares of CPI Preferred Equity Ltd. will remain outstanding and listed on the TSX.

***Special Transaction Rules***

The Ontario and Quebec securities commissions have adopted Multilateral Instrument 61-101 *Protection of Minority Security Holders in Special Transactions* ("**MI 61-101**"), which governs transactions that raise the potential for conflicts of interest, including issuer bids, insider bids, related party transactions and business combinations.

For the reasons set out in the following paragraph, the Plan of Arrangement will constitute a "business combination" under MI 61-101 and the Arrangement Resolution will require "minority approval" in accordance with MI 61-101. The Arrangement Resolution will have to be approved by a simple majority of the votes cast by the CPILP unitholders, excluding those votes required to be excluded pursuant to the minority approval provisions of MI 61-101, being the votes of "interested parties" and their related parties and joint actors, which include CPI Investments and the General Partner. This approval is in addition to the requirement that the Arrangement Resolution must be approved by not less than 66<sup>2</sup>/<sub>3</sub>% of the votes cast by the unitholders of CPILP that vote in person or by proxy at the CPILP special meeting.

As part of the Plan of Arrangement, an affiliate of Capital Power will acquire CPILP's Southport and Roxboro facilities in North Carolina. In addition, certain management and operations agreements between Capital Power and its subsidiaries and CPILP and its subsidiaries will be terminated and/or assigned in consideration for the payment by CPILP and its subsidiaries of C\$10.0 million. See "Summary of the Arrangement Agreement Summaries of Other Agreements Relating to the Arrangement Management Agreements Termination Agreement and Management Agreement Assignment Agreement" beginning on page 110. Capital Power and its subsidiaries are "related parties" of CPILP within the meaning of MI 61-101 and the sale of the North Carolina facilities and the termination and/or assignment of the management and operations agreements would constitute "connected transactions" (collectively, the "**Connected Transactions**") within the meaning of MI 61-101. Accordingly, the Plan of Arrangement will constitute a "business combination" for CPILP under MI 61-101.



Table of Contents

As a result of the foregoing, the votes attaching to CPILP units beneficially owned, or over which control or direction is exercised, by CPI Investments and the General Partner, representing approximately 29.18% of the outstanding CPILP units, will be excluded in determining whether minority approval of the Arrangement Resolution has been obtained.

The Plan of Arrangement is exempt from the formal valuation requirements of MI 61-101 for certain "business combinations" on the basis that at the time the Connected Transactions were agreed to, neither the fair market value of the subject matter of, nor the fair market value of the consideration for, the Connected Transactions, exceeded 25% of CPILP's market capitalization.

The foregoing was reviewed by the independent directors of the General Partner in connection with their review and approval process for the Plan of Arrangement. See "The Arrangement Agreement and Plan of Arrangement CPILP's Reasons for the Plan of Arrangement; Recommendations of the Board of Directors of CPILP's General Partner" beginning on page 81.

To the knowledge of CPILP and Atlantic Power, there have been no prior valuations of CPILP or Atlantic Power, the CPILP units or the Atlantic Power common shares, or the material assets of CPILP or Atlantic Power in the 24 months prior to the date of this joint proxy statement.

***Judicial Developments***

The Plan of Arrangement will be implemented pursuant to section 192 of the CBCA, which provides that, where it is not practicable for a corporation to effect a fundamental change in the nature of an arrangement under any other provisions of the CBCA, a corporation may apply to a court for an order approving the Plan of Arrangement proposed by such corporation. Pursuant to this section of the CBCA, such an application will be made by CPILP and the General Partner for approval of the Plan of Arrangement. See above under the heading " Court Approval Required for the Plan of Arrangement." Although there have been a number of judicial decisions considering this section of the CBCA and applications to various arrangements, there have not been, to the knowledge of CPILP or Atlantic Power, any recent significant decisions which would apply in this instance. **CPILP unitholders should consult their legal advisors with respect to the legal rights available to them in relation to the Plan of Arrangement.**

***Restrictions on Sales of Shares (Canada)***

The Atlantic Power common shares to be issued in exchange for CPILP units pursuant to the Plan of Arrangement will be issued in reliance upon exemptions from the prospectus requirements of securities legislation in each province and territory of Canada. Subject to customary restrictions applicable to distributions of shares that constitute "control distributions," Atlantic Power common shares issued pursuant to the Plan of Arrangement may be freely resold in each province and territory in Canada, subject to the conditions that: (i) no unusual effort has been made to prepare the market or create a demand for the common shares, (ii) no extraordinary commission or consideration is paid to a person or company in respect of the trade and (iii) if the selling securityholder is an insider or officer of Atlantic Power, the selling securityholder has no reasonable grounds to believe that Atlantic Power is in default of securities legislation.

**United States Securities Law Matters**

The Atlantic Power common shares to be issued pursuant to the Plan of Arrangement will not be registered under the Securities Act or the securities laws of any state of the United States and will be issued in reliance upon the exemption from registration set forth in Section 3(a)(10) of the Securities Act. Section 3(a)(10) of the Securities Act exempts from registration the distribution of a security that is issued in exchange for outstanding securities where the terms and conditions of such issuance and exchange are approved, after a hearing on the fairness of such terms and conditions at which all

Table of Contents

persons to whom it is proposed to issue securities in such exchange have the right to appear, by a court or by a governmental authority expressly authorized by law to grant such approval. Accordingly, Atlantic Power expects the Final Order of the Court will, if granted, constitute a basis for the exemption from the registration requirements of the Securities Act with respect to the Atlantic Power common shares issued in connection with the Plan of Arrangement.

The Atlantic Power common shares received by persons who will be an "affiliate" of Atlantic Power after the Plan of Arrangement will be subject to certain restrictions on resale in the U.S. imposed by the Securities Act. As defined in Rule 144 under the Securities Act, an "affiliate" of an issuer is a person that, directly or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with, the issuer and may include certain officers and directors of such issuer as well as principal shareholders of such issuer. Persons who are not affiliates after the Plan of Arrangement may resell the Atlantic Power common shares that they receive in connection with the Plan of Arrangement in the United States without restriction under the Securities Act.

Persons who are affiliates of Atlantic Power after the Plan of Arrangement may not sell their Atlantic Power common shares that they receive in connection with the Plan of Arrangement in the absence of registration under the Securities Act, unless an exemption from registration is available, such as the exemptions contained in Rule 144 or Rule 904 of Regulation S under the Securities Act, as described below.

*Affiliates Rule 144.* In general, under Rule 144, persons who are affiliates of Atlantic Power after the Plan of Arrangement will be entitled to sell in the United States, during any three-month period, a portion of the Atlantic Power common shares that they receive in connection with the Plan of Arrangement, provided that the sale meets certain requirements. The number of such securities sold during such period may not exceed the greater of one percent of the then-outstanding securities of such class or, if such securities are listed on a United States securities exchange, the average weekly trading volume of such securities during the four-week period preceding the date of sale. The seller also must have held the Atlantic Power common shares for at least one year. In addition, the sale is subject to specified restrictions on manner of sale, notice requirements, aggregation rules and the availability of current public information about Atlantic Power. Persons who are affiliates of Atlantic Power after the Plan of Arrangement will continue to be subject to the resale restrictions described in this paragraph for so long as they continue to be affiliates of Atlantic Power.

*Affiliates Regulation S.* In general, under Regulation S, persons who are affiliates of Atlantic Power solely by virtue of their status as an officer or director of Atlantic Power may sell their Atlantic Power common shares outside the United States in an "offshore transaction" (which would include a sale through the TSX, if applicable) if neither the seller nor any person acting on its behalf engages in "directed selling efforts" in the United States. In the case of a sale of Atlantic Power common shares received in connection with the Plan of Arrangement by an officer or director who is an affiliate of Atlantic Power solely by virtue of holding such position, there is also a requirement that no selling commission, fee or other remuneration is paid in connection with such sale other than a usual and customary broker's commission. For purposes of Regulation S, "directed selling efforts" means "any activity undertaken for the purpose of, or that could reasonably be expected to have the effect of, conditioning the market in the United States for any of the securities being offered" in the sale transaction. Certain additional restrictions are applicable to a holder of Atlantic Power common shares received in connection with the Plan of Arrangement, who is an affiliate of Atlantic Power after the Plan of Arrangement other than by virtue of his or her status as an officer or director of Atlantic Power.

This document does not cover any resales of shares of Atlantic Power's common shares received in the Plan of Arrangement by any person who may be deemed an affiliate of Atlantic Power following completion of the Plan of Arrangement.

Table of Contents

**Stock Exchange Approvals**

Atlantic Power common shares currently trade on the TSX and NYSE. Atlantic Power has applied to list Atlantic Power common shares issuable under the Plan of Arrangement on the TSX and will apply to list Atlantic Power common shares issuable under the Plan of Arrangement on the NYSE, and it is a condition to the completion of the Plan of Arrangement that Atlantic Power shall have obtained approval for these listings. Listing on each of the TSX and NYSE will be subject to Atlantic Power fulfilling all of the listing requirements and conditions of TSX and NYSE, respectively.

**Regulatory Approvals Required for the Plan of Arrangement and Other Regulatory Matters**

Atlantic Power and CPILP have agreed to use their reasonable best efforts to obtain all governmental and regulatory approvals required to complete the transactions contemplated by the Arrangement Agreement.

***Investment Canada Act (Canada)***

Subject to certain limited exceptions, the direct acquisition of control of a Canadian business by a non-Canadian that exceeds a financial threshold prescribed under Part IV of the *Investment Canada Act* (a "**Reviewable Transaction**") cannot be implemented unless the transaction has been reviewed by the Minister responsible for the *Investment Canada Act* (the "**Minister**") and the Minister is satisfied or is deemed to be satisfied that the transaction is likely to be of net benefit to Canada (the "**net benefit ruling**"). Accordingly, in the case of a Reviewable Transaction, a non-Canadian purchaser must submit an application to the Minister (an "**Application for Review**") seeking approval of the Reviewable Transaction and cannot complete the transaction until it receives a net benefit ruling. The submission of the Application for Review triggers an initial review period of up to 45 days. If the Minister has not completed the review by that date, the Minister may unilaterally extend the review period for up to a further 30 days. If necessary, the Minister and the purchaser may agree to further extensions of the review period.

In determining whether to issue a net benefit ruling, the Minister is required to consider, among other things, the Application for Review and any written undertakings offered by the purchaser to Her Majesty in right of Canada. The prescribed factors that the Minister must consider when determining whether to issue a net benefit ruling include, among other things, the effect of the investment on the economic activity in Canada (including the effect on employment, resource processing, utilization of Canadian products and services and exports), the participation by Canadians in the acquired business, the effect of the investment on productivity, industrial, efficiency, technological development, product innovation, product variety and competition in Canada, the compatibility of the investment with national and provincial industrial, economic and cultural policies, and the contribution of the investment to Canada's ability to compete in world markets.

If, following his review during the initial review period or the extension(s) described above, the Minister is not satisfied or deemed to be satisfied that the Reviewable Transaction is likely to be of net benefit to Canada, the Minister is required to send a notice to that effect to the purchaser, advising the purchaser of its right to make further representations and submit (additional) undertakings within 30 days from the date of such notice or any further period that may be agreed to by the purchaser and the Minister.

At any time, and in any event within a reasonable time after the expiry of the last-mentioned period for making representations and submitting undertakings described above, the Minister shall send a notice to the purchaser that either the Minister is satisfied that the investment is likely to be of net benefit to Canada (i.e., a net benefit ruling) or confirmation that the Minister is not satisfied that the investment is likely to be of net benefit to Canada. In the latter case, the Reviewable Transaction may not be implemented.

Table of Contents

The Plan of Arrangement is a Reviewable Transaction. An Application for Review under the *Investment Canada Act* was filed in respect of the Plan of Arrangement on August 17, 2011.

***Competition Act (Canada)***

Part IX of the *Competition Act* (Canada) (the "**Competition Act**") requires that, subject to certain limited exceptions, the Commissioner of Competition ("**Commissioner**") be notified of certain classes of transactions that exceed the thresholds set out in Sections 109 and 110 of the Competition Act ("**Notifiable Transactions**") by the parties to the transaction.

The parties to a Notifiable Transaction cannot complete the transaction until they have submitted the information prescribed pursuant to subsection 114(1) of the Competition Act to the Commissioner and the applicable waiting period has expired or been terminated or waived by the Commissioner, provided that there is no order in effect prohibiting completion at the relevant time.

Atlantic Power filed with the Commissioner a request for an advance ruling certificate, pursuant to subsection 102(1) of the Competition Act, or in the alternative a no-action letter and a waiver from merger notification on August 12, 2011. On August 26, 2011, the Commissioner issued a "no-action" letter and waiver from merger notification in respect of the Plan of Arrangement, providing that, as at such date, the Commissioner does not intend to challenge the transaction by making an application under Section 92 of the Competition Act. The "no-action" letter acknowledges that the Commissioner reserves the right to challenge the Plan of Arrangement up to one year after it has been substantially completed.

***HSR Act***

Under the *Hart-Scott-Rodino Antitrust Improvements Act of 1976*, as amended (the "**HSR Act**"), certain transactions may not be completed until each party has filed a Notification and Report Form with the Antitrust Division of the US Department of Justice (the "**DOJ**") and with the US Federal Trade Commission (the "**FTC**") and the HSR Act's waiting period has expired or early termination of the waiting period has been granted. The transactions contemplated by the Plan of Arrangement are subject to the HSR Act.

Atlantic Power and CPILP filed the requisite Notification and Report Forms on August 12, 2011. The waiting period expired on August 26, 2011. The early termination of the waiting period does not bar the FTC or the DOJ from subsequently challenging the Plan of Arrangement.

At any time before or after the Plan of Arrangement is completed, the DOJ, the FTC, or others (including states and private parties) could attempt to take action under the antitrust laws, including seeking to prevent the Plan of Arrangement, to rescind the Plan of Arrangement, or to conditionally approve the completion of the Plan of Arrangement upon the divestiture of assets of Atlantic Power and CPILP. There can be no assurance that a challenge to the transactions contemplated by the Plan of Arrangement on antitrust grounds will not be made or, if a challenge is made, that it would not be successful.

***Federal Power Act***

Atlantic Power and CPILP each have public utility subsidiaries subject to the jurisdiction of the Federal Energy Regulatory Commission ("**FERC**"), under the *Federal Power Act* ("**FPA**"). Section 203 of the FPA provides that no holding company in a holding company system that includes a transmitting utility or an electric utility may purchase, acquire, merge or consolidate with a transmitting utility, an electric utility company or a holding company in a holding company system that includes a transmitting utility or electric utility company without prior FERC authorization. Further, Section 203 requires prior authorization from the FERC for certain transactions resulting in the direct or indirect change of

Table of Contents

control over a FERC jurisdictional public utility. Consequently, the FERC's approval of the Plan of Arrangement under Section 203 of the FPA is required.

The FERC must authorize the Plan of Arrangement if it finds that the Plan of Arrangement is consistent with the public interest. The FERC has stated that, in analyzing a merger or transaction under Section 203 of the FPA, it will evaluate the impact of the Plan of Arrangement on:

competition in electric power markets;

the applicants' wholesale rates; and

state and federal regulation of the applicants.

In addition, in accordance with the *Energy Policy Act of 2005*, the FERC also must find that the Plan of Arrangement will not result in the cross-subsidization by utilities of their non-utility affiliates or the improper encumbrance or pledge of utility assets. If such cross-subsidization or encumbrances were to occur as a result of the Plan of Arrangement, the FERC then must find that such cross-subsidization or encumbrances are consistent with the public interest.

The FERC will review these factors to determine whether the Plan of Arrangement is consistent with the public interest. If the FERC finds that a transaction would adversely affect competition in wholesale electric power markets, rates for transmission or the wholesale sale of electric energy, or regulation, or that the transaction would result in cross-subsidies or improper encumbrances that are not consistent with the public interest, it may, pursuant to the FPA, impose upon the proposed transaction remedial conditions intended to mitigate such effects or it may decline to authorize the transaction. The FERC is required to rule on a completed Section 203 application not later than 180 days from the date on which the completed application is filed. The FERC may, however, for good cause, issue an order extending the time for consideration of the Section 203 application by an additional 180 days. If the FERC does not issue an order within the statutory deadline, then the transaction is deemed to be approved. Atlantic Power and CPILP expect that the FERC will approve the Plan of Arrangement within the initial 180-day review period. However, there is no guarantee that the FERC will not extend the time period for its review or not impose conditions on its approval that are unacceptable to Atlantic Power or CPILP.

Atlantic Power and CPILP and their respective public utility subsidiaries filed their application under Section 203 on July 25, 2011. The FERC issued an order on September 13, 2011 in Docket No. EC11-98-000 authorizing the disposition of jurisdictional facilities under Section 203 of the Federal Power Act as required for the Plan of Arrangement.

**General**

In connection with obtaining the approval of all necessary governmental authorities to complete the Plan of Arrangement, including but not limited to the governmental authorities specified above, there can be no assurance that:

governmental authorities will not impose any conditions on the granting of their approval and, if such conditions are imposed, that CPILP or Atlantic Power will be able to satisfy or comply with such conditions;

compliance or non-compliance will not have adverse consequences on the Combined Company after completion of the Plan of Arrangement; or

the required regulatory approvals will be obtained within the time frame contemplated by Atlantic Power and CPILP or on terms that will be satisfactory to Atlantic Power and CPILP.

Atlantic Power and CPILP cannot assure you that a regulatory challenge to the Plan of Arrangement will not be made or that, if a challenge is made, it will not prevail.



Table of Contents

In the event that a governmental approval imposes conditions on, or requires divestitures relating to, the operations or assets of Atlantic Power or CPILP, each party has agreed that the other party would not be required, or permitted without prior written consent, to take any actions with respect to such conditions or divestitures if such actions would, or would reasonably be expected to, result (after giving effect to any reasonably expected proceeds of any divestiture or sale of assets) in a Material Adverse Effect on the Combined Company. See "Summary of the Arrangement Agreement Conditions Precedent to the Plan of Arrangement" on page 98.

**Listing of Atlantic Power Shares**

Following the completion of the Plan of Arrangement, Atlantic Power intends to maintain its listings on the NYSE and TSX under the symbols "AT" and "ATP," respectively, and the preferred shares of CPI Preferred Equity Ltd. will remain outstanding and listed on the TSX.

**Appraisal/Dissent Rights**

The holders of Atlantic Power common shares are not entitled to dissent rights in connection with the Share Issuance Resolution or the Adjournment Resolution.

The unitholders of CPILP are not entitled to dissent rights in connection with the Arrangement Resolution.

**Litigation Related to the Plan of Arrangement**

None.

**Effect of the Plan of Arrangement on CPILP's Other Securities**

*CPI Preferred Equity Ltd.*

CPI Preferred Equity Ltd., a subsidiary of CPILP, is authorized to issue an unlimited number of preferred shares issuable in series, of which up to 5,750,000 Cumulative Redeemable Preferred Shares, Series 1 (the "**Series 1 Shares**"), 4,000,000 Cumulative Rate Reset Preferred Shares, Series 2 (the "**Series 2 Shares**") and 4,000,000 Cumulative Floating Rate Preferred Shares, Series 3 (the "**Series 3 Shares**") have been authorized for issuance.

On the CPILP record date, CPI Preferred Equity Ltd. has issued 5,000,000 Series 1 Shares, 4,000,000 Series 2 Shares and no Series 3 Shares. The Series 1 Shares trade on the TSX under the symbol CZP.PR.A and the Series 2 Shares trade on the TSX under the symbol CZP.PR.B. CPILP has agreed to fully and unconditionally guarantee the Series 1 Shares, Series 2 Shares and Series 3 Shares on a subordinated basis as to: (i) payment of dividends, as and when declared; (ii) payment of amounts due on redemption; and (iii) payment of amounts due on liquidation, dissolution or winding up of CPI Preferred Equity Ltd. If, and for so long as, the declaration or payment of dividends on the Series 1 Shares, Series 2 Shares or Series 3 Shares is in arrears, CPILP will not make any distributions on the CPILP units. See "Capital Structure Preferred Shares of CPEL" included in CPILP's Annual Information Form dated March 11, 2011, which is delivered with, and/or incorporated by reference into, this joint proxy statement.

The Series 1 Shares and Series 2 Shares will remain outstanding following completion of the Plan of Arrangement in accordance with their terms. CPILP will continue to guarantee the Series 1 Shares, Series 2 Shares and Series 3 Shares on the same terms and conditions as described above and Atlantic Power will provide substantially similar guarantees in the forms attached as Schedule J to the Arrangement Agreement.

Table of Contents

*Medium Term Notes of CPILP*

CPILP has issued C\$210.0 million of 5.95% unsecured medium term notes due June 23, 2036 under a note indenture dated June 15, 2006. See "Capital Structure Debt Financing" included in CPILP's Annual Information Form dated March 11, 2011, which is delivered with, and/or incorporated by reference into, this joint proxy statement. The medium term notes will remain outstanding following completion of the Plan of Arrangement in accordance with their terms and the terms of the note indenture.

*Senior Notes of CPI Power (US) GP*

CPI Power (US) GP, a subsidiary of CPILP, has issued an aggregate of \$150.0 million principal amount of 5.87% Senior Notes due August 15, 2017 and an aggregate of \$75.0 million principal amount of 5.97% Senior Notes due August 15, 2019, each guaranteed by CPILP. See "Capital Structure Debt Financing" included in CPILP's Annual Information Form dated March 11, 2011, which is delivered with, and/or incorporated by reference into, this joint proxy statement. The senior notes will remain outstanding following completion of the Plan of Arrangement in accordance with their terms and will continue to be guaranteed by CPILP.

*Curtis Palmer Notes*

Curtis Palmer LLC, a subsidiary of CPILP, has issued \$190.0 million principal amount of 5.9% Senior Notes due July 15, 2014 pursuant to an indenture dated June 28, 2004 among CPILP, Curtis Palmer LLC and Deutsche Bank Trust Company Americas. See "Material Contracts" included in CPILP's Annual Information Form dated March 11, 2011, which is delivered with, and/or incorporated by reference into, this joint proxy statement. The notes will remain outstanding following completion of the Plan of Arrangement in accordance with their terms and the terms of the indenture.



Table of Contents

**SUMMARY OF THE ARRANGEMENT AGREEMENT**

*The transaction will be carried out pursuant to the Arrangement Agreement and the Plan of Arrangement. The following is a summary of the principal terms of the Arrangement Agreement and Plan of Arrangement. This summary does not purport to be complete and is qualified in its entirety by reference to the Arrangement Agreement, which is attached as Annex A to this joint proxy statement, and the Plan of Arrangement, which is attached as Schedule A to the Arrangement Agreement. Capitalized terms used in this section and not otherwise defined in this joint proxy statement have the meaning ascribed to them in the Arrangement Agreement.*

On June 20, 2011, Atlantic Power, the General Partner, CPI Investments and CPILP entered into the Arrangement Agreement, pursuant to which the parties agreed that, subject to the terms and conditions set forth in the Arrangement Agreement, Atlantic Power will acquire all of the issued and outstanding CPILP units (directly, or indirectly through the acquisition of all of the outstanding shares of CPI Investment). Upon completion of the Plan of Arrangement, for each CPILP unit held, CPILP unitholders will receive at their election either C\$19.40 in cash or 1.3 Atlantic Power common shares, subject to proration. The terms of the Arrangement Agreement are the result of arm's length negotiation between the parties and their respective advisors. Effective July 25, 2011, the Arrangement Agreement was amended to account for the entering into of the Tranche B Facility commitment letter, the termination of a commitment regarding certain bridge loans that Atlantic Power had entered into at the time of entering into the Arrangement Agreement and the correction of certain other references.

**Representations and Warranties**

The Arrangement Agreement contains representations and warranties made by the Partnership Entities (the General Partner and CPILP being referred to herein as the "**Partnership Entities**") to Atlantic Power, by CPI Investments to Atlantic Power and by Atlantic Power to CPILP and CPI Investments. Those representations and warranties were made for the purposes of the Arrangement Agreement and are subject to important qualifications and limitations agreed to by the parties in connection with negotiating its terms. Moreover, some of the representations and warranties contained in the Arrangement Agreement are subject to a contractual standard of materiality (including a Material Adverse Effect) that may be different from what might be viewed as material to shareholders of Atlantic Power or unitholders of CPILP, or may have been used for the purpose of allocating risk between parties to an agreement rather than establishing matters of fact. For the foregoing reasons, you should not rely on the representations and warranties contained in the Arrangement Agreement as statements of factual information at the time they were made or otherwise. Information concerning the subject matter of these representations and warranties may have changed since the date of the Arrangement Agreement. Atlantic Power and CPILP will provide additional disclosure in public reports to the extent that they are aware of the existence of any material facts that are required to be disclosed under the applicable securities laws and that might otherwise contradict the terms and information contained in the Arrangement Agreement and will update such disclosure as required by applicable securities laws.

The representations and warranties provided by the Partnership Entities in favor of Atlantic Power relate to, among other things: (a) board approval, (b) organization, standing and power, (c) authority and absence of conflict, (d) regulatory approvals, (e) interest of the General Partner in CPILP, (f) capital structure of CPILP, (g) subsidiaries of CPILP, (h) existing commitments to issue securities, (i) compliance with laws, (j) permits and licenses, (k) compliance with securities laws and exchange requirements, (l) accuracy of public documents, (m) CPILP financial statements, (n) the financial statements of the General Partner, (o) absence of certain changes, (p) records, (q) assets and undertakings, (r) operation of facilities, (s) material contracts, (t) litigation, (u) environmental matters, (v) benefit plans, (w) intellectual property, (x) tax matters, (y) fees, (z) regulatory status, (aa) internal

Table of Contents

controls and financial reporting, (bb) no undisclosed liabilities, (cc) related party transactions, (dd) registration rights, (ee) insurance, and (ff) Primary Energy Recycling Holdings LLC.

The representations and warranties provided by CPI Investments in favor of Atlantic Power relate to, among other things: (a) organization, standing and power, (b) authority and absence of conflict, (c) regulatory approvals, (d) capital structure of CPI Investments, (e) CPILP units, (f) subsidiaries, (g) existing commitments to issue securities, (h) compliance with laws, (i) permits and licenses, (j) CPI Investments financial statements, (k) absence of certain changes, (l) records, (m) assets, (n) operation of facilities, (o) material contracts, (p) litigation, (q) benefit plans, (r) intellectual property, (s) tax matters, (t) fees, (u) no undisclosed liabilities, (v) related party transactions, (w) registration rights, (x) insurance, and (y) shareholder and similar agreements.

The representations and warranties provided by Atlantic Power in favor of CPILP and CPI Investments relate to, among other things: (a) organization, standing and power, (b) authority and absence of conflict, (c) regulatory approvals, (d) capital structure of Atlantic Power, (e) subsidiaries of Atlantic Power, (f) compliance with laws, (g) permits and licenses, (h) compliance with securities laws and exchange requirements, (i) accuracy of public documents, (j) Atlantic Power financial statements, (k) absence of certain changes, (l) records, (m) assets and undertakings, (n) operation of facilities, (o) material contracts, (p) litigation, (q) environmental matters, (r) employee matters, (s) benefit plans, (t) intellectual property, (u) tax matters, (v) fees, (w) commitment letter, (x) funds available, (y) internal controls and financial reporting, (z) related party transactions, (aa) registration rights, (bb) insurance, (cc) board approval and (dd) Registered Retirement Savings Plan eligibility.

**Conditions Precedent to the Plan of Arrangement**

***Mutual Conditions***

The obligations of the parties to complete the transactions contemplated by the Arrangement Agreement are subject to the fulfillment, on or before the Effective Time, of each of the following conditions precedent:

the requisite unitholder approvals shall have been obtained at the CPILP special meeting in accordance with the Interim Order;

the shareholders of Atlantic Power shall have approved the issuance of the Atlantic Power common shares that form part of the purchase consideration;

the Interim Order and the Final Order shall each have been obtained on terms consistent with the Arrangement Agreement, and shall not have been set aside or modified in a manner unacceptable to the parties, each acting reasonably, on appeal or otherwise;

no person shall have filed any notice of appeal of the Final Order, and no person shall have communicated to CPILP, the General Partner or Atlantic Power any intention to appeal the Final Order which would, in the judgment of the parties, acting reasonably, make it inadvisable to proceed with the implementation of the Plan of Arrangement;

all regulatory approvals shall have been obtained or satisfied as applicable;

the additional listing of Atlantic Power common shares issuable pursuant to the Plan of Arrangement shall have been conditionally approved by the TSX and NYSE, subject only to the satisfaction by Atlantic Power of customary post-closing conditions imposed by the TSX and NYSE in similar circumstances;

the articles of arrangement to be filed with the Director in accordance with the Plan of Arrangement shall be in form and substance satisfactory to each of the parties, each acting reasonably;



Table of Contents

the actions and transactions contemplated by the Employee Hiring Agreement dated June 20, 2011 among Capital Power, the Manager and Atlantic Power to be completed at or before the Effective Time shall have been completed, and such agreement shall not have been terminated;

the actions and transactions contemplated by the Pension Transfer Agreement dated June 20, 2011 among Capital Power, the Manager and Atlantic Power to be completed at or before the Effective Time shall have been completed, and such agreement shall not have been terminated;

the transactions contemplated by the Management Agreements Termination Agreements and the Management Agreement Assignment Agreement to be completed at or before the Effective Time shall have been completed, all conditions precedent to the obligations of the parties thereto shall have been satisfied or waived, and such agreements shall not have been terminated in accordance with their terms;

the ROFL Termination Agreement between Capital Power and CPILP shall have been duly executed by the parties thereto;

the CPC Agreements set forth in Schedule E of the Arrangement Agreement shall have been terminated;

this joint proxy statement shall have been cleared for filing in definitive form by the SEC under the Exchange Act;

the transactions contemplated by the NC Purchase Agreement dated June 20, 2011 between CPI USA Holdings LLC, CPI Power Holdings Inc. and Capital Power Investments LLC to be completed at or before the Effective Time shall have been completed, all conditions precedent to the obligations of the parties thereto shall have been satisfied or waived, and such agreements shall not have been terminated;

the Distribution Agreement between CPI Power Holdings Inc., CPI Preferred Equity Ltd., CPILP, Atlantic Power and a new limited liability company to be formed by CPI Power Holdings Inc. shall have been duly executed by the parties thereto and shall not have been terminated;

the Transitional Services Agreement CP Regional Power Services Limited Partnership, Capital Power Operations (USA) Inc. and CPILP shall have been finalized and duly executed by the parties thereto and shall not have been terminated;

no law shall have been enacted, issued, promulgated, enforced, made, entered, issued or applied and no action or proceeding shall otherwise have been taken under any laws by any Governmental Entity (whether temporary, preliminary or permanent):

that makes the Plan of Arrangement illegal or otherwise directly or indirectly cease trades, enjoins, restrains or otherwise prohibits consummation of the Plan of Arrangement or the transactions contemplated in the Arrangement Agreement; or

which results, or could reasonably be expected to result, in any judgment or assessment of damages, directly or indirectly, relating to the Plan of Arrangement or the transactions contemplated by the Arrangement Agreement which would have a Material Adverse Effect in respect of either (A) the Partnership Entities and CPI Investments taken as a whole or, (B) Atlantic Power;

there shall be no proceeding of a judicial or administrative nature or otherwise in progress or threatened that relates to or results from the transactions contemplated by the Arrangement Agreement that would, if successful, result in an order or ruling that would reasonably be expected to cease trade, enjoin, prohibit or impose material limitations or conditions on the

Table of Contents

completion of the transactions contemplated by the Arrangement Agreement or the Plan of Arrangement in accordance with its terms; and

the Arrangement Agreement shall not have been terminated in accordance with its terms.

The foregoing conditions are for the mutual benefit of the parties and may be waived, in whole or in part, jointly by such parties at any time.

***Additional Conditions in Favor of the Partnership Entities***

The obligation of the Partnership Entities to complete the transactions contemplated by the Arrangement Agreement is also subject to the fulfillment of each of the following conditions precedent:

all covenants of Atlantic Power under the Arrangement Agreement to be performed on or before the Effective Time shall have been duly performed by Atlantic Power in all material respects, and the Partnership Entities shall have received a certificate of Atlantic Power addressed to the Partnership Entities and dated the Effective Date, signed on behalf of Atlantic Power by two senior executive officers of Atlantic Power (on Atlantic Power's behalf and without personal liability), confirming the same as at the Effective Time;

the representations and warranties of Atlantic Power set forth in the Arrangement Agreement shall be true and correct as of the Effective Time, as though made on and as of the Effective Time (other than representations and warranties made as of a specified date, the accuracy of which shall be determined as of that specified date) except where the failure or failures of all such representations and warranties to be so true and correct would not reasonably be expected to have a Material Adverse Effect in respect of Atlantic Power (it being understood that, for purposes of determining the accuracy of such representations and warranties, all "Material Adverse Effect" qualifications and other materiality qualifications contained in such representations and warranties shall be disregarded), and the Partnership Entities shall have received a certificate of Atlantic Power addressed to the Partnership Entities and dated the Effective Date, signed on behalf of Atlantic Power by two senior executive officers of Atlantic Power (on Atlantic Power's behalf and without personal liability), confirming the same as at the Effective Time;

no Material Adverse Effect in respect of Atlantic Power shall have occurred after the date of the Arrangement Agreement and prior to the Effective Date;

the guarantees of Atlantic Power in respect of the preferred share obligations of CPI Preferred Equity Ltd. shall have been duly executed;

Atlantic Power shall have furnished the Partnership Entities with:

certified copies of the resolutions duly passed by the board of director of Atlantic Power approving the Arrangement Agreement and the consummation of the transactions contemplated by the Arrangement Agreement including issuance of Atlantic Power common shares that form part of the consideration, and

certified copies of the resolution of shareholders approving the issuance of Atlantic Power common shares duly passed at the Atlantic Power special meeting;

Atlantic Power shall have paid the merger consideration;

Edgar Filing: ATLANTIC POWER CORP - Form DEFM14A

executed releases shall have been received from Atlantic Power, the Partnership Entities and certain CPILP subsidiaries by each director and officer of such entities in a form mutually acceptable to the parties thereto, each acting reasonably;

Table of Contents

arrangements satisfactory to the Partnership Entities, acting reasonably, shall have been entered into in respect of the insurance and indemnification obligations contemplated by the Arrangement Agreement; and

Atlantic Power shall not have reduced the annual dividend from the stated amount.

The conditions above are for the exclusive benefit of the Partnership Entities and may be asserted by the Partnership Entities regardless of the circumstances or may be waived by the Partnership Entities in their sole discretion, in whole or in part, at any time and from time to time without prejudice to any other rights which the Partnership Entities may have.

***Additional Conditions in Favor of CPI Investments***

The obligation of CPI Investments to complete the transactions contemplated by the Arrangement Agreement shall also be subject to the fulfillment of each of the following conditions precedent:

all covenants of Atlantic Power under the Arrangement Agreement to be performed on or before the Effective Time shall have been duly performed by Atlantic Power in all material respects, and CPI Investments shall have received a certificate of Atlantic Power addressed to CPI Investments and dated the Effective Date, signed on behalf of Atlantic Power by two senior executive officers of Atlantic Power (on Atlantic Power's behalf and without personal liability), confirming the same as at the Effective Time;

the representations and warranties of Atlantic Power set forth in the Arrangement Agreement shall be true and correct as of the Effective Time, as though made on and as of the Effective Time (other than representations and warranties made as of a specified date, the accuracy of which shall be determined as of that specified date), except where the failure or failures of all such representations and warranties to be so true and correct would not reasonably be expected to have a Material Adverse Effect in respect of Atlantic Power (it being understood that, for purposes of determining the accuracy of such representations and warranties, all "Material Adverse Effect" qualifications and other materiality qualifications contained in such representations and warranties shall be disregarded), and CPI Investments shall have received a certificate of Atlantic Power addressed to CPI Investments and dated the Effective Date, signed on behalf of Atlantic Power by two senior executive officers of Atlantic Power (on Atlantic Power's behalf and without personal liability), confirming the same as at the Effective Time;

no Material Adverse Effect in respect of Atlantic Power shall have occurred after the date of the Arrangement Agreement and prior to the Effective Date;

Atlantic Power shall have furnished CPI Investments with:

certified copies of the resolutions duly passed by the board of directors of Atlantic Power approving the Arrangement Agreement and the consummation of the transactions contemplated by the Arrangement Agreement including issuance of Atlantic Power common shares that form part of the consideration, and

certified copies of the resolution of shareholders approving the issuance of Atlantic Power common shares that form part of the consideration duly passed at the Atlantic Power special meeting;

Atlantic Power shall have paid the merger consideration;

executed releases shall have been received from Atlantic Power and CPI Investments by each director and officer of CPI Investments in a form mutually acceptable to the parties thereto, each acting reasonably; and



Atlantic Power shall not have reduced the annual dividend from the stated amount.

Table of Contents

The conditions above are for the exclusive benefit of CPI Investments and may be asserted by CPI Investments regardless of the circumstances or may be waived by CPI Investments in its sole discretion, in whole or in part, at any time and from time to time without prejudice to any other rights which CPI Investments may have.

***Additional Conditions in Favor of Atlantic Power***

The obligation of Atlantic Power to complete the transactions contemplated by the Arrangement Agreement is also subject to the fulfillment of each of the following conditions precedent:

all covenants of CPILP under the Arrangement Agreement to be performed on or before the Effective Time shall have been duly performed by CPILP in all material respects, and Atlantic Power shall have received a certificate of CPILP addressed to Atlantic Power and dated the Effective Date, signed on behalf of CPILP by two officers of the General Partner (on CPILP's behalf and without personal liability), confirming the same as at the Effective Time;

all covenants of CPI Investments under the Arrangement Agreement to be performed on or before the Effective Time shall have been duly performed by CPI Investments in all material respects, and Atlantic Power shall have received a certificate of CPI Investments addressed to Atlantic Power and dated the Effective Date, signed on behalf of CPI Investments by two officers of CPI Investments (on CPI Investments' behalf and without personal liability), confirming the same as at the Effective Time;

all covenants of the General Partner under the Arrangement Agreement to be performed on or before the Effective Time shall have been duly performed by the General Partner in all material respects, and Atlantic Power shall have received a certificate of the General Partner addressed to Atlantic Power and dated the Effective Date, signed on behalf of the General Partner by two officers of the General Partner (on behalf of the General Partner and without personal liability), confirming the same as at the Effective Time;

the representations and warranties of the Partnership Entities set forth in the Arrangement Agreement shall be true and correct as of the Effective Time, as though made on and as of the Effective Time (other than representations and warranties made as of a specified date, the accuracy of which shall be determined as of that specified date), except where the failure or failures of such representations and warranties to be so true and correct would not reasonably be expected to have a Material Adverse Effect in respect of the Partnership Entities and CPI Investments taken as a whole (it being understood that, for purposes of determining the accuracy of such representations and warranties, all "Material Adverse Effect" qualifications and other materiality qualifications contained in such representations and warranties shall be disregarded), provided that the representations and warranties of the Partnership Entities regarding capital structure shall be true and correct in all respects as of the Effective Time, and Atlantic Power shall have received a certificate of the Partnership Entities addressed to Atlantic Power and dated the Effective Date, signed on behalf of the Partnership Entities by two officers of the General Partner (on CPILP's and the General Partner's behalf and without personal liability), confirming the same as at the Effective Time;

the representations and warranties of CPI Investments set forth in the Arrangement Agreement shall be true and correct as of the Effective Time, as though made on and as of the Effective Time (other than representations and warranties made as of a specified date, the accuracy of which shall be determined as of that specified date), except where the failure or failures of such representations and warranties to be so true and correct would not reasonably be expected to have a Material Adverse Effect in respect of CPI Investments and the Partnership Entities taken as a whole (it being understood that, for purposes of determining the accuracy of such representations and warranties, all "Material Adverse Effect" qualifications and other materiality

Table of Contents

qualifications contained in such representations and warranties shall be disregarded), provided that the representations and warranties of CPI Investments regarding capital structure and CPILP units shall be true and correct in all respects as of the Effective Time, and Atlantic Power shall have received a certificate of CPI Investments addressed to Atlantic Power and dated the Effective Date, signed on behalf of CPI Investments by two officers of CPI Investments (on CPI Investments' behalf and without personal liability), confirming the same as at the Effective Time;

no Material Adverse Effect in respect of the Partnership Entities and CPI Investments taken as a whole shall have occurred after the date of the Arrangement Agreement and prior to the Effective Date;

Atlantic Power shall have received the funds in the amount contemplated by TLB Commitment Letter or shall have successfully completed the proposed public and/or private offerings by Atlantic Power of approximately C\$425 million of debt and approximately C\$200 million of equity to enable Atlantic Power to pay the cash consideration payable to CPILP unitholders and CPI Investments shareholders pursuant to the Plan of Arrangement;

the Partnership Entities shall have furnished Atlantic Power with:

certified copies of the resolutions duly passed by the board of directors of the General Partner approving the Arrangement Agreement and the consummation of the transactions contemplated by the Arrangement Agreement (for both itself and on behalf of CPILP); and

certified copies of the resolution of the unitholders of CPILP, duly passed at the CPILP special meeting, approving the Arrangement Resolution;

CPI Investments shall have furnished Atlantic Power with:

certified copies of the resolutions duly passed by the board of CPI Investments approving the Arrangement Agreement and the consummation of the transactions contemplated by the Arrangement Agreement; and

certified copies of the resolutions of shareholders of CPI Investments, duly passed, approving the Plan of Arrangement;

no party to the support agreements dated June 20, 2011 between Atlantic Power and each of EPCOR, Capital Power LP and Capital Power shall have breached its obligations or covenants under such agreement in any material respect; and

the wind-up of certain partnership subsidiaries of CPILP shall have been completed to the satisfaction of Atlantic Power, acting reasonably.

The conditions above are for the exclusive benefit of Atlantic Power and may be asserted by Atlantic Power regardless of the circumstances or may be waived by Atlantic Power in its sole discretion, in whole or in any part, at any time and from time to time without prejudice to any other rights which Atlantic Power may have.

**Covenants**

***General***

In the Arrangement Agreement, each of the Partnership Entities, CPI Investments and Atlantic Power has agreed to certain covenants, including customary affirmative and negative covenants relating to the operation of their respective businesses, and using commercially

reasonable efforts to satisfy the conditions precedent to their respective obligations under the Arrangement Agreement.

Table of Contents

***Atlantic Power Financing***

Atlantic Power has represented in the Arrangement Agreement that the Tranche B Facility, when funded in accordance with the TLB Commitment Letter, and the available cash of Atlantic Power will provide Atlantic Power with cash proceeds sufficient to pay the cash consideration payable pursuant to the Plan of Arrangement and the fees and expenses of Atlantic Power.

Atlantic Power has agreed to use commercially reasonable efforts to fulfill and comply with all of its obligations under the TLB Commitment Letter and to satisfy or cause the satisfaction of all of the conditions precedent to the funding of the Tranche B Facility on or before the Effective Date (or such earlier date required by the TLB Commitment Letter).

***Non-Solicitation***

Pursuant to the Arrangement Agreement, the Partnership Entities shall not, directly or indirectly, through any officer, director, employee, representative, agent, subsidiary or otherwise:

knowingly make, solicit, assist, initiate, encourage or otherwise facilitate any inquiries, proposals or offers regarding any Partnership Acquisition Proposal;

engage in any discussions or negotiations regarding, or provide any information with respect to, or otherwise co-operate in any way with, or assist or participate in, facilitate or knowingly encourage, any effort or attempt by any other person to make or complete any Partnership Acquisition Proposal (provided that, for greater certainty, the Partnership Entities may advise any person making an unsolicited Partnership Acquisition Proposal that such Partnership Acquisition Proposal does not constitute a Superior Proposal when the board of directors of the General Partner has so determined);

withdraw, modify or qualify (or publicly propose to or publicly state that it intends to withdraw, modify or qualify) in any manner adverse to Atlantic Power the approval or recommendation of the board of directors of the General Partner (or any committee thereof) of the Arrangement Agreement or the Plan of Arrangement;

approve, recommend or remain neutral with respect to, or propose publicly to approve, recommend or remain neutral with respect to, any Partnership Acquisition Proposal; or

accept or enter into, or publicly propose to accept or enter into, any letter of intent, agreement in principle, agreement, understanding, arrangement or undertaking related to any Partnership Acquisition Proposal (other than a confidentiality agreement in certain limited circumstances).

The Partnership Entities shall be permitted to engage in discussions or negotiations, provide information and otherwise cooperate with and assist a person making an unsolicited Partnership Acquisition Proposal prior to the CPILP unitholder meeting upon certain conditions, including that the board of directors of the General Partner has determined in good faith, after consultation with its outside legal and financial advisors, that such Partnership Acquisition Proposal constitutes, or would reasonably be expected to lead to, a Superior Proposal and that, based on the advice of outside counsel, the failure to take such action would be inconsistent with its fiduciary duties under applicable laws and the CPILP partnership agreement.

The Partnership Entities are required, as soon as reasonably practicable (and in any event, within 24 hours) to notify Atlantic Power, at first orally and then in writing, of any proposal, inquiry, offer, expression of interest or request relating to or constituting a Partnership Acquisition Proposal, any request for discussions or negotiations, and any request for non-public information relating to the Partnership Entities received by the Partnership Entities' directors, officers, representatives or agents, or any material amendments to the foregoing.

Table of Contents

The Partnership Entities may not accept, approve or enter into any agreement (a "**Proposed Agreement**"), other than a confidentiality and standstill agreement under certain conditions, providing for or to facilitate any Partnership Acquisition Proposal unless:

the CPILP special meeting has not occurred;

the board of directors of the General Partner determines in good faith, after consultation with its outside legal and financial advisors, that such Partnership Acquisition Proposal constitutes a Superior Proposal and that the failure to take such action would be inconsistent with its fiduciary duties under applicable laws and the CPILP partnership agreement;

the Partnership Entities have complied with their non-solicitation restrictions in the Arrangement Agreement;

the Partnership Entities have provided Atlantic Power with a written notice that there is a Superior Proposal together with all documentation related to and detailing the Superior Proposal, including a copy of any Proposed Agreement relating to such Superior Proposal, and a written notice from the board of directors of the General Partner regarding the value in financial terms that the board of directors of the General Partner has in consultation with its financial advisors determined should be ascribed to any non-cash consideration offered under the Superior Proposal, such documents to be so provided to Atlantic Power not less than five Business Days prior to the proposed acceptance, approval, recommendation or execution of the Proposed Agreement by Partnership Entities;

five business days shall have elapsed from the date Atlantic Power received the notice and documentation under the Arrangement Agreement and, if Atlantic Power has proposed to amend the terms of the Plan of Arrangement, the board of directors of the General Partner shall have determined, in good faith, after consultation with its financial advisors and outside legal counsel, that the Partnership Acquisition Proposal continues to be a Superior Proposal compared to the proposed amendment to the terms of the Plan of Arrangement by Atlantic Power;

the Partnership Entities concurrently terminate the Arrangement Agreement; and

CPILP has previously, or concurrently will have, paid to Atlantic Power the Atlantic Power Termination Fee (defined below).

During the five business day period described above or such longer period as the Partnership Entities may approve, Atlantic Power shall have the opportunity, but not the obligation, to propose to amend the terms of the Arrangement Agreement and the Plan of Arrangement and the Partnership Entities shall co-operate with Atlantic Power with respect thereto, including negotiating in good faith with Atlantic Power to enable Atlantic Power to make such adjustments to the terms and conditions of the Arrangement Agreement and the Plan of Arrangement as Atlantic Power deems appropriate and as would enable Atlantic Power to proceed with the Plan of Arrangement and any related transactions on such adjusted terms. The board of directors of the General Partner will review any written definitive proposal made by Atlantic Power in good faith to amend the terms of the Plan of Arrangement in order to determine, in good faith in the exercise of its fiduciary duties, whether Atlantic Power's proposal to amend the Plan of Arrangement would result in the Partnership Acquisition Proposal not being a Superior Proposal compared to the proposed amendment to the terms of the Plan of Arrangement. If the board of directors of the General Partner determines that a Partnership Acquisition Proposal is not a Superior Proposal as compared to the proposed amendment to the terms of the Plan of Arrangement, it will promptly enter into the proposed amendment to the Plan of Arrangement.

Table of Contents

The Arrangement Agreement also includes non-solicitation covenants of CPI Investments and Atlantic Power.

**Termination of the Arrangement Agreement**

The Arrangement Agreement may be terminated at any time prior to the Effective Time:

by mutual written agreement of the parties;

by CPILP, the General Partner, CPI Investments or Atlantic Power: (i) if the Effective Time has not occurred on or prior to the Outside Date, except that the right to terminate shall not be available to a party whose failure to fulfill any of its obligations under the Arrangement Agreement has been the cause of, or resulted in, the failure of the Effective Time to occur by such Outside Date; (ii) if the CPILP special meeting is held and the Arrangement Resolution fails to receive the requisite approval in accordance with the Interim Order; (iii) if the Atlantic Power meeting is held and the Atlantic Power Share Issuance Resolution fails to receive the requisite approval; or (iv) if any law makes the consummation of the Plan of Arrangement or the transactions contemplated by the Arrangement Agreement illegal or otherwise prohibited, and such law has become final and non-appealable.

by Atlantic Power:

if the board of directors of the General Partner shall have failed to recommend or shall have withdrawn, modified or changed in a manner adverse to Atlantic Power its approval or recommendation of the Arrangement Agreement or the Plan of Arrangement, or (B) the board of directors of the General Partner shall have approved or recommended any Partnership Acquisition Proposal or (C) any of the Partnership Entities shall have breached, in any material respect, its non-solicitation covenants;

if Atlantic Power is not in material breach of its obligations under the Arrangement Agreement and (A) there has been a breach on the part of CPILP, the General Partner or CPI Investments of any of their covenants or agreements that would cause certain conditions not to be satisfied, and such conditions are incapable of being satisfied by the Outside Date, or (B) there has been a breach of any of the representations and warranties in respect of CPILP, the General Partner or CPI Investments that would cause certain conditions set out in not to be satisfied, and such conditions are incapable of being satisfied by the Outside Date; or

if CPI Investments shall have breached, in any material respect, its covenants regarding non-solicitation.

by the Partnership Entities:

if (A) the board of directors of Atlantic Power shall have failed to recommend or shall have withdrawn, modified or changed in a manner adverse to CPILP its approval or recommendation of the issuance of Atlantic Power common shares, or (B) the board of directors of Atlantic Power shall have approved or recommended any Purchaser Acquisition Proposal;

if the Partnership Entities are not in material breach of their obligations under the Arrangement Agreement and (A) there has been a breach on the part of Atlantic Power of any of its covenants or agreements that would cause certain conditions not to be satisfied, and such conditions are incapable of being satisfied by the Outside Date, or (B) there has been a breach of any of the representations and warranties in respect of Atlantic Power that would cause certain conditions not to be satisfied, and such conditions are incapable of being satisfied by the Outside Date; or





Table of Contents

in order to enter into a definitive agreement with respect to a Superior Proposal in accordance with the non-solicitation provisions, subject to the prior payment by CPILP of the Atlantic Power Termination Fee.

***Termination Payment***

The Arrangement Agreement provides that CPILP will pay to Atlantic Power C\$35.0 million (the "**Atlantic Power Termination Fee**") if:

Atlantic Power shall have terminated the Arrangement Agreement where (A) the board of directors of the General Partner shall have failed to recommend or shall have withdrawn, modified or changed in a manner adverse to Atlantic Power its approval or recommendation of the Arrangement Agreement or the Plan of Arrangement, or (B) the board of directors of the General Partner shall have approved or recommended any Partnership Acquisition Proposal or (C) any of the Partnership Entities shall have breached, in any material respect, its non-solicitation covenants;

prior to the earlier of (A) the termination of the Arrangement Agreement, and (B) the CPILP special meeting, (i) a bona fide Partnership Acquisition Proposal shall have been made or proposed to CPILP or otherwise made or publicly announced, (ii) the requisite unitholder approvals for the Arrangement are not obtained at the CPILP special meeting, and (iii) within 12 months after the date of the termination of the Arrangement Agreement such Partnership Acquisition Proposal is consummated or a definitive agreement in respect thereof has been entered into, in which case payment shall be made on the date on which the transaction contemplated by such Partnership Acquisition Proposal is consummated; or

CPILP shall have terminated the Arrangement Agreement in order to enter into a definitive agreement with respect to a Superior Proposal in accordance with the non-solicitation provisions.

The Arrangement Agreement provides that Atlantic Power will pay to CPILP C\$35.0 million (the "**CPILP Termination Fee**") if:

CPILP shall have terminated the Arrangement Agreement where (A) the board of directors of Atlantic Power shall have failed to recommend or shall have withdrawn, modified or changed in a manner adverse to CPILP its approval or recommendation of the issuance of Atlantic Power common shares, or (B) the board of directors of Atlantic Power shall have approved or recommended any Purchaser Acquisition Proposal;

after the date hereof and prior to the earlier of (A) the termination of the Arrangement Agreement, and (B) the Atlantic Power meeting, a bona fide Purchaser Acquisition Proposal shall have been made or proposed to Atlantic Power or otherwise made or publicly announced, (ii) the requisite Atlantic Power shareholder approvals for the issuance of the Atlantic Power common shares are not obtained at the Atlantic Power meeting; and (iii) within 12 months after the date of the termination of the Arrangement Agreement such Purchaser Acquisition Proposal is consummated or a definitive agreement in respect thereof has been entered into, in which case payment shall be made on the date on which the transaction contemplated by such Purchaser Acquisition Proposal is consummated; or

the Arrangement Agreement is terminated where the Effective Time has not occurred on or prior to the Outside Date and where all of the conditions set forth for the benefit of Atlantic Power have been satisfied or waived other than the financing condition.

Table of Contents

***Expense Payment***

In certain circumstances, if the Arrangement Agreement is terminated (A) CPILP shall be required to pay to Atlantic Power its reasonably incurred out-of-pocket fees; or (B) Atlantic Power shall be required to pay CPILP its reasonably incurred out-of-pocket fees, in each case, up to a maximum of C\$8.0 million.

**Governing Law**

The Arrangement Agreement shall be governed, including as to validity, interpretation and effect, by the laws of the Province of Alberta and the federal laws of Canada applicable therein, and shall be construed and treated in all respects as an Alberta contract.

**Summaries of Other Agreements Relating to the Arrangement**

***Support Agreements***

As part of the Plan of Arrangement, Atlantic Power will acquire all of the outstanding shares of CPI Investments (an entity indirectly owned by Capital Power and EPCOR), the direct and indirect holder of 16,513,504 CPILP units, on effectively the same basis as the acquisition of CPILP units under the Plan of Arrangement. Accordingly, Atlantic Power's willingness to enter into the Arrangement Agreement was subject to, among other things, each of EPCOR, Capital Power and Capital Power LP, the entity through which Capital Power holds its shares of CPI Investments, entering into a support agreement, pursuant to which each shareholder of CPI Investments confirmed its commitment to support the Plan of Arrangement. Contemporaneously with the entering into of the Arrangement Agreement on June 20, 2011, Atlantic Power entered into two support agreements, one with EPCOR and the other with Capital Power LP and Capital Power.

Among other things, each of Capital Power LP and EPCOR agreed in its respective support agreement to:

vote or cause to be voted all of its CPI Investments shares in favor of any resolution, vote, consent or other approval (including by written resolution) by shareholders of CPI Investments of the Plan of Arrangement and any ancillary matters to give legal effect thereto;

vote or cause to be voted all voting rights attached to its CPI Investments shares against (i) certain acquisition proposals regarding CPI Investments; and (ii) any proposal, transaction or other proposed action that might reasonably be expected to impede, frustrate, delay or prevent the Plan of Arrangement or transactions contemplated by any transaction resolutions and/or reduce the likelihood of the Plan of Arrangement being approved under CPI Investments transaction approvals;

exchange its CPI Investments shares for the consideration available to it under the Plan of Arrangement;

not sell, transfer, pledge or assign any of its subject securities or enter into any voting arrangement in relation to such securities;

not exercise any securityholder rights or remedies available to it to impede, frustrate, delay or prevent the Plan of Arrangement or transactions contemplated by the transaction resolutions; and

certain non-solicitation covenants in respect of CPILP and CPI Investments.

Table of Contents

Given the more active role of Capital Power in the business of Capital Power LP and CPI Investments, the material terms of the support agreement among Atlantic Power, Capital Power LP and Capital Power also include the following:

Capital Power agrees, among other things, to cause Capital Power LP to fulfill its obligations under the support agreement and not to make certain acquisition proposals in respect of CPILP or CPI Investments.

Atlantic Power agrees that, within the later of 30 days following the termination of the transitional services agreement or 180 days following the Effective Date, it will use commercially reasonable efforts to cause each of CPILP, its general partner and subsidiaries to change its name to a name that does not include "Capital Power," "CPI" or "CP" and certain other actions related to the change of name.

In addition to customary representations and warranties from Capital Power LP, the support agreement includes certain additional representations specific to the Plan of Arrangement, including with respect to the representations and warranties made by CPI Investments in the Arrangement Agreement and equipment and personal property owned by Capital Power LP and/or Capital Power and used in the operations of the CPILP or any of the CPILP's facilities.

For a period of 90 days commencing on the Effective Date, Capital Power LP will not, without the prior consent of Atlantic Power, offer, sell, pledge, grant any option to purchase, hedge, transfer, assign, make any short sale or otherwise dispose of any Atlantic Power shares received pursuant to the Plan of Arrangement (or agree to, or announce, any intention to do so) with certain limited customary exceptions.

Upon and after the effective time for the Plan of Arrangement, Capital Power LP will indemnify Atlantic Power and CPI Investments and their respective, shareholders, officers, directors, employees, agents, successors and assigns against any claims in respect of:

any failure of any representations, warranties or covenants by Capital Power LP or Capital Power;

any liabilities, debts or obligations of CPI Investments arising prior to the effective time of the Plan of Arrangement; and

any taxes payable by CPI Investments in respect of any taxation year or period ending on or before the Effective Date or the portion of any taxes payable by CPI Investments, as the case may be, for any taxation year or period ending after the Effective Date that is attributable to the portion of such year or period ending on the Effective Date.

The survival period for claims in respect of certain provisions under the support agreement is as follows:

for claims with respect to certain more fundamental representations and warranties, the maximum period of time permitted by law;

for claims with respect to representations and warranties relating to tax matters, within 90 days after the expiration of all periods allowed for objecting and appealing the determination of any proceedings relating to any assessment or reassessment of taxes by any governmental authority in respect of any taxation period ending on or prior to the effective time for the Plan of Arrangement or in which the effective time occurs;

for claims with respect to any other representation and warranties, within a period of 18 months following the effective time for the Plan of Arrangement; and

Table of Contents

for claims with respect to covenants of Capital Power LP and Capital Power, the completion of the Plan of Arrangement, the effective time and the date of any expiration or termination of each of the support agreement and the Arrangement Agreement, subject only to applicable limitation periods imposed by applicable law.

Each support agreement terminates on the earlier of (i) the effective time for the Plan of Arrangement and (ii) the termination of the Arrangement Agreement.

*Management Agreements Termination Agreement and Management Agreement Assignment Agreement*

On June 20, 2011, certain subsidiaries of Capital Power entered into an agreement (the "**Management Agreements Termination Agreement**") with CPILP and certain of its subsidiaries pursuant to which the parties agreed to terminate each of the management and operations agreements between them, other than the Frederickson Agreement (as defined below), effective immediately upon completion of the Plan of Arrangement. In consideration for the termination of the management and operations agreements, CPILP and its subsidiaries agreed to pay to the subsidiaries of Capital Power an aggregate of C\$8.5 million.

On June 20, 2011, a subsidiary of Capital Power entered into an agreement with Atlantic Power and Frederickson Power L.P., a subsidiary of CPILP, pursuant to which the subsidiary of Capital Power agreed to assign its right, benefit, interest and obligation in, to and under the operations and maintenance agreement in respect of CPILP's Frederickson facility (the "**Frederickson Agreement**") to Atlantic Power. The assignment will be effective immediately upon completion of the Plan of Arrangement. In consideration for the assignment, Atlantic Power has agreed to pay to the subsidiary of Capital Power an aggregate of C\$1.5 million. The assignment is conditional on, among other things, receipt of the consent of Puget Sound Energy, Inc. to the assignment.

*North Carolina Purchase and Sale Agreement*

On June 20, 2011, a subsidiary of Capital Power entered into a purchase and sale agreement with certain subsidiaries of CPILP, pursuant to which the subsidiary of Capital Power agreed to purchase and the subsidiaries of CPILP agreed to sell all of the membership interests in the limited liability company that owns CPILP's Roxboro and Southport power plants in North Carolina. The purchase price for the membership interests is C\$121,405,211. Closing of the purchase and sale will take place on the Effective Date. Closing of the purchase and sale will be conditional on, among other things, receipt of all necessary regulatory approvals and consents, including, without limitation, expiration or early termination of the applicable waiting periods under the *Hart-Scott Rodino Antitrust Improvements Act of 1976* and prior authorization from FERC under Section 203 of the *United States Federal Power Act*.

*Employee Hiring and Lease Assignment Agreement*

On June 20, 2011, Atlantic Power, Capital Power and CPO USA entered into an employee hiring and lease assignment agreement pursuant to which Atlantic Power agreed to assume the employment of certain designated employees who perform functions related to CPILP's business. This agreement was necessitated by the fact that neither CPILP nor the General Partner has any employees. Persons performing the functions of employees of CPILP are currently employed by Capital Power and CPO USA rather than directly by CPILP. For further details regarding CPILP employees, see "Business of the Partnership Employees of the Partnership" included in CPILP's Annual Information Form dated March 11, 2011, which is delivered with, and/or incorporated by reference into, this joint proxy statement.

Pursuant to the agreement, Atlantic Power will (i) be bound by the collective agreements currently in place for Capital Power's unionized employees and, (ii) for certain individuals whose employment is not governed by the collective agreements, Atlantic Power will make offers of employment on

Table of Contents

substantially the same (or better) terms and conditions of employment, in the aggregate, as are in effect on the date of the offer. Existing employee benefits provided by Capital Power will vest on closing of the Plan of Arrangement and be paid out by Capital Power. The agreement also contemplates the negotiation of the assignment of office leases for Capital Power's offices located in the cities of Richmond, B.C., Toronto, Ontario and Chicago, Illinois.

*Canadian Pension Transfer Agreement*

On June 20, 2011, Atlantic Power and Capital Power entered into a Canadian pension transfer agreement, pursuant to which Atlantic Power agreed to assume the pension plan assets and obligations from Capital Power related to the employees that it assumes pursuant to the employee hiring and lease assignment agreement described above.

The agreement primarily relates to the Capital Power Pension Plan (which is a Canadian registered pension plan with both a defined benefit and defined contribution component). For further details regarding Capital Power's pension plan assets and obligations, see "Compensation Discussion and Analysis Pension Programs" included in CPILP's Annual Information Form dated March 11, 2011, which is delivered with, and/or incorporated by reference into, this joint proxy statement. The agreement provides that the assets associated with the pension plan obligations of the employees being transferred to Atlantic Power will be carved out of the Capital Power Pension Plan and transferred to a new plan to be established by Atlantic Power. The new pension plan for Atlantic Power will have equivalent terms to the Capital Power Pension Plan.

If there is a deficiency in the Capital Power Pension Plan on a going concern basis at the time of closing of the Plan of Arrangement, Capital Power is required to pay Atlantic Power the amount of the deficiency related to the assumed employees (and if there is a surplus, Atlantic Power is required to make a payment to Capital Power). Currently, it is estimated that there is a deficiency of approximately C\$2.0 million. Atlantic Power is required to establish savings plans that are substantially the same as certain group RRSPs provided by Capital Power. Capital Power and Atlantic Power will take all commercially reasonable steps to permit transferring employees with balances in Capital Power's Group RRSPs to transfer their assets to Atlantic Power's Group RRSPs.

Table of Contents

**MATERIAL CANADIAN FEDERAL INCOME TAX CONSIDERATIONS**

In the opinion of Fraser Milner Casgrain LLP, Canadian counsel to the General Partner, the following is a general summary of the principal Canadian federal income tax considerations generally applicable to a CPILP unitholder that disposes of CPILP units pursuant to the Plan of Arrangement and that, for purposes of the application of the Tax Act and at all relevant times (i) holds CPILP units and will hold any Atlantic Power common shares received pursuant to the Plan of Arrangement as capital property, (ii) deals at arm's length with and is not affiliated with CPILP or Atlantic Power, and (iii) is or is deemed to be resident in Canada (a "**Holder**" or "**Holders**"). CPILP units and Atlantic Power common shares will generally constitute capital property to a Holder provided the Holder does not hold such shares in the course of carrying on a business or as part of an adventure in the nature of trade.

This summary is based on the current provisions of the Tax Act and the regulations thereunder (the "**Regulations**"), and counsel's understanding of the current administrative policies and assessing practices of the Canada Revenue Agency ("**CRA**") published in writing prior to the date hereof. This summary takes into account 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 "**Proposed Amendments**"), and assumes that all Proposed Amendments will be enacted in the form proposed. However, no assurances can be given that the Proposed Amendments will be enacted as proposed, or at all. This summary does not otherwise take into account or anticipate any changes in law or administrative policy or assessing practice whether by legislative, administrative or judicial action nor does it take into account tax legislation or considerations of any province, territory or foreign jurisdiction (unless specifically provided for herein), which may differ from those discussed herein.

This summary is not applicable to a Holder: (i) that is a "specified financial institution," (ii) an interest in which is a "tax shelter investment," (iii) that is a "financial institution" for purposes of certain rules referred to as the mark-to-market rules, (iv) that is exempt from tax under Part I of the Tax Act, or (v) to which the "functional currency" reporting rules apply, each as defined in the Tax Act. Such Holders should consult their own tax advisors with respect to their own particular circumstances.

**This summary is of a general nature only and is not, and is not intended to be, legal or tax advice to any particular Holder. This summary is not exhaustive of all Canadian federal income tax considerations. Accordingly, Holders should consult their own tax advisors having regard to their own particular circumstances.**

Where a Holder jointly makes an election with Atlantic Power under section 85 of the Tax Act (a "**Section 85 Election**") in respect of its CPILP units as described below, the Atlantic Power common shares received in exchange for such CPILP units will not be "Canadian securities," as defined under subsection 39(6) of the Tax Act, to such Holder and therefore cannot be deemed to be capital property by making an election under subsection 39(4) of the Tax Act. Holders whose CPILP units might not otherwise be considered to be capital property or whose Atlantic Power common shares may not be considered to be capital property should consult their own tax advisors concerning this election.

**Disposition of CPILP Units Pursuant to the Plan of Arrangement**

***Tax-Deferred Rollover Under the Tax Act***

A Holder that exchanges CPILP units for Atlantic Power common shares or a combination of cash and Atlantic Power common shares and is either (i) a resident of Canada for purposes of the Tax Act (other than a person that is exempt from tax under Part I of the Tax Act or that holds its CPILP units in an Exempt Plan, defined below), or (ii) a partnership any member of which is a resident of Canada for purposes of the Tax Act and is not exempt from tax under Part I of the Tax Act (collectively referred to herein as an "**Eligible Unitholder**"), may make a Section 85 Election with Atlantic Power under subsection 85(1) of the Tax Act, or where the Eligible Unitholder is a partnership, subsection 85(2) of the Tax Act, (and in each case, the corresponding provisions of any applicable

Table of Contents

provincial or territorial tax legislation), and may thereby obtain a full or partial tax-deferred "rollover" for Canadian income tax purposes in respect of its disposition of its CPILP units, depending on the Elected Amount (as defined below) and the adjusted cost base to the Eligible Unitholder of its CPILP units at the time of the exchange, provided the Eligible Unitholder has properly completed and delivered to Atlantic Power the required election forms in the manner and within the time set out below and has properly and timely filed such election forms.

So long as the adjusted cost base to an Eligible Unitholder of the Eligible Unitholder's CPILP units at the time of the exchange, together with any reasonable costs of disposition, is not less than the Elected Amount, the Eligible Unitholder will not realize a capital gain for purposes of the Tax Act as a result of the exchange. The "Elected Amount" means the amount selected by an Eligible Unitholder in a Section 85 Election to be treated as the proceeds of disposition of its CPILP units, subject to the limitations described below.

Atlantic Power has agreed to make the Section 85 Election pursuant to subsection 85(1) or 85(2) of the Tax Act (and any similar provision of any provincial legislation) with an Eligible Unitholder at the Elected Amount determined by such Eligible Unitholder, subject to the limitations set out in subsection 85(1) or 85(2) of the Tax Act (or any applicable provincial legislation).

In general, the Elected Amount may not be:

less than the amount of cash received by the Eligible Unitholder on the exchange,

less than the lesser of (i) the Eligible Unitholder's adjusted cost base of the CPILP units and (ii) the fair market value of the CPILP units, in each case determined at the time of the exchange, or

greater than the fair market value of the CPILP units at the time of the exchange.

The tax treatment to an Eligible Unitholder that makes a valid Section 85 Election jointly with Atlantic Power generally will be as follows:

the Eligible Unitholder will be deemed to have disposed of the CPILP units held by such Eligible Unitholder for proceeds of disposition equal to the Elected Amount;

the Eligible Unitholder will not realize any capital gain or capital loss if the Elected Amount equals the aggregate of the Eligible Unitholder's adjusted cost base of the CPILP units determined immediately before the exchange and any reasonable costs of disposition;

the Eligible Unitholder will realize a capital gain (or a capital loss) to the extent that the Elected Amount exceeds (or is less than) the aggregate of the Eligible Unitholder's adjusted cost base of the CPILP units and any reasonable costs of disposition; and

the aggregate cost to the Eligible Unitholder of the Atlantic Power common shares acquired on the exchange will equal the Elected Amount and for the purpose of determining the Eligible Unitholder's adjusted cost base of those shares, such cost will be averaged with the Eligible Unitholder's adjusted cost base of any other Atlantic Power common shares held by the Eligible Unitholder as capital property at that time.

The income tax consequences described below under "Material Canadian Federal Income Tax Considerations Taxation of Capital Gains and Capital Losses" will generally apply to a Holder that realizes a capital gain or capital loss from the disposition of CPILP units.

A tax instruction letter providing certain instructions on how to complete the Section 85 Election may be obtained from the Depositary by checking the appropriate box on the Letter of Transmittal and Election Form and by submitting the Letter of Transmittal to the Depositary on or before the Election Deadline, complying with the procedures set out in section 2.5 of the Plan of Arrangement.



**Eligible Holders that wish to make a Section 85 Election must check the appropriate box on their duly completed and submitted Letter of Transmittal and Election Form. Eligible Holders should note**

Table of Contents

**that, because of the potential proration of cash and share consideration described above under the heading "The Arrangement Agreement and Plan of Arrangement Effects of the Plan of Arrangement", they may receive a combination of cash and Atlantic Power common shares in exchange for their CPILP units even if they elect to receive only cash consideration. Eligible Holders that would wish to make a Section 85 Election in such circumstances should check the appropriate box on the duly completed and submitted Letter of Transmittal and Election Form even if they elect to receive cash consideration.**

The signed and properly completed Section 85 Election form of an Eligible Unitholder must be received by Atlantic Power no later than 90 days after the Effective Date. Any Eligible Unitholder that does not ensure that Atlantic Power has received the relevant election form(s) by such date may not be able to benefit from a Section 85 Election. Accordingly, all Eligible Unitholders that wish to make a Section 85 Election with Atlantic Power should give their immediate attention to this matter. With the exception of execution of a Section 85 Election form by Atlantic Power, compliance with the requirements for a valid election will be the sole responsibility of the Eligible Unitholder making the election. Accordingly, none of Atlantic Power, CPILP nor the Depositary will be responsible or liable for taxes, interest, penalties, damages or expenses resulting from the failure by anyone to deliver any election in accordance with the procedures set out in the tax instruction letter, to properly complete any Section 85 Election form(s) or to properly file such forms within the time prescribed and in the form prescribed under the Tax Act (or the corresponding provisions of any applicable provincial or territorial tax legislation).

**An Eligible Unitholder that does not make a valid Section 85 Election (or the corresponding election under any applicable provincial or territorial tax legislation) may realize a taxable capital gain. The comments herein with respect to such elections are provided for general assistance only. Eligible Unitholders wishing to make the Section 85 Election should consult their own tax advisors.**

***Exchange of CPILP Units Without a Tax-Deferred Rollover***

A Holder that exchanges its CPILP units and that does not make a valid Section 85 Election jointly with Atlantic Power with respect to the exchange will be considered to have disposed of such CPILP units for proceeds of disposition equal to the aggregate of the cash (if any) received on the exchange and the fair market value, at the time of the exchange, of the Atlantic Power common shares (if any) received on the exchange. As a result, the Holder will generally realize a capital gain (or capital loss) to the extent that such proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of the Holder's CPILP units immediately before the exchange. Holders will be entitled to increase the adjusted cost base of their CPILP units by the amount of CPILP income allocated by CPILP to such Holders for the 2011 taxation year.

**Holding and Disposing of Atlantic Power common shares**

***Dividends on Atlantic Power common shares***

In the case of a Holder that is an individual, including certain trusts, dividends received or deemed to be received on Atlantic Power common shares will be included in computing the Holder's income and, subject to certain exceptions that apply to trusts, will be subject to the gross-up and dividend tax credit rules applicable to dividends paid by taxable Canadian corporations under the Tax Act, including the enhanced gross-up and dividend tax credit applicable to any dividend designated as an "eligible dividend" in accordance with the provisions of the Tax Act.

A Holder that is a corporation will be required to include in its income any dividend received or deemed to be received on Atlantic Power common shares, and generally will be entitled to deduct an equivalent amount in computing its taxable income. A Holder that is a "private corporation" (as defined in the Tax Act) or any other corporation controlled, whether because 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

Table of Contents

group of individuals (other than trusts), will generally be liable to pay a refundable tax of 33<sup>1</sup>/<sub>3</sub>% under Part IV of the Tax Act on dividends received (or deemed to be received) on the Atlantic Power common shares to the extent such dividends are deductible in computing taxable income for the year.

*Disposition of Atlantic Power common shares*

Generally, a Holder that disposes of or is deemed to dispose of an Atlantic Power common share in a taxation year will be subject to the rules described below under "Material Canadian Federal Income Tax Considerations Taxation of Capital Gains and Capital Losses".

**Taxation of Capital Gains and Capital Losses**

Generally, a Holder is required to include in computing its income for a taxation year the amount of any taxable capital gain, which is one-half of the amount of any capital gain realized in the year. Subject to and in accordance with the provisions of the Tax Act, a Holder is permitted to deduct the allowable capital loss, which is one-half of the amount of any capital loss realized in a taxation year, from taxable capital gains realized in the year by such Holder. Allowable capital losses in excess of taxable capital gains may be carried back and deducted in any of the three preceding years or carried forward and deducted in any following year against net taxable capital gains realized in such year to the extent and under the circumstances described in the Tax Act.

A Holder that is throughout the year a "Canadian controlled private corporation" (as defined in the Tax Act) may be liable to pay, in addition to tax otherwise payable under the Tax Act, a refundable tax on certain investment income including taxable capital gains.

**Alternative Minimum Tax**

Taxable capital gains realized and dividends received by a Holder that is an individual or a trust, other than certain specified trusts, may give rise to alternative minimum tax under the Tax Act and such Holders should contact their own tax advisors in this regard.

**Eligibility for Investment**

In the opinion of Fraser Milner Casgrain LLP, the Atlantic Power common shares, if issued on the date of this joint proxy statement, would be qualified investments under the Tax Act and the Regulations for a trust governed by a registered retirement savings plan (an "**RRSP**"), a registered retirement income funds (an "**RRIF**"), a deferred profit sharing plan, a registered education savings plan, a registered disability savings plan or a tax-free savings account (a "**TFSA**"), each as defined in the Tax Act ("**Exempt Plans**").

Notwithstanding that the Atlantic Power common shares may, at a particular time, be qualified investments for a trust governed by a TFSA, the holder of a TFSA will be subject to a penalty tax with respect to the Atlantic Power common shares held in a TFSA if such shares are "prohibited investments" for the TFSA for the purposes of the Tax Act. Provided that the holder of a TFSA deals at arm's length with Atlantic Power and does not hold a "significant interest" (as defined in the Tax Act) in Atlantic Power or in a corporation, partnership or trust with which Atlantic Power does not deal at arm's length for the purposes of the Tax Act, the Atlantic Power common shares will not be "prohibited investments" for a trust governed by a TFSA.

On June 6, 2011, the Minister of Finance (Canada) reintroduced certain proposed amendments to the Tax Act that were originally tabled on March 22, 2011 which would extend the application of the rules governing "prohibited investments" and the penalty tax for holding "prohibited investments" to the annuitant of an RRSP or RRIF. No assurance can be given that these proposed amendments to the Tax Act will be enacted as proposed. **Holders that intend to hold the Atlantic Power common shares in their TFSA, RRSP or RRIF should consult with their own tax advisors regarding the application of the foregoing prohibited investment rules in their particular circumstances.**

Table of Contents

**CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS**

CPILP does not permit non-residents of Canada (as determined for purposes of the Income Tax Act) to hold CPILP units. Accordingly, the following summary does not address the U.S. federal income tax consequences to CPILP unitholders that are U.S. residents or who are otherwise subject to US tax on their worldwide income as a result of their personal circumstances (each, a **"US Holder"**). Persons who are not US Holders will not be subject to U.S. federal income tax with respect to their CPILP units or Atlantic Power common shares received in exchange therefor unless (1) their income with respect thereto is effectively connected with the conduct of a trade or business in the United States, or (2) such person is an individual who is present in the United States for 183 days or more during the taxable year and has a "tax home" in the United States. Even if a non-US Holder is subject to US federal income tax under either test in the preceding sentence, such person may be eligible for relief from (or reduction to) any US income tax under a tax treaty.

**Persons who may be subject to U.S. federal income tax, including US Holders, should consult their own tax advisors regarding the consequences of the disposition of their CPILP units and the ownership and disposition of Atlantic Power common shares.**

Table of Contents

**ATLANTIC POWER FINANCING**

Atlantic Power intends to finance the cash portion of the purchase price to complete the Plan of Arrangement by issuing approximately C\$200.0 million of equity and approximately C\$425.0 million of debt through public and private offerings. However, in the event that such financing is not available on terms satisfactory to Atlantic Power, Atlantic Power has also delivered to CPILP a copy of an executed letter evidencing the commitment of a Canadian chartered bank and another financial institution to structure, arrange, underwrite and syndicate a senior secured term loan facility in the amount of \$625 million (the "**Tranche B Facility**") subject to the terms and conditions set forth therein. Advances under the Tranche B Facility may be made by way of Base Rate-based loans and LIBOR-based loans. Conditions precedent to funding under the Tranche B Facility include, without limitation, that there shall not have occurred a Material Adverse Effect (as defined in the Arrangement Agreement) in respect of Atlantic Power, CPILP, the General Partner and CPI Investments Inc. taken as a whole.

Interest for any Base Rate-based loans will be charged at the Base Rate plus a spread and for any LIBOR-based loans, interest will be charged at a rate equal to LIBOR for the corresponding deposits of U.S. dollars plus a spread. The Tranche B Facility will mature on the seventh anniversary following the closing date of the Tranche B Facility. The lenders will be provided with certain collateral, including a first priority security interest in respect of 100% of the units of CPILP and 100% of the shares of the General Partner and any intercompany indebtedness owing by CPILP to Atlantic Power or the General Partner.

Table of Contents

**INFORMATION REGARDING ATLANTIC POWER**

**General**

Atlantic Power owns and operates a diverse fleet of power generation and infrastructure assets in the United States. Atlantic Power's power generation projects in operation have an aggregate gross electric generation capacity of approximately 1,948 MW, in which Atlantic Power's ownership interest is approximately 871 MW. Atlantic Power's current portfolio consists of interests in 12 operational power generation projects across nine states, one 53.5 MW biomass project under construction in Georgia, and an 84-mile, 500 kilovolt electric transmission line located in California. Atlantic Power also owns a majority interest in Rollcast Energy, Inc., a biomass power plant developer with several projects under development. Atlantic Power's corporate strategy is to generate stable cash flows from Atlantic Power's existing assets and to make accretive acquisitions to sustain Atlantic Power's dividend payout to shareholders, which is currently paid monthly at an annual rate of C\$1.094 per share.

Atlantic Power sells the capacity and power from its projects under PPAs with a variety of utilities and other parties. Under the PPAs, which have expiration dates ranging from 2012 to 2037, Atlantic Power receives payments for electric energy sold to its customers (known as energy payments), in addition to payments for electric generation capacity (known as capacity payments). Atlantic Power also sells steam from a number of its projects under steam sales agreements to industrial purchasers. The transmission system rights owned by Atlantic Power in its power transmission project entitle it to payments indirectly from the utilities that make use of the transmission line.

Atlantic Power's projects generally operate pursuant to long-term supply agreements, typically accompanied by fuel transportation arrangements. In most cases, the fuel supply and transportation arrangements correspond to the term of the relevant PPAs and most of the PPAs and steam sales agreements provide for the pass-through or indexing of fuel costs to Atlantic Power's customers.

Atlantic Power partners with recognized leaders in the independent power business to operate and maintain its projects, including Caithness Energy LLC, Power Plant Management Services and the Western Area Power Administration. Under these operation, maintenance and management agreements, the operator is typically responsible for operations, maintenance and repair services.

Atlantic Power completed its initial public offering on the TSX in November 2004. At the time of Atlantic Power's initial public offering, its publicly traded security was an income participating security, or an "IPS", each of which was comprised of one common share and C\$5.767 principal amount of 11% subordinated notes due 2016. On November 27, 2009, Atlantic Power converted from the IPS structure to a traditional common share structure. In connection with the conversion, each IPS was exchanged for one new common share. Atlantic Power's common shares trade on the TSX under the symbol "ATP" and began trading on the NYSE under the symbol "AT" on July 23, 2010.

**Trading Price and Volume**

The Atlantic Power common shares began trading on the TSX on December 2, 2009, under the trading symbol "ATP" and on the NYSE on July 23, 2010 under the trading symbol "AT". The following tables show the monthly range of high and low prices per Atlantic Power common share and the total volume of Atlantic Power common shares traded on the TSX and NYSE during the 12 month period before the date of this joint proxy statement. On September 26, 2011, the most recent

Table of Contents

practicable date before the date of this joint proxy statement, the closing price of the Atlantic Power common shares on the TSX and NYSE was C\$14.72 and \$14.37, respectively.

**TSX**

<b>Date</b>	<b>High</b>	<b>Low</b>	<b>Volume</b>
September 2010	C\$ 14.47	C\$ 13.36	2,932,970
October 2010	C\$ 14.33	C\$ 13.38	3,761,300
November 2010	C\$ 14.39	C\$ 13.31	2,521,106
December 2011	C\$ 15.18	C\$ 14.12	2,685,937
January 2011	C\$ 15.43	C\$ 14.66	2,163,986
February 2011	C\$ 15.50	C\$ 14.96	1,752,812
March 2011	C\$ 15.25	C\$ 14.41	2,569,639
April 2011	C\$ 14.86	C\$ 13.82	2,126,241
May 2011	C\$ 15.13	C\$ 14.36	1,924,026
June 2011	C\$ 15.72	C\$ 14.51	4,854,845
July 2011	C\$ 15.46	C\$ 14.54	2,493,000
August 2011	C\$ 15.38	C\$ 12.92	3,634,900
September 1 - 26, 2011	C\$ 15.15	C\$ 14.02	2,070,125

**NYSE**

<b>Date</b>	<b>High</b>	<b>Low</b>	<b>Volume</b>
September 2010	\$ 14.00	\$ 12.65	3,437,548
October 2010	\$ 14.38	\$ 13.26	9,451,920
November 2010	\$ 14.00	\$ 13.31	4,155,433
December 2011	\$ 14.98	\$ 13.90	4,227,202
January 2011	\$ 15.40	\$ 14.73	3,585,486
February 2011	\$ 15.67	\$ 15.15	2,893,679
March 2011	\$ 15.75	\$ 14.72	4,245,353
April 2011	\$ 15.42	\$ 14.33	4,064,445
May 2011	\$ 15.62	\$ 14.95	4,855,598
June 2011	\$ 16.18	\$ 14.87	15,174,606
July 2011	\$ 16.34	\$ 15.10	6,353,300
August 2011	\$ 16.28	\$ 13.12	11,733,400
September 1 - 26, 2011	\$ 15.50	\$ 13.59	5,642,897

The 6.50% convertible secured debentures of Atlantic Power due October 31, 2014 (the "**2006 Debentures**") issued pursuant to the trust indenture dated as of October 11, 2006 between Atlantic Power and Computershare Trust Company of Canada as amended by a first supplemental indenture dated as of November 27, 2009 were listed for trading on the TSX on October 11, 2006, under the trading symbol "ATP.DB". The following table shows the range of high and low prices per C\$100 principal amount of 2006 Debentures and total monthly volumes traded on the TSX during the 12 month period before the date of this joint proxy statement. On September 26, 2011, the most recent

Table of Contents

practicable date before the date of this joint proxy statement, the closing price of the 2006 Debentures on the TSX was C\$118.25.

Date		High	Low	Volume
September 2010	C\$	116.00	C\$ 108.25	39,800
October 2010	C\$	115.00	C\$ 109.50	21,120
November 2010	C\$	115.25	C\$ 109.00	19,550
December 2011	C\$	121.00	C\$ 114.45	21,740
January 2011	C\$	123.40	C\$ 118.92	41,570
February 2011	C\$	124.00	C\$ 121.16	17,060
March 2011	C\$	122.12	C\$ 118.60	17,230
April 2011	C\$	120.35	C\$ 112.31	6,570
May 2011	C\$	121.98	C\$ 113.82	20,750
June 2011	C\$	124.48	C\$ 118.11	22,310
July 2011	C\$	124.50	C\$ 117.54	12,740
August 2011	C\$	122.31	C\$ 108.58	7,530
September 1 - 26, 2011	C\$	120.28	C\$ 116.00	3,660

The 6.25% convertible unsecured subordinated debentures of Atlantic Power due March 15, 2017 (the "**2009 Debentures**") issued pursuant to the trust indenture dated as of December 17, 2009 between Atlantic Power and Computershare Trust Company of Canada were listed for trading on the TSX on December 17, 2009, under the trading symbol "ATP.DB.A". The following table shows the monthly range of high and low prices per C\$100 principal amount of 2009 Debentures and total monthly volumes traded on the TSX during the 12 month period before the date of this joint proxy statement. On September 26, 2011, the most recent practicable date before the date of this joint proxy statement, the closing price of the 2009 Debentures on the TSX was C\$114.38.

Date		High	Low	Volume
September 2010	C\$	114.99	C\$ 105.17	45,200
October 2010	C\$	111.00	C\$ 106.15	40,100
November 2010	C\$	110.02	C\$ 105.50	18,790
December 2011	C\$	115.50	C\$ 108.86	66,480
January 2011	C\$	117.75	C\$ 113.21	47,490
February 2011	C\$	119.00	C\$ 108.92	37,020
March 2011	C\$	116.88	C\$ 113.80	17,260
April 2011	C\$	114.00	C\$ 107.45	19,116
May 2011	C\$	117.00	C\$ 112.00	33,330
June 2011	C\$	120.01	C\$ 113.00	75,480
July 2011	C\$	118.61	C\$ 112.18	42,900
August 2011	C\$	118.18	C\$ 106.85	5,950
September 1 - 26, 2011	C\$	117.50	C\$ 111.28	3,910

The 5.60% convertible unsecured subordinated debentures of Atlantic Power due June 30, 2017 (the "**2010 Debentures**") issued pursuant to the first supplemental indenture dated October 20, 2010 to the trust indenture dated December 17, 2009 between Atlantic Power and Computershare Trust Company of Canada were listed for trading on the TSX on October 20, 2010, under the trading symbol "ATP.DB.B". The following table shows the monthly range of high and low prices per C\$100 principal amount of 2010 Debentures and total monthly volumes traded on the TSX since the date on which



## Table of Contents

they were issued. On September 26, 2011, the most recent practicable date before the date of this joint proxy statement, the closing price of the 2010 Debentures on the TSX was C\$100.00.

Date		High		Low	Volume
October 20 - 31, 2010	C\$	100.55	C\$	99.90	197,770
November 2010	C\$	100.75	C\$	99.90	82,310
December 2010	C\$	100.20	C\$	99.60	27,920
January 2011	C\$	101.45	C\$	100.00	28,450
February 2011	C\$	102.00	C\$	101.00	17,450
March 2011	C\$	103.00	C\$	101.15	29,440
April 2011	C\$	103.00	C\$	101.00	8,120
May 2011	C\$	102.70	C\$	101.25	8,650
June 2011	C\$	102.50	C\$	100.61	19,850
July 2011	C\$	102.65	C\$	101.40	6,426
August 2011	C\$	103.00	C\$	99.75	10,900
September 1 - 26, 2011	C\$	102.00	C\$	99.60	16,460

### Prior Sales

On October 20, 2010, Atlantic Power completed an offering of 2010 Debentures at a price of C\$1,000 per 2010 Debenture for total gross proceeds of C\$80.5 million, including C\$10.5 million aggregate principal amount of debentures pursuant to the exercise in full of the underwriters' over-allotment option.

On October 20, 2010, Atlantic Power completed an offering of 6,029,000 Atlantic Power common shares, including 784,000 Atlantic Power common shares issued pursuant to the exercise in full of the underwriters' over-allotment option, at a price of US\$13.35 per common share.

On March 31, 2011, Atlantic Power issued 167,928 Atlantic Power common shares in connection with the vesting of notional units previously granted under Atlantic Power's long term incentive plan.

During the 12 month period before the date of this joint proxy statement, Atlantic Power issued a total of 1,067,298 Atlantic Power common shares on conversion of 2009 Debentures at a conversion price of C\$13.00 per common share in accordance with the terms of the indenture governing such 2009 Debentures and a total of 1,210,408 Atlantic Power common shares on conversion of 2006 Debentures at a conversion price of C\$12.40 per common share in accordance with the terms of the indenture governing the 2006 Debentures. Details of such issuances are set out below.

Date	Price Per Atlantic Power Common Share	Number of Atlantic Power Common Shares	Reasons for Issuance
10/4/2010	C\$ 12.40	1,935	Conversion of 2006 Debentures
10/25/2010	C\$ 12.40	80,645	Conversion of 2006 Debentures
11/2/2010	C\$ 13.00	8,615	Conversion of 2009 Debentures
11/3/2010	C\$ 13.00	1,923	Conversion of 2009 Debentures
11/9/2010	C\$ 13.00	1,538	Conversion of 2009 Debentures
11/10/2010	C\$ 13.00	769	Conversion of 2009 Debentures
11/12/2010	C\$ 13.00	769	Conversion of 2009 Debentures
11/17/2010	C\$ 13.00	384	Conversion of 2009 Debentures
12/6/2010	C\$ 13.00	692	Conversion of 2009 Debentures
12/14/2010	C\$ 12.40	13,709	Conversion of 2006 Debentures
12/21/2010	C\$ 13.00	1,923	Conversion of 2009 Debentures
12/23/2010	C\$ 13.00	1,615	Conversion of 2009 Debentures

Table of Contents

<b>Date</b>	<b>Price Per Atlantic Power Common Share</b>	<b>Number of Atlantic Power Common Shares</b>	<b>Reasons for Issuance</b>
12/30/2010	C\$ 13.00	220,923	Conversion of 2009 Debentures
12/30/2010	C\$ 12.40	241,371	Conversion of 2006 Debentures
1/19/2011	C\$ 12.40	403	Conversion of 2006 Debentures
1/24/2011	C\$ 12.40	11,532	Conversion of 2006 Debentures
1/26/2011	C\$ 13.00	3,076	Conversion of 2009 Debentures
1/27/2011	C\$ 13.00	197,846	Conversion of 2009 Debentures
1/27/2011	C\$ 12.40	225,161	Conversion of 2006 Debentures
2/2/2011	C\$ 13.00	1,923	Conversion of 2009 Debentures
2/3/2011	C\$ 12.40	645	Conversion of 2006 Debentures
2/9/2011	C\$ 12.40	3,225	Conversion of 2006 Debentures
2/14/2011	C\$ 12.40	2,822	Conversion of 2006 Debentures
2/16/2011	C\$ 12.40	806	Conversion of 2006 Debentures
2/16/2011	C\$ 13.00	1,538	Conversion of 2009 Debentures
2/18/2011	C\$ 12.40	967	Conversion of 2006 Debentures
2/23/2011	C\$ 12.40	403	Conversion of 2006 Debentures
2/24/2011	C\$ 12.40	95,887	Conversion of 2006 Debentures
2/24/2011	C\$ 13.00	207,461	Conversion of 2009 Debentures
2/25/2011	C\$ 13.00	3,384	Conversion of 2009 Debentures
2/25/2011	C\$ 12.40	2,338	Conversion of 2006 Debentures
2/28/2011	C\$ 12.40	153,548	Conversion of 2006 Debentures
2/28/2011	C\$ 13.00	76,923	Conversion of 2009 Debentures
3/29/2011	C\$ 13.00	130,846	Conversion of 2009 Debentures
3/29/2011	C\$ 12.40	120,483	Conversion of 2006 Debentures
3/30/2011	C\$ 12.40	1,532	Conversion of 2006 Debentures
3/30/2011	C\$ 13.00	1,538	Conversion of 2009 Debentures
4/21/2011	C\$ 12.40	1,532	Conversion of 2006 Debentures
4/27/2011	C\$ 13.00	3,846	Conversion of 2009 Debentures
5/13/2011	C\$ 12.40	2,016	Conversion of 2006 Debentures
5/27/2011	C\$ 12.40	16,129	Conversion of 2006 Debentures
5/30/2011	C\$ 12.40	1,612	Conversion of 2006 Debentures
5/31/2011	C\$ 12.40	5,645	Conversion of 2006 Debentures
6/28/2011	C\$ 12.40	70,887	Conversion of 2006 Debentures
6/28/2011	C\$ 13.00	7,538	Conversion of 2009 Debentures
6/29/2011	C\$ 12.40	80	Conversion of 2006 Debentures
7/14/2011	C\$ 13.00	6,153	Conversion of 2009 Debentures
7/27/2011	C\$ 13.00	91,461	Conversion of 2009 Debentures
7/27/2011	C\$ 12.40	81,290	Conversion of 2006 Debentures
7/28/2011	C\$ 12.40	18,064	Conversion of 2006 Debentures
7/29/2011	C\$ 13.00	923	Conversion of 2009 Debentures
8/2/2011	C\$ 13.00	91,384	Conversion of 2009 Debentures
8/2/2011	C\$ 12.40	32,274	Conversion of 2006 Debentures
8/8/2011	C\$ 13.00	1,538	Conversion of 2009 Debentures
8/29/2011	C\$ 12.40	21,451	Conversion of 2006 Debentures
8/31/2011	C\$ 12.40	2,016	Conversion of 2006 Debentures
8/31/2011	C\$ 13.00	769	Conversion of 2009 Debentures

Table of Contents

**Description of Common Shares**

The following summary description sets forth some of the general terms and provisions of the Atlantic Power common shares. Because this is a summary description, it does not contain all of the information that may be important to you. For a more detailed description of the Atlantic Power common shares, please refer to the provisions of Atlantic Power's articles.

Atlantic Power's articles authorize an unlimited number of common shares. On the date of this joint proxy statement, 68,986,977 Atlantic Power common shares were issued and outstanding. The Atlantic Power common shares are listed on the TSX under the symbol "ATP" and began trading on the NYSE under the symbol "AT" on July 23, 2010. Holders of Atlantic Power common shares are entitled to receive dividends as and when declared by Atlantic Power's board of directors and are entitled to one vote per Atlantic Power common share on all matters to be voted on at meetings of shareholders. Atlantic Power is limited in its ability to pay dividends on its common shares by restrictions under the BCBCA, relating to Atlantic Power's solvency before and after the payment of a dividend. Holders of Atlantic Power common shares have no pre-emptive, conversion or redemption rights and are not subject to further assessment by Atlantic Power.

Upon Atlantic Power's voluntary or involuntary liquidation, dissolution or winding up, the holders of Atlantic Power common shares are entitled to share ratably in the remaining assets available for distribution, after payment of liabilities.

Holders of Atlantic Power common shares will have one vote for each common share held at meetings of common shareholders.

Pursuant to Atlantic Power's articles and the provisions of the BCBCA, certain actions that may be proposed by Atlantic Power require the approval of its shareholders. Atlantic Power may, by special resolution and subject to its articles, increase its authorized capital by such means as creating shares with or without par value or increasing the number of shares with or without par value. Atlantic Power may, by special resolution, alter its articles to subdivide, consolidate, change from shares with par value to shares without par value or from shares without par value to shares with par value or change the designation of all or any of its shares. Atlantic Power may also, by special resolution, alter its articles to create, define, attach, vary, or abrogate special rights or restrictions to any shares. Under the BCBCA and Atlantic Power's articles, a special resolution is a resolution passed at a duly-convened meeting of shareholders by not less than two-thirds of the votes cast in person or by proxy at the meeting, or a written resolution consented to by all shareholders who would have been entitled to vote at the meeting of shareholders.

**Security Ownership of Certain Beneficial Owners and Management**

The following table sets forth information regarding the beneficial ownership of Atlantic Power common shares as of the date of this joint proxy statement with respect to:

each person (including any "group" of persons as that term is used in Section 13(d)(3) of the Exchange Act) who is known to Atlantic Power to be the beneficial owner of more than 5% of the outstanding Common Shares (none as of the date of this joint proxy statement);

each of the Directors of Atlantic Power;

each of the named executive officers of Atlantic Power; and

all of the Directors and the named executive officers of Atlantic Power as a group.

The address of each beneficial owner listed in the following table is c/o Atlantic Power Corporation, 200 Clarendon Street, Floor 25, Boston, MA 02116.

# Edgar Filing: ATLANTIC POWER CORP - Form DEFM14A

## Table of Contents

Except as otherwise indicated in the footnotes to the following table, Atlantic Power believes, based on the information provided to it, that the persons named in the following table have sole voting and investment power with respect to the Atlantic Power common shares they beneficially own, subject to applicable community property laws.

Owner	Number of Atlantic Power Common Shares beneficially owned	Percentage of Atlantic Power Common Shares beneficially owned(1)
<b>Directors and named executive officers</b>		*
Irving R. Gerstein	10,400	*
Kenneth M. Hartwick	58,164(2)	*
John A. McNeil	12,500	*
R. Foster Duncan(3)	1,500	*
Holli Nichols(3)	2,581(2)	*
Barry E. Welch	223,105	*
Paul H. Rapisarda	40,010	*
William B. Daniels	7,173	*
John J. Hulburt	3,643	*
Patrick J. Welch(4)	89,205	*
All directors and named executive officers as a group (9 persons)(5)	359,076	0.01

Notes:

\*

Less than 1%.

(1) The applicable percentage ownership is based on 68,639,654 common shares issued and outstanding as of June 30, 2011.

(2) Atlantic Power common shares beneficially owned include units held in Atlantic Power's Deferred Share Unit Plan of 56,164 for Ken Hartwick and 2,581 for Holli Nichols.

(3) Joined board of directors in June 2010.

(4) On June 10, 2011, Patrick J. Welch resigned as Atlantic Power's Chief Financial Officer. Number of common shares beneficially owned is as of March 31, 2011.

(5) Does not include shares beneficially owned by Patrick J. Welch.

## Risk Factors

The business and operations of Atlantic Power are subject to risks. In addition to considering the other information in this joint proxy statement, CPILP unitholders should consider carefully the factors set forth in the Annual Report on Form 10-K of Atlantic Power for the fiscal year ended December 31, 2010, which has been delivered with, and/or is incorporated by reference into, this joint proxy statement.

Table of Contents

**INFORMATION REGARDING CPILP**

The information concerning CPILP contained in this joint proxy statement has been provided by CPILP. Although Atlantic Power has no knowledge that would indicate that any of such information is untrue or incomplete, Atlantic Power does not assume any responsibility for the accuracy or completeness of such information or the failure by CPILP to disclose events which may have occurred or may affect the completeness or accuracy of such information but which are unknown to Atlantic Power.

**Presentation of Information**

The information contained herein provides material information about the business, operations and capital of CPILP. Any reference to CPILP means Capital Power Income L.P. and its subsidiaries on a consolidated basis, except where otherwise noted or where the context otherwise dictates. All financial information with respect to CPILP is presented in Canadian dollars unless otherwise stated.

**General**

CPILP (formerly known as EPCOR Power L.P. and prior thereto, TransCanada Power, L.P.) was formed pursuant to a limited partnership agreement dated as of March 27, 1997 and as amended and restated June 6, 1997 and as amended September 29, 1998, March 26, 2004, April 29, 2004 and August 31, 2005 and as amended and restated July 1, 2009, October 1, 2009 and November 4, 2009 among the general partner of CPILP (CPI Income Services Ltd., formerly known as TransCanada Power Services Ltd.), the initial limited partner and each person who is admitted to CPILP as a limited partner in accordance with the terms of the limited partnership agreement. On March 27, 1997, CPILP was registered as a limited partnership under the laws of the Province of Ontario and was registered or extra-provincially registered, as the case may be, in all other provinces of Canada. The head office of CPILP is located at 10065 Jasper Avenue, Edmonton, Alberta, T5J 3B1. The registered office of CPILP is 200 University Avenue, Toronto, Ontario, M5H 3C6.

CPILP is only permitted to carry on activities that are directly or indirectly related to the energy supply industry and to hold investments in other entities which are primarily engaged in such industry. CPILP's portfolio consists of 19 wholly-owned power generation assets located in both Canada (in the provinces of British Columbia and Ontario) and in the United States (in the states of California, Colorado, Illinois, New Jersey, New York and North Carolina), a 50.15% interest in a power generation asset in Washington State (collectively the power plants), and a 14.3% common equity interest in Primary Energy Recycling Holdings LLC.

The general partner of CPILP is responsible for the management of CPILP. The General Partner has engaged the Managers, both subsidiaries of Capital Power, to perform management and administrative services for CPILP and to operate and maintain the power plants pursuant to certain management and operations agreements.

For further information regarding CPILP, its subsidiaries and their respective business activities, including CPILP's inter-corporate relationships and organizational structure, see "Additional Information Regarding CPILP" included in CPILP's Annual Information Form dated March 11, 2011, which is delivered with, and/or incorporated by reference into, this joint proxy statement.

**Recent Developments**

*Termination of Dividend Reinvestment Plan*

CPILP terminated its Premium Distribution and Distribution Reinvestment Plan effective June 30, 2011.

Table of Contents

*Power Purchase Agreements Finalized for the North Carolina Plants*

In June 2011, CPILP executed final power purchase agreements with Progress Energy for CPILP's Southport and Roxboro facilities. The final power purchase agreements, which expire in 2021, replace the interim power purchase agreements that were effective April 1, 2011 and contain terms that are generally consistent with the interim power purchase agreements.

*Power Purchase Agreement Amendment for the Calstock Plant*

The power purchase agreement for CPILP's Calstock facility was amended effective May 1, 2011 to increase the price for power delivered during peak power demand periods and to reduce the power the power purchase agreement counterparty is required to purchase during periods of low power demand.

**Additional Information Relating to CPILP**

The following documents, which have been filed by CPILP with the Canadian Securities Administrators, are specifically delivered with, and/or incorporated by reference into, this joint proxy statement:

the annual information form of CPILP dated March 11, 2011;

the management's discussion and analysis of CPILP for the year ended December 31, 2010;

the management's discussion and analysis of CPILP for the six months ended June 30, 2011;

the audited consolidated financial statements of CPILP as at and for the years ended December 31, 2010, 2009 and 2008, together with the notes thereto and the auditors' report thereon; and

the unaudited condensed interim financial statements of CPILP as at and for the six month period ended June 30, 2011, together with the notes thereto.

## Table of Contents

### Price Range and Trading Volume of CPILP Units

The CPILP units are listed and trade on the TSX under the trading symbol "CPA.UN". The following table sets forth the price range and trading volume of the CPILP units as reported by the TSX for the periods indicated.

Month	High (\$)	Low (\$)	Close (\$)	Volume Traded
<b>2010</b>				
June	16.59	15.38	16.30	1,834,995
July	17.90	16.03	17.68	1,470,997
August	18.01	16.96	18.01	1,275,618
September	18.85	17.65	18.75	1,433,610
October	19.02	17.81	18.33	1,395,389
November	18.54	17.75	17.91	1,497,626
December	18.10	17.11	17.95	1,566,002
<b>2011</b>				
January	19.83	17.65	19.60	1,495,356
February	20.70	19.15	20.17	1,453,180
March	21.22	17.87	20.90	2,092,101
April	20.49	19.25	19.26	1,295,173
May	19.80	18.28	19.80	1,458,674
June	19.77	18.63	19.00	4,174,124
July	19.50	18.94	19.10	2,384,335
August	19.32	17.23	19.15	1,712,412
September (to September 26)	19.14	18.50	19.00	898,827

On June 17, 2011, the last trading day on which the CPILP units traded prior to the announcement of entering into the Arrangement Agreement, the closing price of the CPILP units on the TSX was \$18.63. On September 26, 2011, the most recent practicable date before the date of this joint proxy statement, the closing price of the CPILP units on the TSX was \$19.00.

### Dividend History

#### Distributions of CPILP

The following table sets forth the cash distributions declared (on a per unit basis) in respect of the CPILP units during the prior two years:

	2011 (to September 26)	2010	2009
Cash distributions per CPILP unit	\$ 1.32	\$ 1.76	\$ 1.95

Prior to October 1, 2009, CPILP distributed cash to its limited partners on a quarterly basis. Commencing after September 30, 2009, CPILP distributes cash to its limited partners on a monthly basis in accordance with the requirements of the limited partnership agreement and subject to the approval of the board of directors of the general partner of CPILP. Cash distributions are determined after considering cash amounts required for the operations of CPILP and the power plants, including maintenance capital expenditures, debt repayments, and financing charges, and any cash retained at the discretion of the general partner of CPILP to satisfy anticipated obligations or to normalize monthly distributions.

Table of Contents***Dividends of Subsidiary (CPI Preferred Equity Ltd.)***

Dividends are also declared in respect of preferred shares issued by CPI Preferred Equity Ltd., which is a wholly-owned subsidiary of CPILP. Cash dividends per share declared by CPI Preferred Equity Ltd. in respect of its Cumulative Redeemable Preferred Shares, Series 1, and its Cumulative Rate Reset Preferred Shares, Series 2 during the prior two years are set forth in the following table:

	2011 (to September 26)	2010	2009
Cash distributions per Series 1 Preferred Share	\$ 0.909375	\$ 1.2125	\$ 1.2125
Cash distributions per Series 2 Preferred Share	\$ 1.3125	\$ 1.75	\$ 0.28288(1)

Note:

- (1) Represents the period from November 2, 2009 to December 31, 2009.

**Voting Securities and Principal Holders of Voting Securities**

The authorized capital of CPILP consists of an unlimited number of CPILP units and an unlimited number of subscription receipts exchangeable into CPILP units. As of the close of business on the CPILP record date, CPILP had outstanding 56,597,899 CPILP Units, each of which carries the right to one vote on all matters that may come before the CPILP special meeting. To the knowledge of the directors and executive officers of the general partner of CPILP, the only persons or companies beneficially owning, directly or indirectly, or controlling or directing securities carrying 10% or more of the voting rights attached to any class of outstanding voting securities of CPILP is set forth in the following table:

Shareholder	Type of Ownership	Number of Shares	(%)
CPI Investments Inc.(1)	Direct & Indirect	16,513,504	29.18%

Note:

- (1) CPI Investments holds 16,511,104 CPILP units and all of the issued and outstanding shares of the General Partner, which holds 2,400 CPILP units. Capital Power, indirectly through Capital Power L.P., holds a 49% voting interest and 100% economic interest in CPI Investments and EPCOR holds the remaining 51% voting interest in CPI Investments.

**Ownership of CPILP Securities by Directors, Officers and Insiders**

To the knowledge of CPILP, after reasonable inquiry, the following table indicates, on the CPILP record date, the number of CPILP units beneficially owned, directly or indirectly, or over which control or direction is exercised, by: (i) each director and officer of CPILP; (ii) each associate or affiliate of an



## Table of Contents

insider of CPILP; (iii) each associate or affiliate of CPILP; (iv) each insider of CPILP (other than a director or officer of CPILP; and (v) each person acting jointly or in concert with CPILP:

Name	Position with CPILP	CPILP Units	Maximum Amount of Potential Cash Consideration
Graham L. Brown	Director		n/a
Brian A. Felesky	Director (Independent)	5,640	\$ 109,416
Allen R. Hagerman	Director (Independent)	17,702	\$ 343,419
Francois L. Poirier	Director (Independent)	3,100	\$ 60,140
Brian T. Vaasjo	Chairman and Director	7,400	\$ 143,560
Rodney D. Wimer	Director (Independent)		n/a
James Oosterbaan	Director		n/a
Stuart A. Lee	Director and President	3,669	\$ 71,179
	General Counsel and Corporate Secretary		
B. Kathryn Chisholm	Secretary	1,469	\$ 28,499
Peter D. Johanson	Controller	400	\$ 7,760
Leah M. Fitzgerald	Assistant Corporate Secretary		n/a
Anthony Scozzafava	Chief Financial Officer	2,050	\$ 39,770
Yale Loh	Vice President, Treasurer		n/a
Capital Power Corporation(1)	Unitholder	16,513,504	\$ 320,361,978

(1)

Capital Power indirectly owns 49% of the voting interests and all of the economic interests in CPI Investments. EPCOR owns the remaining 51% voting interest in CPI Investments. CPI Investments owns 16,513,504 CPILP units. Under the Plan of Arrangement, Atlantic Power will acquire all of the outstanding shares of CPI Investments on effectively the same basis as the acquisition of CPILP units under the Plan of Arrangement.

## Indebtedness of Directors and Executive Officers

No executive officers, directors, employees or former executive officers, directors or employees of CPILP or any of its subsidiaries, nor any associate of any one of them, is currently or will be indebted to CPILP, the general partner of CPILP or any of its subsidiaries upon completion of the Plan of Arrangement.

## Risk Factors

An investment in CPILP units or other securities of CPILP is subject to certain risks. The transactions contemplated by the Arrangement Agreement and the Plan of Arrangement are also subject to certain risks. Investors should carefully consider the risk factors described under the heading "Risk Factors" included in CPILP's Annual Information Form of CPILP dated March 11, 2011 and under the heading "Business Risks" included in CPILP's Management's Discussion and Analysis for the Year Ended December 31, 2010, as well as the risk factors set forth elsewhere in this joint proxy statement.

# Table of Contents

## Auditors, Transfer Agent and Registrar

The auditors of CPILP are KPMG LLP, Independent Registered Chartered Accountants, Edmonton, Alberta. CPILP's transfer agent and registrar is Computershare Trust Company of Canada at its principal offices in Calgary and Toronto.

## Selected Historical Consolidated Financial Data of CPILP

The following table presents selected consolidated financial information for CPILP. The selected historical financial data as of, and for the years ended, December 31, 2010, 2009 and 2008 has been derived from CPILP's audited consolidated financial statements for those periods prepared under Canadian generally accepted accounting principles and delivered together with, and/or incorporated by reference into this joint proxy statement. Data as of, and for the years ended, December 31, 2010 and 2009 has been reconciled to U.S. generally accepted accounting principles as noted below. The selected historical financial data as of, and for the years ended, December 31, 2007 and 2006 has been derived from the audited consolidated financial statements of CPILP prepared under Canadian generally accepted accounting principles not appearing in this joint proxy statement. The selected historical financial data as of, and for the six-month periods ended June 30, 2011 and 2010 has been derived from CPILP's unaudited consolidated financial statements for those periods prepared using International Financial Reporting Standards and delivered together with, and/or incorporated by reference into this joint proxy statement.

Data for all periods presented below is reported in Canadian dollars. You should read the following selected consolidated financial data together with CPILP's consolidated financial statements and the notes thereto and the discussion under "Management's Discussion and Analysis of Financial Condition and Results of Operations" for CPILP, delivered together with, and/or incorporated by reference into this joint proxy statement.

	Year Ended December 31,					Six months ended June 30,	
(in thousands of Canadian dollars, except per unit data)	2010	2009	2008	2007	2006	2011(a)(b)	2010(a)(b)
Revenue	\$ 532,377	\$ 586,491	\$ 499,267	\$ 549,872	\$ 326,900	\$ 261,524	\$ 241,453
Depreciation, amortization and accretion	\$ 98,227	\$ 93,249	\$ 88,313	\$ 85,553	\$ 65,200	\$ 45,461	\$ 47,826
Financial charges and other, net	\$ 40,179	\$ 46,462	\$ 94,836	\$ 8,574	\$ 42,200	\$ 21,457	\$ 21,384
Net income before tax and preferred share dividends	\$ 35,224	\$ 56,812	\$ (91,918)	\$ 108,953	\$ 67,400	\$ 18,741	\$ 4,705
Net income (loss) attributable to equity holders of CPILP	\$ 30,500	\$ 57,553	\$ (67,893)	\$ 30,816	\$ 62,121	\$ 10,529	\$ 8,410
Basic and diluted net income (loss) per unit, C\$	\$ 0.55	\$ 1.07	\$ (1.26)	\$ 0.59	\$ 1.28	\$ 0.19	\$ 0.15
Distributions declared per unit, C\$	\$ 1.76	\$ 1.95	\$ 2.52	\$ 2.52	\$ 2.52	\$ 0.88	\$ 0.88
Total assets	\$ 1,583,910	\$ 1,668,057	\$ 1,809,225	\$ 1,852,573	\$ 1,883,400	\$ 1,471,772	\$ 1,667,775
Total long-term liabilities	\$ 874,190	\$ 853,314	\$ 935,248	\$ 730,940	\$ 757,800	\$ 821,382	\$ 900,995
Operating margin(c)	\$ 187,567	\$ 211,680	\$ 111,446	\$ 216,188	\$ 185,900	\$ 99,675	\$ 77,753

(a) Unaudited.

(b) Results have been prepared using International Financial Reporting Standards.

(c) Operating margin is a non-GAAP financial measure. CPILP uses operating margin as a performance measure. Operating margin is not a defined financial measure according to Canadian generally accepted accounting principles or International Financial Reporting Standards and does not have a standardized meaning prescribed by Canadian generally accepted accounting principles or International Financial Reporting Standards. Therefore, operating margin may not be comparable to similar measures presented by other enterprises.



Table of Contents

Under U.S. GAAP, the following differences are noted for the years indicated below:

(in thousands of Canadian dollars, except per unit data)	Years Ended December 31,	
	2010	2009
Revenue	\$ 532,377	\$ 586,491
Depreciation, amortization and accretion	\$ 98,277	\$ 93,249
Financial charges and other, net	\$ 40,129	\$ 46,462
Net income before tax and preferred share dividends	\$ 39,179	\$ 54,753
Net income (loss) attributable to equity holders of CPILP	\$ 34,455	\$ 55,529
Basic and diluted net income (loss) per unit, C\$	\$ 0.63	\$ 1.03
Distributions declared per unit, C\$	\$ 1.76	\$ 1.95
Total assets	\$ 1,588,352	\$ 1,673,059
Total long-term liabilities	\$ 878,632	\$ 858,317
Operating margin	\$ 191,530	\$ 209,621

Table of Contents

**INFORMATION REGARDING THE COMBINED COMPANY**

**General**

On completion of the Plan of Arrangement, Atlantic Power will continue to be a corporation governed by the laws of the Province of British Columbia and CPILP will continue to be a limited partnership governed by the laws of the Province of Ontario. After the Effective Date, Atlantic Power will directly or indirectly own all of the outstanding CPILP units.

Upon completion of the Plan of Arrangement, CPILP's operations will be managed and operated as a subsidiary of Atlantic Power.

**Directors and Executive Officers of the Combined Company**

Following completion of Plan of Arrangement, it is anticipated that the senior management and the board of directors of the Combined Company will initially be comprised of the existing senior management and board of directors of Atlantic Power.

Table of Contents

**ATLANTIC POWER AND CPILP UNAUDITED PRO FORMA CONDENSED COMBINED CONSOLIDATED  
FINANCIAL STATEMENTS**

The unaudited pro forma condensed combined consolidated statements of operations and balance sheet (which we refer to as the pro forma financial statements) combine the historical consolidated financial statements of Atlantic Power and CPILP to illustrate the effect of the Plan of Arrangement. The pro forma financial statements were based on and should be read in conjunction with the:

accompanying notes to the Unaudited Pro Forma Condensed Combined Consolidated Financial Statements;

consolidated financial statements of Atlantic Power for the year ended December 31, 2010 and for the six months ended June 30, 2011 and the notes relating thereto, each of which have been delivered with, and/or incorporated by reference into, this joint proxy statement; and

consolidated financial statements of CPILP for the year ended December 31, 2010 and for the six months ended June 30, 2011 and the notes relating thereto, elsewhere in this joint proxy statement.

The historical consolidated financial statements have been adjusted in the pro forma financial statements to give effect to pro forma events that are (1) directly attributable to the Plan of Arrangement, (2) factually supportable and (3) with respect to the unaudited pro forma condensed combined consolidated statements of operations (which we refer to as the pro forma statements of operations), expected to have a continuing impact on the combined results. The pro forma statements of operations for the year ended December 31, 2010 and for the six months ended June 30, 2011, give effect to the Plan of Arrangement as if it occurred on January 1, 2010. The Unaudited Pro Forma Condensed Combined Consolidated Balance Sheet (which we refer to as the pro forma balance sheet) as of June 30, 2011, gives effect to the Plan of Arrangement as if it occurred on June 30, 2011.

As described in the accompanying notes, the pro forma financial statements have been prepared using the acquisition method of accounting under existing United States generally accepted accounting principles, or GAAP, and the regulations of the SEC. Atlantic Power has been treated as the acquirer in the transaction for accounting purposes. The acquisition accounting is dependent upon certain valuations and other studies that have yet to commence or progress to a stage where there is sufficient information for a definitive measurement. Accordingly, the pro forma financial statements are preliminary and have been made solely for the purpose of providing unaudited pro forma condensed combined consolidated financial information. Differences between these preliminary estimates and the final acquisition accounting will occur and these differences could have a material impact on the accompanying pro forma financial statements and the combined company's future results of operations and financial position.

The pro forma financial statements have been presented for informational purposes only and are not necessarily indicative of what the combined company's results of operations and financial position would have been had the transaction been completed on the dates indicated. In addition, the pro forma financial statements do not purport to project the future results of operations or financial position of the combined company.

Table of Contents

**ATLANTIC POWER CORPORATION AND CAPITAL POWER INCOME L.P.  
UNAUDITED PRO FORMA CONDENSED COMBINED  
CONSOLIDATED STATEMENT OF OPERATIONS**

**For the Six Months Ended June 30, 2011  
(in thousands, except per share data)**

	Atlantic Power Historical (unaudited)(a)	CPILP Historical (unaudited)(a)(1)	Pro Forma Adjustments(b)	Pro Forma Combined
Project revenue:	\$ 106,923	\$ 257,148	\$ (18,056)(d)	\$ 346,015
Project expenses:				
Fuel	31,384	145,152	(10,308)(d)	166,228
Operations and maintenance	18,873	16,997	(10,416)(d)	25,454
Depreciation and amortization	21,803	45,461	19,485(c),(d),(e)	86,749
	72,060	207,610	(1,239)	278,431
Project other income (expense):				
Change in fair value of derivative instruments	(1,013)	299	17	(697)
Equity in earnings of unconsolidated affiliates	3,273			3,273
Interest expense, net	(9,190)			(9,190)
Other expense, net	(33)			(33)
	(6,963)	299	17	(6,647)
Project income	27,900	49,837	(16,800)	60,937
Administrative and other expenses (income):				
Administration	8,725	14,016	(350)(d)	22,391
Interest expense, net	7,478	21,430	13,397(c),(f)	42,305
Foreign exchange gain	(1,193)	(4,351)	(91)	(5,635)
	15,010	31,095	12,956	59,061
Income (loss) from operations before income taxes	12,890	18,742	(29,756)	1,876
Income tax expense (benefit)	(6,161)	1,159	(12,939)(e),(i)	(17,941)
Net income (loss)	19,051	17,583	(16,817)	19,817
Net (loss) income attributable to noncontrolling interest	(271)	7,054	169	6,952
Net income (loss) attributable to Atlantic Power Corporation/CPILP	\$ 19,322	\$ 10,529	\$ (16,986)	\$ 12,865
Net income (loss) per share attributable to Atlantic Power Corporation shareholders / CPILP unitholders:				
Basic	\$ 0.28	\$ 0.19	\$ (0.36)	\$ 0.11
Diluted	\$ 0.28	\$ 0.19	\$ (0.36)	\$ 0.11

(1)

## Edgar Filing: ATLANTIC POWER CORP - Form DEFM14A

The CPILP historical results are in recorded in Canadian dollars and are in accordance with IFRS. See Note 5(b) and (c) for an explanation of the conversion to U.S. dollars and U.S. GAAP.

**See accompanying Notes to the Unaudited Pro Forma Condensed Combined Consolidated Financial Statements, which are an integral part of these statements.**



Table of Contents

**ATLANTIC POWER CORPORATION AND CAPITAL POWER INCOME L.P.  
UNAUDITED PRO FORMA CONDENSED COMBINED  
CONSOLIDATED STATEMENT OF OPERATIONS**

**For the Year Ended December 31, 2010  
(in thousands, except per share data)**

	Atlantic Power Historical (unaudited)(a)	CPILP Historical (unaudited)(a)(1)	Pro Forma Adjustments(b)	Pro Forma Combined
Project revenue:	\$ 195,256	\$ 524,569	\$ (49,840)(d)	\$ 669,985
Project expenses:				
Fuel	65,553	219,218	(27,387)(c),(d)	257,384
Operations and maintenance	31,237	114,164	(18,908)(d)	126,493
Depreciation and amortization	40,387	98,277	28,604(d),(e)	167,268
	137,177	431,659	(17,691)	551,145
Project other income (expense):				
Change in fair value of derivative instruments	(14,047)	(11,421)	468	(25,000)
Equity in earnings of unconsolidated affiliates	15,288			15,288
Interest expense, net	(17,660)			(17,660)
Other expense, net	219			219
	(16,200)	(11,421)	468	(27,153)
Project income	41,879	81,489	(31,681)	91,687
Administrative and other expenses (income):				
Administration	16,149	13,945	(2,292)(d)	27,802
Interest expense, net	11,701	40,129	26,771(d),(f)	78,601
Foreign exchange gain	(1,014)	(7,808)	234(c)	(8,588)
Other (income)	(26)		(1,121)(d)	(1,147)
	26,810	46,266	23,592	96,668
Income (loss) from operations before income taxes	15,069	35,223	(55,273)	(4,981)
Income tax expense (benefit)	18,924	(9,384)	(25,656)(e),(i)	(16,116)
Net income (loss)	(3,855)	44,607	(29,617)	11,135
Net (loss) income attributable to noncontrolling interest	(103)	14,107	(407)	13,597
Net income (loss) attributable to Atlantic Power Corporation/CPILP	\$ (3,752)	\$ 30,500	\$ (29,210)	\$ (2,462)
Net income (loss) per share attributable to Atlantic Power Corporation shareholders/CPILP unitholders:				
Basic	\$ (0.06)	\$ 0.55	\$ (0.51)	\$ (0.02)
Diluted	\$ (0.06)	\$ 0.55	\$ (0.51)	\$ (0.02)

Edgar Filing: ATLANTIC POWER CORP - Form DEFM14A

The CPILP historical results are in recorded in Canadian dollars and are in accordance with Canadian GAAP. See Note 5(b) and (c) for an explanation of the conversion to U.S. dollars and U.S. GAAP.

**See accompanying Notes to the Unaudited Pro Forma Condensed Combined Consolidated Financial Statements, which are an integral part of these statements.**

Table of Contents

**ATLANTIC POWER CORPORATION AND CAPITAL POWER INCOME L.P.  
UNAUDITED PRO FORMA CONDENSED COMBINED  
CONSOLIDATED BALANCE SHEET**

**As of June 30, 2011  
(in thousands)**

	<b>Atlantic Power Historical (unaudited)(a)</b>	<b>CPILP Historical (unaudited)(a)(1)</b>	<b>Pro Forma Adjustments(b)</b>	<b>Pro Forma Combined</b>
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 46,551	\$ 12,826	\$ 86,032(d),(f)	\$ 145,409
Restricted cash	21,034			21,034
Accounts receivable	20,028	48,749	1,805	70,582
Note receivable related party	7,326			7,326
Current portion of derivative instruments asset	9,297	13,021	482	22,800
Prepayments, supplies, and other	8,451	18,143	672	27,266
Asset held for sale		130,613	(130,613)(d)	
Refundable income taxes	1,611			1,611
<b>Total current assets</b>	<b>114,298</b>	<b>223,352</b>	<b>(41,622)</b>	<b>296,028</b>
Property, plant, and equipment, net	308,051	835,881	204,252(c),(e)	1,348,184
Transmission system rights	184,208			184,208
Equity investments in unconsolidated affiliates	276,962	31,344	1,160	309,466
Other intangible assets, net	77,425	270,441	363,179(c),(e)	711,045
Goodwill	12,453	19,689	421,639(c),(h)	453,781
Derivative instruments asset	18,865	32,710	1,211	52,786
Deferred income taxes		20,337	19,459(c),(i)	39,796
Other assets	16,718	38,018	6,448(c),(f)	61,184
<b>Total assets</b>	<b>\$ 1,008,980</b>	<b>\$ 1,471,772</b>	<b>\$ 975,726</b>	<b>\$ 3,456,478</b>
<b>Liabilities</b>				
Current Liabilities:				
Accounts payable and accrued liabilities	\$ 16,333	\$ 59,423	\$ 27,557(c),(g)	\$ 103,313
Liabilities held for sale		15,367	(15,367)(d)	
Current portion of long-term debt	21,962			21,962
Current portion of derivative instruments liability	7,410	23,138	857	31,405
Interest payable on convertible debentures	1,948			1,948
Dividends payable	6,490			6,490
Other current liabilities	7			7
<b>Total current liabilities</b>	<b>54,150</b>	<b>97,928</b>	<b>13,047</b>	<b>165,125</b>
Long-term debt	263,111	675,465	454,420(c),(f)	1,392,996
Convertible debentures	209,703			209,703
Derivative instruments liability	24,822	79,686	2,950	107,458
Deferred income taxes	23,594	17,200	150,812(c),(i)	191,606
Other non-current liabilities	2,121	49,031	(21,082)(c)	30,070
<b>Equity</b>				
Common shares	644,001	332,301	345,079(f),(j)	1,321,381
Accumulated other comprehensive loss	24			24

Edgar Filing: ATLANTIC POWER CORP - Form DEFM14A

Retained deficit	(215,782)		23,048(g),(i)	(192,734)
Total shareholders' equity	428,243	332,301	368,127	1,128,671
Noncontrolling interest	3,236	220,161	7,452(c)	230,849
Total equity	431,479	552,462	375,579	1,359,520
Total liabilities and equity	\$ 1,008,980	\$ 1,471,772	\$ 975,726	\$ 3,456,478

(1)

The CPILP historical results are in recorded in Canadian dollars and are in accordance with IFRS. See Note 5(b) and (c) for an explanation of the conversion to U.S. dollars and U.S. GAAP.

**See accompanying Notes to the Unaudited Pro Forma Condensed Combined Consolidated Financial Statements, which are an integral part of these statements.**

Table of Contents

**ATLANTIC POWER CORPORATION AND CAPITAL POWER INCOME L.P.**

**NOTES TO THE UNAUDITED PRO FORMA CONDENSED**

**COMBINED CONSOLIDATED FINANCIAL STATEMENTS**

**Note 1. Description of the Transaction**

On June 20, 2011, Atlantic Power, CPILP, the General Partner and CPI Investments entered into the Arrangement Agreement, which provides that Atlantic Power will acquire, directly or indirectly, all of the issued and outstanding CPILP units pursuant to a court-approved statutory Plan of Arrangement under the *CBCA*. Under the terms of the Plan of Arrangement, CPILP unitholders will be permitted to exchange each of their CPILP units for, at their election, C\$19.40 in cash or 1.3 Atlantic Power common shares. All cash elections will be subject to proration if total cash elections exceed approximately C\$506.5 million and all share elections will be subject to proration if total share elections exceed approximately 31.5 million Atlantic Power common shares.

Pursuant to the Plan of Arrangement, CPILP will sell its Roxboro and Southport facilities located in North Carolina to an affiliate of Capital Power, for approximately C\$121.4 million. Additionally, in connection with the Plan of Arrangement, the management agreements between certain subsidiaries of Capital Power and CPILP and certain subsidiaries of CPILP will be terminated (or assigned to Atlantic Power) in consideration of a payment of C\$10 million. Atlantic Power will assume the management of CPILP and enter into a transitional services agreement with Capital Power for a term of up to 12 months following closing, which will facilitate the integration of CPILP into Atlantic Power.

**Note 2. Basis of Pro Forma Presentation**

The pro forma financial statements were derived from historical consolidated financial statements of Atlantic Power and CPILP. Certain reclassifications have been made to the historical financial statements of CPILP to conform with Atlantic Power's presentation. This resulted in income statement adjustments to operating revenues, operating expenses, other income and deductions and balance sheet adjustments to current assets, long term assets, current liabilities and other long term liabilities.

The historical consolidated financial statements have been adjusted in the pro forma financial statements to give effect to pro forma events that are (1) directly attributable to the transaction, (2) factually supportable, and (3) with respect to the pro forma statement of operations, expected to have a continuing impact on the combined results. The following matters have not been reflected in the pro forma financial statements as they do not meet the aforementioned criteria.

Cost savings (or associated costs to achieve such savings) from operating efficiencies, synergies or other restructuring that could result from the transaction with CPILP. The timing and effect of actions associated with integration are currently uncertain.

A fair value adjustment for CPILP's pension and other postretirement benefit obligations. Atlantic Power management believes the actuarial assumptions and methods used to measure CPILP's obligations and costs for financial accounting purposes for 2010 and 2011 are appropriate in the circumstances. The final fair value determination of the pension and postretirement benefit obligations may differ materially, largely due to potential changes in discount rates, return on plan assets up to the date of completion of the transaction and the conforming of certain Atlantic Power and CPILP assumptions surrounding the determination of these obligations.

The pro forma financial statements were prepared using the acquisition method of accounting under GAAP and the regulations of the SEC. Atlantic Power has been treated as the acquirer in the transaction for accounting purposes. Acquisition accounting requires, among other things, that most assets acquired and liabilities assumed be recognized at fair value as of the acquisition date. In

Table of Contents

## ATLANTIC POWER CORPORATION AND CAPITAL POWER INCOME L.P.

## NOTES TO THE UNAUDITED PRO FORMA CONDENSED

## COMBINED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**Note 2. Basis of Pro Forma Presentation (Continued)**

addition, acquisition accounting establishes that the consideration transferred be measured at the closing date of the transaction at the then-current market price. Since acquisition accounting is dependent upon certain valuations and other studies that have yet to commence or progress to a stage where there is sufficient information for a definitive measurement, the pro forma financial statements are preliminary and have been prepared solely for the purpose of providing unaudited pro forma condensed combined consolidated financial information. Differences between these preliminary estimates and the final acquisition accounting will occur and these differences could have a material impact on the accompanying pro forma financial statements and the combined company's future results of operations and financial position.

**Note 3. Significant Accounting Policies**

Based upon Atlantic Power's initial review of CPILP's summary of significant accounting policies, as disclosed in the CPILP consolidated historical financial statements elsewhere in this joint proxy statement, as well as on preliminary discussions with CPILP's management, the pro forma condensed combined consolidated financial statements assume there will be significant adjustments necessary to conform CPILP's accounting policies under International Financial Reporting Standards ("IFRS") to Atlantic Power's accounting policies under US GAAP. Upon completion of the transaction and a more comprehensive comparison and assessment, differences may be identified that would necessitate changes to CPILP's future accounting policies and such changes could result in material differences in future reported results of operations and financial position for CPILP as compared to historically reported amounts.

**Note 4. Estimated Purchase Price and Preliminary Purchase Price Allocation**

Atlantic Power is proposing to acquire all of the outstanding units of CPILP for a combination of either C\$19.40 in cash or 1.3 Atlantic Power shares per CPILP unit. The purchase price for the business combination is estimated as follows (in thousands):

Fair value of consideration transferred:	
Cash	\$ 525,689
Equity	487,480
Total estimated purchase price	1,013,169
Preliminary purchase price allocation	
Working capital	\$ 10,932
Property, plant and equipment	1,040,133
Intangibles	633,620
Other long-term assets	129,883
Long-term debt	(704,885)
Other long-term liabilities	(110,585)
Deferred tax liability	(199,644)
Total identifiable net assets	799,454
Noncontrolling interest	(227,613)
Goodwill	441,328
Total estimated purchase price	\$ 1,013,169

Table of Contents

**ATLANTIC POWER CORPORATION AND CAPITAL POWER INCOME L.P.**

**NOTES TO THE UNAUDITED PRO FORMA CONDENSED**

**COMBINED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**Note 4. Estimated Purchase Price and Preliminary Purchase Price Allocation (Continued)**

The preliminary purchase price was computed using CPILP's outstanding units as of June 30, 2011, adjusted for the exchange ratio. The preliminary purchase price reflects the market value of Atlantic Power's common shares to be issued in connection with the transaction based on the closing price of Atlantic Power's common shares on the NYSE on June 30, 2011.

The allocation of the preliminary purchase price to the fair values of assets acquired and liabilities assumed includes pro forma adjustments to reflect the fair values of CPILP's assets and liabilities at the time of the completion of the transaction. The final allocation of the purchase price could differ materially from the preliminary allocation used for the Unaudited Pro Forma Condensed Combined Consolidated Balance Sheet primarily because power market prices, interest rates and other valuation variables will fluctuate over time and be different at the time of completion of the transaction compared to the amounts assumed in the pro forma adjustments.

**Note 5. Pro Forma Adjustments to Financial Statements**

The pro forma adjustments included in the pro forma financial statements are as follows:

- (a) *Atlantic Power and CPILP historical presentation* Based on the amounts reported in the consolidated statements of operations and balance sheets of Atlantic Power and CPILP for the year ended December 31, 2010 and for the six months ended and as of June 30, 2011. Certain financial statement line items included in CPILP's historical presentation have been reclassified to corresponding line items included in Atlantic Power's historical presentation. These reclassifications had no impact on the historical operating income, net income from continuing operations or partners' equity reported by CPILP. The adjustments to total assets and liabilities were not material to CPILP's balance sheet.
- (b) *CPILP conversion to US dollars* Based on the amounts reported in the historical consolidated statements of operations of CPILP for the year ended December 31, 2010 and for the six months ended June 30, 2011, the amounts have been converted from Canadian dollars to US dollars using average exchange rates for the applicable periods. For the historical consolidated balance sheet as of June 30, 2011, the amounts have been converted from Canadian dollars to US dollars using ending exchange rates for that period. The adjustments to total assets, total liabilities, revenues and expenses were not material to CPILP's consolidated balance sheet and income statements.
- (c) *CPILP conversion to US GAAP* Based on the amounts reported in the consolidated statements of operations and balance sheets of CPILP for the year ended December 31, 2010 and for the six months ended and as of June 30, 2011, certain financial statement line items included in CPILP's historical presentation have been reclassified or adjusted to confirm to US GAAP presentation. For the six months ended June 30, 2011, the CPILP statements conform to the IFRS and for the year ended December 31, 2010 the CPILP statements conform to Canadian GAAP. The adjustments to total assets, total liabilities, revenues and expenses were not material to CPILP's consolidated balance sheet and income statements.
- (d) *CPILP exclusion of the North Carolina Plants* CPILP will sell its Roxboro and Southport facilities located in North Carolina to an affiliate of Capital Power. Based on the amounts reported in the historical consolidated statements of operations and balance sheets of CPILP

Table of Contents

## ATLANTIC POWER CORPORATION AND CAPITAL POWER INCOME L.P.

## NOTES TO THE UNAUDITED PRO FORMA CONDENSED

## COMBINED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**Note 5. Pro Forma Adjustments to Financial Statements (Continued)**

for the year ended December 31, 2010 and for the six months ended and as of June 30, 2011, the following amounts have been excluded from the unaudited pro forma condensed combined consolidated financial statements:

	Six months ended June 30, 2011	Year ended December 31, 2010
Project revenue	\$ 24,210	\$ 34,726
Project expenses		
Fuel	13,787	24,816
Project operations and maintenance	10,843	15,916
Depreciation and amortization	4,539	8,936
	29,169	49,668
Project loss	(4,959)	(14,942)
Administration	1,032	3,438
Net loss	\$ (5,991)	\$ (18,380)

	As of June 30, 2011
Asset held for sale	\$ 130,613
Liabilities held for sale	(15,367)
Retained earnings	\$ 115,246

(e)

*Power Purchase Agreements and Plants* The pro forma balance sheet includes pro forma adjustments to reflect the fair value of CPILP's power contracts (including those designated as "normal purchases normal sales") recorded to intangible assets and additional fair value of plants in the amounts of \$353.3 million and \$136.5 million, respectively. The pro forma statements of operations include pro forma adjustments to reflect the increase in expense resulting from the amortization of the valuation adjustment related to CPILP's intangibles and the depreciation of the plants of \$21.9 million and \$40.4 million for the six months ended June 30, 2011 and the year ended December 31, 2010, respectively. The pro forma estimated annual amortization for the power contracts is \$39.3 million based on the timing and fair value of the underlying contracts. This estimate is preliminary, subject to change and could vary materially from the actual adjustments at the time the transaction is completed, driven by various factors including changes in energy commodity prices and fuel prices.

(f)

*Debt and Equity issuance* The pro forma balance sheet includes a pro forma adjustment of \$425.0 million to reflect Atlantic Power's proceeds from third-party debt and proceeds of \$200.0 million from the issuance of 13.1 million common shares. The assumptions for the \$425.0 million debt facility include a term of 5 years at 6.00% per annum. The proceeds from the debt and equity offering will be used to pay the CPILP unitholders the cash portion of the purchase price. The debt and equity amounts are offset by \$11.7 million and \$10.1 million of transaction costs classified as deferred financing costs and a reduction of common stock, respectively. The pro forma statements of operations include pro forma adjustments to reflect





Table of Contents

ATLANTIC POWER CORPORATION AND CAPITAL POWER INCOME L.P.

NOTES TO THE UNAUDITED PRO FORMA CONDENSED

COMBINED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**Note 5. Pro Forma Adjustments to Financial Statements (Continued)**

the net incremental interest expense resulting from the new debt and amortization of deferred financing costs of \$14.0 million and \$27.8 million for the six months ended June 30, 2011 and the year ended December 31, 2010, respectively.

(g)

*Transaction Costs* The pro forma balance sheet includes a pro forma adjustment to accounts payable and accrued liabilities to reflect estimated transaction costs of \$25.7 million. The transaction costs have been excluded from the pro forma statements of operations as they reflect non-recurring charges not expected to have a continuing impact on the combined results.

(h)

*Goodwill* The pro forma balance sheet includes a preliminary estimate of the allocation of the excess of the purchase price paid over the fair value of CPILP's identifiable assets acquired and liabilities assumed. The estimated purchase price of the transaction, based on the closing price of Atlantic Power's common stock on the NYSE on June 30, 2011, is \$1,013.2 million, and the excess purchase price over the fair value of the identifiable net assets acquired is \$441.3 million.

(i)

*Deferred Tax Assets and Liabilities:* The pro forma balance sheet includes a preliminary estimated deferred tax impact of \$40.6 million to deferred tax liabilities. This adjustment reflect the estimated deferred tax impacts of the acquisition on the balance sheet, primarily related to the reversal of the Atlantic Power's valuation allowance associated with its Canadian accumulated net operating losses as of June 30, 2011. For purposes of the unaudited pro forma condensed combined consolidated financial statements, deferred taxes are provided at the Canadian enacted statutory rate of 25%. This rate does not reflect Atlantic Power's effective tax rate, which includes other tax items, such as non-deductible items, as well as other tax charges or benefits, and does not take into account any historical or possible future tax events that may impact the combined company. When the transaction is completed and additional information becomes available, it is likely the applicable income tax rate will change.

The \$159,874 deferred tax liability adjustment reflects the estimated deferred tax liability impact of the acquisition on the balance sheet, primarily related to estimated fair value adjustments for acquired tangible and intangible assets. For purposes of the unaudited pro forma condensed combined consolidated financial information, deferred taxes are provided at Atlantic Power's deferred tax rate of 33%, which includes the U.S. federal statutory income tax rate plus the Canadian statutory income tax rate. This rate does not reflect Atlantic Power's effective tax rate, which includes other tax items, such as state taxes, as well as other tax charges or benefits and does not take into account any historical or possible future tax events that may impact the combined company. When the transaction is completed and additional information becomes available, it is likely the applicable income tax rate will change.

(j)

*Common Shares outstanding* Reflects the elimination of the CPILP units offset by issuance of 31.5 million Atlantic Power common shares as part of purchase price and the issuance of 13.1 million Atlantic Power common shares in new equity. The pro forma weighted average number of basic shares outstanding is calculated by adding these additional share issuances to

Table of Contents**ATLANTIC POWER CORPORATION AND CAPITAL POWER INCOME L.P.****NOTES TO THE UNAUDITED PRO FORMA CONDENSED****COMBINED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Note 5. Pro Forma Adjustments to Financial Statements (Continued)**

Atlantic Power's weighted average number of basic common shares outstanding for the six months ended June 30, 2011 or the year ended December 31, 2010. The following table illustrates these computations (in thousands):

(in thousands of shares)	Six months ended June 30, 2011	Year ended December 31, 2010
Atlantic Power's basic shares outstanding	68,116	61,706
Additional shares issued to CPILP unit holders	31,500	31,500
Additional shares on new equity issuance	13,141	13,141
Basic shares outstanding	112,757	106,347
Dilutive potential shares		
Convertible debentures	14,430	12,339
LTIP notional units	427	542

Potentially dilutive shares	127,614	119,228
-----------------------------	---------	---------

Potentially dilutive shares from convertible debentures have been excluded from fully dilutive shares for the six months ended June 30, 2011 and for the year ended December 31, 2010 because their impact would be anti-dilutive.

Table of Contents**COMPARATIVE PER SHARE/UNIT MARKET PRICE DATA AND DIVIDEND INFORMATION**

Atlantic Power common shares are listed and traded on the NYSE under the symbol "AT" and on the TSX under the symbol "ATP". CPILP units are listed and traded on the TSX under the symbol "CPA.UN". On June 17, 2011, the last trading day prior to the announcement of entering into the Arrangement Agreement, the closing sales price of Atlantic Power common shares on the TSX and on the NYSE was C\$14.96 and \$15.41, respectively, and the closing sales price of CPILP units on the TSX was C\$18.63. On September 26, 2011, the most recent practicable date before the date of this joint proxy statement, the closing sales price of Atlantic Power common shares on the TSX and on the NYSE was C\$14.72 and \$14.37, respectively, and the closing sales price of CPILP units on the TSX was C\$19.00. On the date of this joint proxy statement, there were 68,986,977 common shares of Atlantic Power outstanding. On the CPILP record date (September 21, 2011), there were 56,597,899 CPILP units outstanding.

The following table sets forth, for the quarters indicated, the high and low sales price per Atlantic Power common share as reported on both the NYSE and the TSX and the high and low sales price per CPILP unit as reported on the TSX. In addition, the table sets forth the monthly cash dividends per share declared by Atlantic Power with respect to its common shares and the monthly cash distribution per unit declared by CPILP with respect to its limited partnership units.

	Atlantic Power (TSX)			CPILP (TSX)		
	High (C\$)	Low (C\$)	Dividends Declared	High (C\$)	Low (C\$)	Distributions Declared
<b>2009</b>						
First Quarter	9.28	6.34	0.2735	18.98	12.90	0.63
Second Quarter	9.45	7.71	0.2735	16.21	11.65	0.44
Third Quarter	9.49	8.55	0.2735	16.30	13.62	0.44
Fourth Quarter	11.90	9.08	0.2735	15.77	13.35	0.44
<b>2010</b>						
First Quarter	13.85	11.50	0.2735	18.43	15.54	0.44
Second Quarter	12.90	11.20	0.2735	18.14	15.05	0.44
Third Quarter	14.47	12.11	0.2735	18.85	16.03	0.44
Fourth Quarter	15.18	13.31	0.2735	19.02	17.11	0.44
<b>2011</b>						
First Quarter	15.50	14.41	0.2735	21.22	17.65	0.44
Second Quarter	15.72	13.82	0.2735	21.05	18.28	0.44
Third Quarter (until September 26, 2011)	15.46	12.92	0.1824	19.50	17.23	0.44

	Atlantic Power (NYSE)		
	High (\$)	Low (\$)	Dividends Declared
<b>2010</b>			
Third Quarter (beginning July 23, 2010)	14.00	12.10	0.266
Fourth Quarter	14.98	13.26	0.270
<b>2011</b>			
First Quarter	15.75	14.72	0.277
Second Quarter	16.18	14.33	0.28
Third Quarter (until September 26, 2011)	16.34	13.12	0.189

Table of Contents**CERTAIN HISTORICAL AND PRO FORMA PER SHARE/UNIT DATA**

The following tables set forth certain historical, pro forma and pro forma equivalent per share financial information for Atlantic Power common shares and per unit financial information for CPILP units. The pro forma and pro forma equivalent per share/unit information gives effect to the Plan of Arrangement as if the Plan of Arrangement had occurred on June 30, 2011 in the case of book value per share data and as of January 1, 2010 in the case of net income per share/unit data.

The pro forma per share balance sheet information combines CPILP's June 30, 2011 unaudited consolidated balance sheet with Atlantic Power's June 30, 2011 unaudited consolidated balance sheet. The pro forma per share income statement information for the fiscal year ended December 31, 2010, combines CPILP's audited consolidated statement of income for the fiscal year ended December 31, 2010, with Atlantic Power's audited consolidated statement of operations for the fiscal year ended December 31, 2010. The pro forma per share income statement information for the six months ended June 30, 2011, combines CPILP's unaudited consolidated statement of income for the six months ended June 30, 2011, with Atlantic Power's unaudited consolidated statement of operations for the six months ended June 30, 2011. The CPILP pro forma equivalent per share financial information is calculated by multiplying the unaudited Atlantic Power pro forma combined per share amounts by 1.3 (being the exchange ratio under the Plan of Arrangement). The balance sheet of CPILP as of June 30, 2011 has been translated using a C\$/\\$ exchange rate of C\$0.9643 to \\$1.00.

The per share data for the Combined Company on a pro forma basis presented below is not necessarily indicative of the financial condition of the Combined Company had the Plan of Arrangement been completed on June 30, 2011 and the operating results that would have been achieved by the Combined Company had the Plan of Arrangement been completed as of the beginning of the period presented, and should not be construed as representative of the Combined Company's future financial condition or operating results. The per share data for the Combined Company on a pro forma basis presented below has been derived from the unaudited pro forma condensed combined consolidated financial data of the Combined Company included in this joint proxy statement. In addition, the unaudited pro forma information does not purport to indicate balance sheet data or results of operations data as of any future date or for any future period.

	As of and for the Six Months Ended June 30, 2011		As of and for the Year Ended December 31, 2010	
<b>Atlantic Power Historical Data per Common Share</b>				
Income from continuing operations				
Basic	\$	0.28	\$	(0.06)
Diluted	\$	0.28	\$	(0.06)
Dividends declared per Common Share	\$	0.57	\$	1.06
Book value per Common Share	\$	6.33	\$	7.02

Table of Contents

	As of and for the Six Months Ended June 30, 2011		As of and for the Year Ended December 31, 2010	
<b>CPILP Historical Data per Unit(a)</b>				
Income from continuing operations attributable to controlling interest				
Basic	C\$	0.19	C\$	0.55
Diluted	C\$	0.19	C\$	0.55
Distributions declared per unit	C\$	0.88	C\$	1.76
Book value per unit	C\$	5.87	C\$	7.30

(a)

Results for 2011 have been prepared using International Financial Reporting Standards.

	As of and for the Six Months Ended June 30, 2011		As of and for the Year Ended December 31, 2010	
<b>Atlantic Power Pro Forma Combined Data per Common Share</b>				
Income from continuing operations				
Basic	\$	0.11	\$	(0.02)
Diluted	\$	0.11	\$	(0.02)
Dividends declared per Common Share	\$	0.58	\$	1.12
Book value per Common Share	\$	12.00	\$	13.28

	As of and for the Six Months Ended June 30, 2011		As of and for the Year Ended December 31, 2010	
<b>CPILP Pro Forma Equivalent Combined Data per unit</b>				
Income from continuing operations attributable to controlling interest				
Basic	\$	0.14	\$	(0.03)
Diluted	\$	0.14	\$	(0.03)
Distributions declared per unit	\$	0.75	\$	1.46
Book value per unit	\$	15.60	\$	17.26

Table of Contents

**COMPARISON OF RIGHTS OF ATLANTIC POWER  
SHAREHOLDERS AND CPILP UNITHOLDERS**

If the Plan of Arrangement is completed, unitholders of CPILP may become shareholders of Atlantic Power. The rights of Atlantic Power shareholders are currently governed by the BCBCA and the articles of Atlantic Power. The rights of CPILP unitholders are currently governed by the *Limited Partnerships Act* (Ontario) ("**LPA**") and CPILP's partnership agreement.

This section of the joint proxy statement describes the material differences between the rights of Atlantic Power shareholders and CPILP unitholders. This section does not include a complete description of all differences among the rights of Atlantic Power shareholders and CPILP unitholders, nor does it include a complete description of the specific rights of these persons.

**THE FOLLOWING SUMMARY IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO, AND YOU ARE URGED TO READ CAREFULLY, THE RELEVANT PROVISIONS OF THE BCBCA, THE LPA AND THE ARTICLES OF ATLANTIC POWER AND THE LIMITED PARTNERSHIP AGREEMENT OF CPILP. THIS SUMMARY DOES NOT REFLECT ANY OF THE RULES OF THE NYSE OR TSX THAT MAY APPLY TO ATLANTIC POWER OR CPILP IN CONNECTION WITH THE PLAN OF ARRANGEMENT. A COPY OF THE ARTICLES OF ATLANTIC POWER IS FILED AS AN EXHIBIT TO THE REPORTS OF ATLANTIC POWER INCORPORATED BY REFERENCE IN THIS JOINT PROXY STATEMENT. SEE "WHERE YOU CAN FIND MORE INFORMATION" BEGINNING ON PAGE 154.**

	<b>Atlantic Power</b>	<b>CPILP</b>
<b>Outstanding Capital Stock:</b>	As of September 28, 2011 there were 68,986,977 common shares outstanding.	As of September 21, 2011, CPILP had 56,597,899 issued and outstanding units.
<b>Authorized Capital Stock:</b>	Atlantic Power is authorized to issue an unlimited number of common shares.	CPILP is authorized to issue an unlimited number of units and an unlimited number of subscription receipts exchangeable into units. Any limited partner who holds units must not be a non-resident of Canada for purposes of the Tax Act. There are restrictions in the CPILP partnership agreement on unit ownership by non-residents of Canada.
<b>Voting Rights:</b>	On a poll, one vote per common share on all matters to be voted on at all meetings of shareholders. On a show of hands, one vote per person present.	Each limited partner is entitled to one vote per unit at all meetings of limited partners.

Table of Contents

	Atlantic Power	CPILP
<b>Dividend Rights:</b>	<p>Holders of common shares are entitled to receive dividends as and when declared by the board of directors of Atlantic Power.</p>	<p>CPILP distributes cash to its limited partners on a monthly basis in accordance with the requirements of the CPILP partnership agreement and subject to the approval of the board of directors of the General Partner. Cash distributions are determined in consideration of cash amounts required for the operations of CPILP and the power plants including maintenance capital expenditures, debt repayments, and financing charges, and any cash retained at the discretion of the board of directors of the General Partner to satisfy anticipated obligations or to normalize monthly distributions. The cash distributions are made in respect of each calendar month to unitholders of record on the last day of each month commencing. Payments are made on or before the 30th day after each record date. The limited partners have covenanted not to transfer their units to any person, including corporations or other entities, which has not represented, warranted and covenanted under the CPILP partnership agreement that it is not a non-resident of Canada for purposes of the Tax Act or, if a partnership, is a "Canadian Partnership" under the Tax Act.</p>
<b>Restrictions on share transfers:</b>	<p>Transfers are governed by the <i>Securities Transfer Act</i>.</p>	<p>The board of directors of the general partner currently has eight members.</p>
<b>Size of the Board of Directors:</b>	<p>The board of directors currently has six members. The BCBCA requires a public corporation to have at least three directors. Atlantic Power's articles provide for a minimum of three directors if the company is public, and no maximum of directors.</p>	



Table of Contents

	<b>Atlantic Power</b>	<b>CPILP</b>
<b>Residency of Directors:</b>	No residency requirement for directors.	Pursuant to the CBCA, at least 25% of the directors of the General Partner must be resident Canadians.
<b>Election of Directors:</b>	Election of directors may be made by shareholders at a shareholders' meeting where an existing director is removed, or otherwise by the shareholders or remaining directors in certain circumstances.	Unitholders do not have the right to elect directors of the general partner. CPI Investments elects the directors of the general partner. The CPILP partnership agreement requires that at least three directors be independent of Capital Power or its affiliates and EPCOR or its affiliates provided that combined such entities own at least 30% of the issued and outstanding Units. Should Capital Power and its affiliates and EPCOR and its affiliates not maintain a 30% ownership holding in CPILP (or such lower percentage, being not less than 20%, resulting from the issuance of Units other than to Capital Power and its affiliates or EPCOR and its affiliates), not less than four directors must be independent. CPILP unitholders do not have the right to remove directors of the General Partner. CPI Investments, as the sole shareholder of the General Partner, may remove directors. See "Election of Directors".
<b>Removal of Directors:</b>	A director may be removed by a resolution passed by a majority of the shareholders or may resign.	
<b>Filling of Vacancies on the Board of Directors:</b>	The vacancy created by the removal of a director may be filled at the shareholder meeting at which he or she was removed. A vacancy not so filled at a shareholder meeting, or created by the resignation of a director, may be filled by a resolution of the remaining directors.	

Table of Contents

	<b>Atlantic Power</b>	<b>CPILP</b>
<b>Ability to call Special Meeting of Shareholders/Unitholders:</b>	A requisition may be made by shareholders who, at the date on which the requisition is received by Atlantic Power, hold in the aggregate at least $\frac{1}{20}$ of the issued shares of Atlantic that carry the right to vote at general meetings.	The general partner or limited partners holding not less than 10% of the outstanding units may request a meeting which shall be convened within 60 days of receipt of notice of the meeting. A quorum will consist of one or more limited partners present in person or by proxy holding at least 10% of the outstanding CPILP units.
<b>Place of meetings:</b>	The BCBCA provides that meetings may be held outside British Columbia if provided for in the articles or approved by shareholders or a resolution of directors.	All meetings are to be held in Calgary, Alberta or at other such place as the general partner or limited partners who have requested a meeting in accordance with the CPILP partnership agreement may designate.
<b>Notice of Annual and Special Meetings of Shareholders/Unitholders:</b>	Atlantic Power must send notice of the general meeting of the company at least 21 days but not more than two months before the meeting.	Notice of any meeting of limited partners is to be provided to each limited partner not less than 21 days prior to a meeting.
<b>Shareholders/Unitholders Action by Written Consent:</b>	A unanimous consent resolution of shareholders is deemed to be as valid and effective as if it had been passed at a meeting of shareholders.	Not specified.
<b>Ability to set necessary levels of shareholder consent:</b>	Articles can set levels for various shareholder approvals (other than those prescribed by the statute). The default threshold is a special resolution. The percentage of votes required for a special resolution can be specified in the articles, no less than $\frac{2}{3}$ and no more than $\frac{3}{4}$ of votes cast. Atlantic's articles provide that $\frac{2}{3}$ of the votes cast on a given resolution will constitute a "special majority".	Not specified.

Table of Contents

	Atlantic Power	CPILP
<b>Advance Notice Requirements for Proposals by Shareholders/Unitholders:</b>	<p>The proposal must be received at the registered office of Atlantic Power at least three months before the anniversary of the previous year's annual reference date. The text of the proposal, the names and mailing addresses of the submitter and the supporters, and the text of the statement, if any, accompanying the proposal must be sent to all of the persons who are entitled to notice of the annual general meeting in relation to which the proposal is made in, or within the time set for the sending of, the notice of the applicable annual general meeting or) in Atlantic's information circular or equivalent, if any, sent in respect of the applicable annual general meeting.</p>	Not specified.

Table of Contents

**Directors' and Officers' Liability and Indemnification:**

**Atlantic Power**

The BCBCA includes detailed provisions for permitted and prohibited indemnification of directors or officers. Gives discretion to the court to order payment or make any other order it considers appropriate.

Directors are not liable if they rely in good faith on financial statements, auditors' reports, professional reports, a statement of fact from an officer, or on other documents the court considers provide reasonable grounds for the directors' actions.

Atlantic Power has obtained a policy of insurance for the directors of Atlantic Power. Under the policy, Atlantic Power has reimbursement coverage to the extent that it has indemnified the directors. The policy includes securities claims coverage, insuring against any legal obligation to pay on account of any securities claims brought against the directors of Atlantic Power.

Atlantic Power has provided for indemnification of its directors from and against liability and costs in respect of any action or suit brought against them in connection with the execution of their duties of office, subject to certain limitations.

The scope of potential claimants includes shareholders, beneficial owners of shares and any other person considered appropriate by the court. Claims may be based on conduct of the corporation that is oppressive or unfairly prejudicial.

**CPILP**

The LPA provides that where a corporation contravenes the act, any director or officer of such corporation, and where the corporation is an extra-provincial corporation, every person acting as its representative in Ontario, who authorized, permitted or acquiesced in such an offence is also guilty of an offence and on conviction is liable to a fine of not more than \$2,000.

**Oppression remedy:**

No statutory right to bring oppression action.

Table of Contents

	<b>Atlantic Power</b>	<b>CPILP</b>
<b>Derivative actions:</b>	A shareholder, beneficial owner, director and any other person considered appropriate by the court may, with leave of the court, bring action in the name of the company or defend an action against the company. Shareholder approval of action is not determinative but will be taken into account.	No statutory right to bring derivative action.
<b>Sale of all or substantially all the assets or undertaking of business:</b>	The sale by a corporation of all or substantially all its undertaking, outside of the ordinary course of business, is permitted only if authorized by special resolution. Any such sale gives rise to dissent rights. The BCBCA exempts certain transactions with affiliates.	Extraordinary resolutions of the unitholders are required to approve the sale, exchange or other disposition of all or substantially all of the property of the Partnership, and the waiving of any default on the part of the general partner.

Table of Contents

**SHAREHOLDER PROPOSALS**

**Atlantic Power**

Atlantic Power shareholder proposals intended to be presented at the next annual meeting of Atlantic Power shareholders and which are to be considered for inclusion in Atlantic Power's information circular and proxy statement and form of proxy for that meeting, must be received by Atlantic Power on or before January 18, 2012. These proposals must also comply with the rules of the SEC governing the form and content of proposals in order to be included in Atlantic Power's information circular and proxy statement and form of proxy. Any such proposals should be mailed to the Corporate Secretary at Atlantic Power Corporation, 200 Clarendon St., Floor 25, Boston, Massachusetts 02116.

An Atlantic Power shareholder who wishes to present a proposal at the next annual meeting, other than a proposal to be considered for inclusion in Atlantic Power's information circular and proxy statement described above, must provide written notice of such proposal and appropriate supporting documentation to Atlantic Power no later than April 2, 2012. Proxies solicited by the Atlantic Power's board of directors will confer discretionary voting authority with respect to these proposals, subject to SEC rules governing the exercise of this authority. Any such proposal should be mailed the Corporate Secretary at Atlantic Power Corporation, 200 Clarendon St., Floor 25, Boston, Massachusetts 02116.

**HOUSEHOLDING**

**Householding Information**

Atlantic Power has adopted a procedure approved by the SEC called "householding." Under this procedure, shareholders of record who have the same address and last name will receive only one copy of this proxy statement and accompanying Annual Report on Form 10-K and Quarterly Report on Form 10-Q, unless one or more of these shareholders notifies Atlantic Power that they wish to continue receiving individual copies. This procedure reduces Atlantic Power's printing costs and postage fees.

Shareholders who participate in householding will continue to receive separate proxy cards. Also, householding will not in any way affect dividend check mailings.

If you are eligible for householding, but you and other shareholders of record with whom you share an address currently receive multiple copies of our mailings and you wish to receive only a single copy of each of these documents for your household, please contact Atlantic Power Corporation, 200 Clarendon St., Floor 25, Boston, Massachusetts 02116, Attn: Investor Relations.

Table of Contents

**WHERE YOU CAN FIND MORE INFORMATION**

Atlantic Power files annual, quarterly and current reports, proxy statements and other information with the SEC under the *Exchange Act*, and Atlantic Power also files these documents with the securities regulatory authorities in each of the provinces and territories of Canada. You may read and copy any of this information at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the Public Reference Room. The SEC also maintains an Internet website that contains reports, proxy and information statements, and other information regarding issuers, including Atlantic Power, who files electronically with the SEC. The address of that site is [www.sec.gov](http://www.sec.gov). Atlantic Power also files its continuous and timely disclosure reports and other information on SEDAR at [www.sedar.com](http://www.sedar.com). CPILP files its continuous and timely disclosure reports and other information on SEDAR.

Investors may also consult Atlantic Power's and CPILP's website for more information about Atlantic Power or CPILP, respectively. Atlantic Power's website is [www.atlanticpower.com](http://www.atlanticpower.com). CPILP's website is [www.capitalpowerincome.ca](http://www.capitalpowerincome.ca). Except as specifically incorporated by reference in this joint proxy statement, the information included on these websites is not incorporated by reference into this joint proxy statement.

This joint proxy statement incorporates by reference the documents listed below that Atlantic Power has previously filed with the SEC and with the Canadian securities regulators. These documents contain important information about Atlantic Power, its financial condition or other matters.

Annual Report on Form 10-K for the fiscal year ended December 31, 2010; and

Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2011.

If you are an Atlantic Power shareholder, copies of our Annual Report on Form 10-K for the fiscal year ended December 31, 2010 and our Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2011 have been delivered to you along with this joint proxy statement. All shareholders and unitholders can obtain copies of any of these documents from the SEC, through the SEC's website at [www.sec.gov](http://www.sec.gov) or on SEDAR at [www.sedar.com](http://www.sedar.com), or Atlantic Power will provide you with copies of these documents, without charge, upon written or oral request to: Atlantic Power Corporation, 200 Clarendon Street, Floor 25, Boston, Massachusetts 02116, telephone number 617-977-2700 or 855-280-4737 toll free, Attn: Investor Relations.

In the event of conflicting information in this joint proxy statement in comparison to any document incorporated by reference into this joint proxy statement, or among documents incorporated by reference, the information in the latest filed document controls.

You should rely only on the information contained or incorporated by reference into this joint proxy statement. No one has been authorized to provide you with information that is different from that contained in, or incorporated by reference into, this joint proxy statement. This joint proxy statement is dated September 28, 2011. You should not assume that the information contained in this joint proxy statement is accurate as of any date other than that date. You should not assume that the information incorporated by reference into this joint proxy statement is accurate as of any date other than the date of such incorporated document. Neither the mailing of this joint proxy statement to Atlantic Power shareholders or CPILP unitholders nor the issuance by Atlantic Power of common shares in connection with the Plan of Arrangement will create any implication to the contrary.

Table of Contents

**CANADIAN SECURITIES LAW MATTERS**

**Legal Matters**

Certain Canadian legal matters relating to the Plan of Arrangement will be passed upon by Goodmans LLP on behalf of Atlantic Power. Certain United States legal matters relating to matters described in this joint proxy statement will be passed upon by Goodwin Procter LLP on behalf of Atlantic Power. Certain Canadian legal matters relating to the Plan of Arrangement are to be passed upon by Fraser Milner Casgrain LLP on behalf of CPI Investments and the General Partner, as general partner of CPILP, and by Norton Rose OR LLP on behalf of CPILP. Certain United States legal matters related to the Plan of Arrangement are to be passed by K&L Gates LLP on behalf of CPI Investments and the General Partner, as general partner of CPILP. As at the date hereof, the partners and associates of Fraser Milner Casgrain LLP beneficially owned, directly or indirectly, less than 1% of the outstanding CPILP units and less than 1% of the outstanding Atlantic Power common shares. As at the date hereof, the partners and associates of Norton Rose OR LLP beneficially owned, directly or indirectly, less than 1% of the outstanding CPILP units and less than 1% of the outstanding Atlantic Power common shares.

**Experts**

The consolidated financial statements and financial statement schedule of Atlantic Power Corporation as of December 31, 2010 and 2009 and for each of the years in the three-year period ended December 31, 2010 appearing in Atlantic Power's Annual Report on Form 10-K (including the schedule appearing therein) have been incorporated by reference herein in reliance upon the reports of the United States and Canadian firms of KPMG LLP, independent registered public accounting firms, incorporated by reference herein, and upon the authority of said firms as experts in accounting and auditing.

The consolidated financial statements of CPILP as of December 31, 2010, 2009 and 2008 and for each of the years in the three year period ended December 31, 2010 have been included in this joint proxy statement in reliance on the report of the Canadian firm of KPMG LLP, independent registered public accounting firm, and upon the authority of said firm as experts in auditing and accounting.

**Information Filed on SEDAR**

Information has been incorporated by reference in this joint proxy statement from documents filed with the securities commissions or similar authorities in the provinces and territories of Canada. Copies of the documents incorporated in this joint proxy statement by reference may be obtained on request without charge from Atlantic Power, 200 Clarendon Street, 25th Floor, Boston, Massachusetts 02116, U.S.A., telephone 617-977-2700 or 855-280-4737 toll free, Attn: Investor Relations, or the Corporate Secretary of CPI Income Services Ltd., the general partner of CPILP, at 10065 Jasper Avenue, Edmonton, Alberta T5J 3B1, telephone 780-392-5155. In addition, copies of the documents incorporated by reference herein may be obtained from the securities commissions or similar authorities in Canada through SEDAR at [www.sedar.com](http://www.sedar.com). If you are an Atlantic Power shareholder, all documents required by United States securities laws to be delivered to you in full have been so delivered to you together with this joint proxy statement, including the complete annual and quarterly reports of both Atlantic Power and CPILP.

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

CPILP's Annual Information Form for the fiscal year ended December 31, 2010, filed on SEDAR on March 11, 2011;



## Edgar Filing: ATLANTIC POWER CORP - Form DEFM14A

### Table of Contents

CPILP's consolidated financial statements as at and for each of the years ended December 31, 2010 and December 31, 2009, prepared in accordance with Canadian generally accepted accounting principles, together with the notes thereto and the auditors' report thereon, filed on SEDAR on March 2, 2011;

Management's discussion and analysis of the financial condition and results of operations of CPILP for the year ended December 31, 2010, filed on SEDAR on March 2, 2011;

Unaudited condensed interim financial statements of CPILP as at and for the six months ended June 30, 2011, filed on SEDAR on July 26, 2011;

Management's discussion and analysis of the financial condition and results of operations of CPILP for the three and six months ended June 30, 2011, filed on SEDAR on July 26, 2011;

CPILP's material change report in respect of the announcement of the Plan of Arrangement, filed on SEDAR on June 27, 2011.

Atlantic Power's annual report for the fiscal year ended December 31, 2010, filed on SEDAR on May 6, 2011;

Atlantic Power's consolidated financial statements as at and for each of the years ended December 31, 2010 and December 31, 2009, prepared in accordance with United States generally accepted accounting principles, together with the notes thereto and the auditors' report thereon, filed on SEDAR on March 18, 2011;

Management's discussion and analysis of the financial condition and results of operations of Atlantic Power for the year ended December 31, 2010, filed on SEDAR on March 18, 2011;

Atlantic Power's management information circular dated April 28, 2011, distributed in connection with the annual and special meeting of shareholders held on June 24, 2011, filed on SEDAR on May 4, 2011;

Atlantic Power's quarterly report for the three and six months ended June 30, 2011 and 2010, prepared in accordance with U.S. GAAP, together with the notes thereto, filed on SEDAR on August 12, 2011;

Management's discussion and analysis of the financial condition and results of operations of Atlantic Power for the three and six months ended June 30, 2011, filed on SEDAR on August 12, 2011; and

Atlantic Power's material change report in respect of the announcement of the Plan of Arrangement, filed on SEDAR on June 24, 2011.

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

Table of Contents

**Interests of Experts of Atlantic Power and CPILP**

The following persons and companies have prepared certain sections of this joint proxy statement and/or appendices attached hereto as described below, or are named as having prepared or certified a report, statement or opinion in or incorporated by reference in this joint proxy statement.

<b>Name of Expert</b>	<b>Nature of Relationship</b>
TD Securities Inc.(1)	Authors responsible for the preparation of a written opinion dated June 19, 2011 delivered to Atlantic Power's board of directors
Morgan Stanley & Co. LLC(1)	Authors responsible for the preparation of a written opinion dated June 19, 2011 delivered to Atlantic Power's board of directors
CIBC World Markets Inc.(1)	Authors responsible for the preparation of a written opinion dated June 19, 2011 delivered to the General Partner's board of directors
Greenhill & Co. Canada Ltd.(1)	Authors responsible for the preparation of a written opinion dated June 19, 2011 delivered to the General Partner's board of directors
KPMG LLP, U.S. Firm(2)	Auditors of Atlantic Power
KPMG LLP, Canadian Firm(3)	Former auditors of Atlantic Power
PricewaterhouseCoopers LLP, Philadelphia(4)	Auditors Chambers Cogeneration Limited Partnership
KPMG LLP, Edmonton(5)	Auditors of CPILP

**Notes:**

- (1) To the knowledge of Atlantic Power and CPILP, none of the experts so named (or any of the designated professionals thereof) held securities as principal for its own account representing more than 1% of all issued and outstanding Atlantic Power common shares or CPILP units as at the date of the statement, report in question, and none of the persons above is or is expected to be elected, appointed or employed as a director, officer or employee of Atlantic Power or CPILP or of any associate or affiliate of Atlantic Power or CPILP.
- (2) KPMG LLP has advised Atlantic Power that it is independent in accordance with the auditor's rules of professional conduct in the United States and has complied with the SEC's rules on auditor independence. Note (1) is not intended to apply to KPMG LLP.
- (3) KPMG LLP has advised Atlantic Power that it is independent within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario and is an independent registered public accounting firm within the meaning of the 1933 Act and the applicable rules and regulations thereunder adopted by the Securities and Exchanges Commission and the Public Accounting Oversight Board (United States). Note (1) is not intended to apply to KPMG LLP.
- (4) PricewaterhouseCoopers LLP has advised Atlantic Power that it is independent in accordance with the auditor's rules of professional conduct in the United States and has complied with the SEC's rules on auditor independence. Note (1) is not intended to apply to PricewaterhouseCoopers LLP.
- (5) KPMG LLP has advised CPILP that it is independent in accordance with the auditor's rules of professional conduct in Alberta. Note (1) is not intended to apply to KPMG LLP.

Table of Contents

**Consents**

**Consent of Independent Registered Public Accounting Firm**

The Board of Directors  
Atlantic Power Corporation:

We consent to the use of our report dated March 18, 2011, with respect to the consolidated balance sheet of Atlantic Power Corporation as of December 31, 2010, and the related consolidated statements of operations, shareholders' equity and cash flows for the year then ended, and the related financial statement schedule "Schedule II Valuation and Qualifying Accounts," included herein and to the reference to our firm under the heading "Experts" in the management proxy circular and joint proxy statement.

/s/ KPMG LLP  
New York, New York  
September 28, 2011

**Auditors' Consent**

We have read the management proxy circular and joint proxy statement of Atlantic Power Corporation (the "**Company**") dated September 28, 2011 relating to the acquisition of all outstanding limited partnership units of Capital Power Income L.P. by the Company. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use in the above-mentioned management proxy circular and joint proxy statement of our report to the directors of the Company on the consolidated balance sheet of the Company as at December 31, 2009 and the related consolidated statements of operations, shareholders' equity and cash flows for each of the years in the two-year period ended December 31, 2009 and the financial statement schedule "Schedule II. Valuation and Qualifying Accounts" prepared in conformity with U.S. generally accepted accounting principles. Our report is dated April 12, 2010 except as to notes 4, 8 and 17, which are as of May 26, 2010, and as to notes 2(a) and 16, which are as of June 16, 2010.

/s/ KPMG LLP  
Chartered Accountants  
Toronto, Canada  
September 28, 2011

**Auditors' Consent**

We have read the management proxy circular and joint proxy statement of Atlantic Power Corporation (the "**Company**") dated September 28, 2011 relating to the acquisition of all outstanding limited partnership units of Capital Power Income L.P. by the Company. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use in the above-mentioned management proxy circular and joint proxy statement of our report to the board of control of Chambers Cogeneration Limited Partnership ("**Chambers**") on the consolidated balance sheet of Chambers as of December 31, 2010 and the related consolidated statements of operations, partners' capital and comprehensive income and cash flows for the year ended December 31, 2010 prepared in conformity with U.S. generally accepted accounting principles. Our report is dated March 16, 2011.

/s/ PricewaterhouseCoopers LLP  
Philadelphia, Pennsylvania  
September 28, 2011

Table of Contents

**Auditors' Consent**

We have read the management proxy circular and joint proxy statement of Atlantic Power Corporation (the "**Company**") dated September 28, 2011 relating to the acquisition of all outstanding limited partnership units of Capital Power Income L.P. by the Company. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use in the above-mentioned management proxy circular and joint proxy statement of our report to the partners of Capital Power Income L.P. (the "**Partnership**") on the consolidated balance sheets of the Partnership as at December 31, 2010, 2009 and 2008 and the consolidated statements of income and loss, cash flow, partners' equity and comprehensive loss for the years then ended. Our report is dated March 2, 2011 except as to notes 27 and 28, which are as of July 25, 2011.

/s/ KPMG LLP  
Chartered Accountants  
Edmonton, Alberta  
September 28, 2011

**Consent of TD Securities Inc.**

To: The Board of Directors of Atlantic Power Corporation.

We hereby consent to the reference to our firm name and to our opinion dated June 19, 2011 under "Summary Opinions of Atlantic Power's Financial Advisors", "The Arrangement Agreement and Plan of Arrangement Atlantic Power's Reasons for the Arrangement Agreement; Recommendations of Atlantic Power's Board of Directors", "The Arrangement Agreement and Plan of Arrangement Opinions of Atlantic Power's Financial Advisors", "The Arrangement Agreement and Plan of Arrangement Certain Atlantic Power Prospective Financial Information", "The Arrangement Agreement and Plan of Arrangement Certain CPILP Prospective Financial Information" and "Interests of Experts of Atlantic Power and CPILP" and to the inclusion of our opinion dated June 19, 2011 as Annex B to this joint proxy statement. In providing such consent, we do not intend that any person other than the Board of Directors of Atlantic Power Corporation rely upon such opinion.

/s/ TD Securities Inc.  
Toronto, Canada  
September 28, 2011

**Consent of Morgan Stanley & Co. LLC**

To: The Board of Directors of Atlantic Power Corporation.

We hereby consent to the reference to our firm name and to our opinion dated June 19, 2011 under "Summary Opinions of Atlantic Power's Financial Advisors", "The Arrangement Agreement and Plan of Arrangement Atlantic Power's Reasons for the Arrangement Agreement; Recommendations of Atlantic Power's Board of Directors", "The Arrangement Agreement and Plan of Arrangement Opinions of Atlantic Power's Financial Advisors", "The Arrangement Agreement and Plan of Arrangement Certain Atlantic Power Prospective Financial Information", "The Arrangement Agreement and Plan of Arrangement Certain CPILP Prospective Financial Information" and "Interests of Experts of Atlantic Power and CPILP" and to the inclusion of our opinion dated June 19,

Table of Contents

2011 as Annex C to this joint proxy statement. In providing such consent, we do not intend that any person other than the Board of Directors of Atlantic Power Corporation rely upon such opinion.

/s/ Morgan Stanley & Co. LLC  
Toronto, Canada  
September 28, 2011

**Consent of CIBC World Markets Inc.**

To: The Board of Directors of CPI Income Services Ltd., as general partner of Capital Power Income LP

We hereby consent to the references to our firm name and to the references to our fairness opinion dated June 19, 2011 contained under the headings "Questions and Answers", "Summary Recommendations of the Board of Directors of the General Partner", "Summary Opinions of CPILP's Financial Advisors", "The CPILP Special Meeting Recommendations of the Board of Directors of the General Partner", "The Arrangement Agreement and Plan of Arrangement Background of the Plan of Arrangement", "The Arrangement Agreement and Plan of Arrangement Certain Atlantic Power Prospective Financial Information", "The Arrangement Agreement and Plan of Arrangement CPILP's Reasons for the Plan of Arrangement; Recommendations of the Board of Directors of CPILP's General Partner", "The Arrangement Agreement and Plan of Arrangement Opinion of CPILP's Financial Advisors", and "The Arrangement Agreement and Plan of Arrangement Certain CPILP Prospective Financial Information" and to the inclusion of the text of our opinion dated June 19, 2011 as Annex D to this joint proxy statement. Our fairness opinion was given as at June 19, 2011, and remains subject to the assumptions, qualifications and limitations contained therein. In providing our consent, we do not intend that any person other than the Board of Directors of CPI Income Services Ltd., as general partner of Capital Power Income LP, shall be entitled to rely upon our opinion.

/s/ CIBC World Markets Inc.  
Toronto, Canada  
September 28, 2011

**Consent of Greenhill & Co. Canada Ltd.**

To: The Board of Directors of of CPI Income Services Ltd., as general partner of Capital Power Income LP

We hereby consent to the reference to our firm name and to our opinion dated June 19, 2011 under "Summary Recommendations of the Board of Directors of the General Partner", "Summary Opinions of CPILP's Financial Advisors", "The CPILP Special Meeting Recommendations of the Board of Directors of the General Partner", "The Arrangement Agreement and Plan of Arrangement Background of the Plan of Arrangement", "The Arrangement Agreement and Plan of Arrangement Certain Atlantic Power Prospective Financial Information", "The Arrangement Agreement and Plan of Arrangement CPILP's Reasons for the Plan of Arrangement; Recommendations of the Board of Directors of CPILP's General Partner", "The Arrangement Agreement and Plan of Arrangement Opinion of CPILP's Financial Advisors", "The Arrangement Agreement and Plan of Arrangement Certain CPILP Prospective Financial Information" and "Interests of Experts of Atlantic Power and CPILP" and to the inclusion of our opinion dated June 19, 2011 as Annex E to this joint proxy statement. In providing such consent, we do not intend that any person other than the Board of Directors of of CPI Income Services Ltd., as general partner of Capital Power Income LP, rely upon such opinion. In giving such consent, we do not admit that we come within the category of persons whose consent is required under Section 7 of the Securities Act of 1933,

Table of Contents

as amended, or the rules and regulations of the Securities and Exchange Commission thereunder, nor do we thereby admit that we are experts with respect to any part of this joint proxy statement within the meaning of the term "expert" as used in the Securities Act of 1933, as amended, or the rules and regulations of the Securities and Exchange Commission thereunder.

/s/ Greenhill & Co. Canada Ltd.  
Toronto, Canada  
September 28, 2011

161

---

Table of Contents

**Annex A**  
**Arrangement Agreement**

---



**CAPITAL POWER INCOME L.P.  
and  
CPI INCOME SERVICES LTD.  
and  
CPI INVESTMENTS INC.  
and  
ATLANTIC POWER CORPORATION**

---

**ARRANGEMENT AGREEMENT**

June 20, 2011

Annex A-1

---

Table of Contents

**TABLE OF CONTENTS**

<b><u>ARTICLE 1 INTERPRETATION</u></b>	<u>Annex A-5</u>
1.1 <u>Definitions</u>	<u>Annex A-5</u>
1.2 <u>Interpretation Not Affected by Headings</u>	<u>Annex A-21</u>
1.3 <u>Number and Gender</u>	<u>Annex A-21</u>
1.4 <u>Date for Any Action</u>	<u>Annex A-21</u>
1.5 <u>Statutory References</u>	<u>Annex A-21</u>
1.6 <u>Currency</u>	<u>Annex A-22</u>
1.7 <u>Accounting Matters</u>	<u>Annex A-22</u>
1.8 <u>Rules of Construction</u>	<u>Annex A-22</u>
1.9 <u>Consents and Approvals</u>	<u>Annex A-22</u>
1.10 <u>Knowledge</u>	<u>Annex A-22</u>
1.11 <u>Public Documents</u>	<u>Annex A-22</u>
1.12 <u>Schedules</u>	<u>Annex A-22</u>
<b><u>ARTICLE 2 THE ARRANGEMENT</u></b>	<u>Annex A-23</u>
2.1 <u>Plan of Arrangement</u>	<u>Annex A-23</u>
2.2 <u>Implementation Steps by the Partnership Entities and the Corporation</u>	<u>Annex A-23</u>
2.3 <u>Partnership Meeting</u>	<u>Annex A-24</u>
2.4 <u>Interim Order</u>	<u>Annex A-24</u>
2.5 <u>Final Order</u>	<u>Annex A-25</u>
2.6 <u>Filing Articles of Arrangement and Effective Date</u>	<u>Annex A-25</u>
2.7 <u>Payment of Consideration</u>	<u>Annex A-25</u>
2.8 <u>Closing</u>	<u>Annex A-26</u>
2.9 <u>Partnership Circular</u>	<u>Annex A-26</u>
2.10 <u>Preparation of Filings</u>	<u>Annex A-26</u>
2.11 <u>Court Proceedings</u>	<u>Annex A-27</u>
2.12 <u>Public Communications</u>	<u>Annex A-28</u>
2.13 <u>Outside Date</u>	<u>Annex A-29</u>
2.14 <u>Meeting Coordination</u>	<u>Annex A-29</u>
<b><u>ARTICLE 3 REPRESENTATIONS AND WARRANTIES</u></b>	<u>Annex A-29</u>
3.1 <u>Representations and Warranties of the Partnership and GP</u>	<u>Annex A-29</u>
3.2 <u>Representations and Warranties of the Corporation</u>	<u>Annex A-44</u>
3.3 <u>Representations and Warranties of the Purchaser</u>	<u>Annex A-52</u>
3.4 <u>Disclosure Letters</u>	<u>Annex A-65</u>
3.5 <u>Survival of Representations and Warranties</u>	<u>Annex A-66</u>
<b><u>ARTICLE 4 COVENANTS</u></b>	<u>Annex A-66</u>
4.1 <u>Covenants of the Purchaser - General</u>	<u>Annex A-66</u>
4.2 <u>Purchaser Meeting</u>	<u>Annex A-67</u>
4.3 <u>Purchaser Circular; Form S-4</u>	<u>Annex A-67</u>
4.4 <u>Preparation of Purchaser Filings</u>	<u>Annex A-68</u>
4.5 <u>Conduct of Business by the Partnership</u>	<u>Annex A-69</u>
4.6 <u>Conduct of Business by GP</u>	<u>Annex A-72</u>
4.7 <u>Conduct of Business by the Corporation</u>	<u>Annex A-75</u>
4.8 <u>Conduct of Business by the Purchaser</u>	<u>Annex A-77</u>
4.9 <u>Mutual Covenants Regarding the Arrangement</u>	<u>Annex A-78</u>
4.10 <u>Competition Act Approval, Investment Canada Act Approval and HSR Act Approval</u>	<u>Annex A-80</u>
	Annex A-2

Table of Contents

<u>4.11</u>	<u>Purchaser Financing</u>	<u>Annex A-81</u>
<u>4.12</u>	<u>FPA Section 203 Approval</u>	<u>Annex A-83</u>
<u>4.13</u>	<u>Covenants of the Partnership Entities Regarding Non-Solicitation</u>	<u>Annex A-83</u>
<u>4.14</u>	<u>Covenants of the Corporation Regarding Non-Solicitation</u>	<u>Annex A-87</u>
<u>4.15</u>	<u>Access to Information; Confidentiality</u>	<u>Annex A-88</u>
<u>4.16</u>	<u>Insurance and Indemnification</u>	<u>Annex A-88</u>
<u>4.17</u>	<u>Privacy Issues</u>	<u>Annex A-89</u>
<u>4.18</u>	<u>Title Insurance</u>	<u>Annex A-91</u>
<u>4.19</u>	<u>Notice and Cure Provisions</u>	<u>Annex A-91</u>
<u>4.20</u>	<u>Pre-Acquisition Reorganization</u>	<u>Annex A-91</u>
<u>4.21</u>	<u>Amendment of Constatting Documents</u>	<u>Annex A-92</u>
<u>4.22</u>	<u>Additional Covenants</u>	<u>Annex A-92</u>
<u>4.23</u>	<u>Subsidiary Partnership Wind-Up</u>	<u>Annex A-93</u>
<u>4.24</u>	<u>NC Purchase Agreement</u>	<u>Annex A-94</u>
<u>ARTICLE 5 CONDITIONS PRECEDENT</u>		
<u>5.1</u>	<u>Mutual Conditions Precedent</u>	<u>Annex A-94</u>
<u>5.2</u>	<u>Additional Conditions Precedent to the Obligations of the Partnership Entities</u>	<u>Annex A-96</u>
<u>5.3</u>	<u>Additional Conditions Precedent to the Obligation of the Corporation</u>	<u>Annex A-97</u>
<u>5.4</u>	<u>Additional Conditions Precedent to the Obligations of the Purchaser</u>	<u>Annex A-98</u>
<u>5.5</u>	<u>Satisfaction of Conditions</u>	<u>Annex A-100</u>
<u>ARTICLE 6 AMENDMENT AND TERMINATION</u>		
<u>6.1</u>	<u>Amendment</u>	<u>Annex A-100</u>
<u>6.2</u>	<u>Term</u>	<u>Annex A-100</u>
<u>6.3</u>	<u>Termination</u>	<u>Annex A-100</u>
<u>6.4</u>	<u>Purchaser Termination Fee</u>	<u>Annex A-102</u>
<u>6.5</u>	<u>Partnership Termination Fee</u>	<u>Annex A-102</u>
<u>6.6</u>	<u>Expense Reimbursement</u>	<u>Annex A-103</u>
<u>6.7</u>	<u>Liquidated Damages, Injunctive Relief and No Liability of Others</u>	<u>Annex A-103</u>
<u>ARTICLE 7 GENERAL PROVISIONS</u>		
<u>7.1</u>	<u>Notices</u>	<u>Annex A-103</u>
<u>7.2</u>	<u>Entire Agreement, Binding Effect and Assignment</u>	<u>Annex A-106</u>
<u>7.3</u>	<u>Severability</u>	<u>Annex A-106</u>
<u>7.4</u>	<u>No Third Party Beneficiaries</u>	<u>Annex A-106</u>
<u>7.5</u>	<u>Time of Essence</u>	<u>Annex A-106</u>
<u>7.6</u>	<u>Further Assurances</u>	<u>Annex A-106</u>
<u>7.7</u>	<u>Remedies</u>	<u>Annex A-106</u>
<u>7.8</u>	<u>Costs and Expenses</u>	<u>Annex A-107</u>
<u>7.9</u>	<u>Governing Law</u>	<u>Annex A-107</u>
<u>7.10</u>	<u>Notice of Limitation</u>	<u>Annex A-107</u>
<u>7.11</u>	<u>Filing of Agreement</u>	<u>Annex A-107</u>
<u>7.12</u>	<u>Waiver</u>	<u>Annex A-107</u>
<u>7.13</u>	<u>Counterparts, Execution</u>	<u>Annex A-107</u>

Annex A-3

## Edgar Filing: ATLANTIC POWER CORP - Form DEFM14A

### Table of Contents

<i>Schedule A</i>	Plan of Arrangement
<i>Schedule B</i>	Press Release
<i>Schedule C</i>	Partnership Support Agreements
<i>Schedule D</i>	Arrangement Resolution
<i>Schedule E</i>	List of CPC Agreements
<i>Schedule F</i>	Form of Distribution Agreement
<i>Schedule G</i>	Form of NC Purchase Agreement
<i>Schedule H</i>	List of Partnership Management Agreements
<i>Schedule I</i>	Term Sheet for Transitional Services Agreement
<i>Schedule J</i>	Forms of Preferred Share Guarantees

Annex A-4

---

Table of Contents

**ARRANGEMENT AGREEMENT**

**THIS AGREEMENT** is made as of June 20, 2011.

**AMONG:**

**CAPITAL POWER INCOME L.P.**, a limited partnership established under the laws of the Province of Ontario;

(hereinafter, the "**Partnership**")

**AND:**

**CPI INCOME SERVICES LTD.**, a corporation incorporated under the *Canada Business Corporations Act*;

(hereinafter, "**GP**")

**AND:**

**CPI INVESTMENTS INC.**, a corporation incorporated under the *Canada Business Corporations Act*;

(hereinafter, the "**Corporation**")

**AND:**

**ATLANTIC POWER CORPORATION**, a corporation continued under the *Business Corporations Act* (British Columbia);

(hereinafter, the "**Purchaser**")

**WHEREAS** the Purchaser proposes to acquire, directly or indirectly, all of the issued and outstanding Partnership Units and Corporation Shares;

**WHEREAS** the Parties intend to carry out the transactions contemplated herein by way of a plan of arrangement under the provisions of the CBCA;

**WHEREAS** the parties intend that certain other transactions be completed in connection with the Arrangement, including those contemplated by the Partnership Reorganization Agreements;

**WHEREAS** the Parties have entered into this Agreement to provide for the matters referred to in the foregoing recitals and for other matters relating to the Arrangement;

**NOW THEREFORE**, in consideration of the covenants and agreements herein contained, the Parties hereby covenant and agree as follows:

**ARTICLE 1  
INTERPRETATION**

## 1.1 Definitions

In this Agreement (including the recitals, the Partnership Entity Disclosure Letter, the Corporation Disclosure Letter, the Purchaser Disclosure Letter and Schedules hereto), the following terms shall have the following meanings, and grammatical variations shall have the respective corresponding meanings:

**"Advance Ruling Certificate"** means an advance ruling certificate issued by the Commissioner of Competition pursuant to section 102 of the Competition Act with respect to the transactions contemplated by this Agreement;

Annex A-5

---

## Edgar Filing: ATLANTIC POWER CORP - Form DEFM14A

### Table of Contents

**"Affiliate"** has the meaning ascribed thereto in the Securities Act and, for greater certainty, in the case of the Partnership, the Corporation and GP, shall not include Primary Energy Recycling Corporation or Primary Energy Recycling Holdings LLC and any of their Affiliates;

**"Agent"** of a Person means any (i) director, officer, partner, member, consultant, manager or employee of that Person; (ii) advisor, law firm, accounting firm, engineering/environmental firm or other professional or consulting Person of or acting on behalf of that Person, or any lenders or underwriters to that Person; or (iii) any director, officer, partner, member, consultant or employee of any Agent referred to in clause (ii) of this definition;

**"Agreement"** means this arrangement agreement, as the same may be amended, supplemented or otherwise modified in accordance with the terms hereof from time to time;

**"Arrangement"** means an arrangement under section 192 of the CBCA on the terms and subject to the conditions set out herein and in the Plan of Arrangement as supplemented, modified or amended in accordance with the terms hereof or the Plan of Arrangement or at the direction of the Court in the Final Order;

**"Arrangement Resolution"** means the extraordinary resolution of the Partnership Unitholders in respect of the Arrangement to be considered by the Partnership Unitholders at the Partnership Meeting, substantially in the form and content of Schedule D hereto;

**"Articles of Arrangement"** means the articles of arrangement in respect of the Arrangement, required by the CBCA to be sent to the Director after the Final Order is made, which shall be in a form and content satisfactory to the Partnership, GP, the Corporation and the Purchaser, each acting reasonably;

**"Authorization"** means any authorization, sanction, ruling, declaration, filing, order, permit, approval, grant, licence, waiver, entitlement, classification, exemption, registration, consent, right, notification, condition, franchise, privilege, certificate, judgment, writ, injunction, award, determination, direction, decision, decree, bylaw, rule or regulation of any Governmental Entity;

**"Benefit Plans"** means any pension or retirement income, benefit, supplemental benefit, stock option, restricted stock, stock appreciation right, restricted stock unit, phantom stock or other equity-based compensation plan, deferred compensation, severance, health, welfare, medical, dental, disability plans or any other employee compensation or benefit plans, policies, programs or other arrangements and all related agreements and policies with third parties such as trustees or insurance companies, which are maintained by a Party or any of its Subsidiaries with respect to any of their current or former employees, directors, officers or other individuals providing services to such Party or any of its Subsidiaries including, without limitation, "plans" as defined in Section 3(3) of ERISA;

**"Bridge Loans"** has the meaning ascribed in Section 4.11(a)(i);

**"Business Day"** means any day other than a Saturday, Sunday or a statutory or civic holiday in the Province of Alberta or Ontario or the State of Massachusetts or New York;

**"CBCA"** means the *Canada Business Corporations Act*, R.S.C. 1985, c. C-44, as amended, and the regulations made thereunder;

**"Certificate of Arrangement"** means the certificate to be issued by the Director pursuant to subsection 192(7) of the CBCA giving effect to the Arrangement;

**"CFR"** means the U.S. Code of Federal Regulations;

**"Class A Consideration"** has the meaning ascribed in Section 2.1(b);

**"Class A Corporation Shares"** means the Class A Shares in the capital of the Corporation;

**"Class B Consideration"** has the meaning ascribed in Section 2.1(c);

Table of Contents

**"Class B Corporation Shares"** means the Class B Shares in the capital of the Corporation;

**"Code"** means the *U.S. Internal Revenue Code of 1986*, as amended;

**"Commissioner of Competition"** means the Commissioner of Competition appointed pursuant to the Competition Act or a person designated or authorized pursuant to the Competition Act to exercise the powers and perform the duties of the Commissioner of Competition;

**"Commitment Letter"** has the meaning ascribed in Section 3.3(w);

**"Competition Act"** means the *Competition Act* (Canada), R.S.C. 1985, c. C-34, as amended, and the regulations thereunder;

**"Competition Act Approval"** means:

- (a) the issuance of an Advance Ruling Certificate and such Advance Ruling Certificate has not been rescinded prior to the Effective Time; or
- (b) the Purchaser, the Partnership Entities, the Corporation and the Corporation Sellers have given the notice required under section 114 of the Competition Act with respect to the transactions contemplated by this Agreement and the Partnership Reorganization Agreements and the applicable waiting period under section 123 of the Competition Act has expired or has been terminated in accordance with the Competition Act; or
- (c) the obligation to give the requisite notice under section 114 of the Competition Act has been waived pursuant to subsection 113(c) of the Competition Act,

and, in the case of (b) or (c), the Purchaser has been advised in writing by the Commissioner of Competition that, in effect, such person does not have sufficient grounds at that time to apply to the Competition Tribunal under section 92 of the Competition Act with respect to the transactions contemplated by this Agreement and therefore the Commissioner of Competition, at that time, does not intend to make an application under section 92 of the Competition Act in respect of the transactions contemplated by this Agreement, and any terms and conditions attached to any such advice are acceptable to the Purchaser, acting reasonably, and such advice has not been rescinded or amended prior to the Effective Time;

**"Competition Filing"** has the meaning ascribed in Section 4.10(a);

**"Confidentiality Agreement"** means, collectively, the confidentiality agreement dated October 25, 2010 among the Partnership, CPRPSLP and the Purchaser, and the Confidentiality Agreement dated May 6, 2011 among the Purchaser, the Partnership, CPRPSLP and CPC;

**"Consents"** means those consents and approvals required from, and notices required to, any third party to proceed with the transactions contemplated by this Agreement, the Partnership Reorganization Agreements and the Plan of Arrangement;

**"Contract"** means any contract, agreement, license, franchise, arrangement, joint venture, partnership, lease, commitment, understanding or other right or obligation (written or oral) to which a Party or any of its Subsidiaries is a party or by which a Party or any of its Subsidiaries is bound or affected or to which any of their respective properties or assets is subject;

**"Corporation Acquisition Proposal"** means a proposal or offer, oral or written, relating to any of the following (other than the transactions contemplated by this Agreement or the Arrangement): (i) any merger, amalgamation, arrangement, share exchange, take-over bid, tender offer, recapitalization, consolidation, other business combination, liquidation or winding up directly or indirectly involving the Corporation, (ii) any sale or acquisition of beneficial ownership of any of the Corporation Shares, or (iii) any sale or acquisition of any Partnership Units owned by the Corporation



Table of Contents

or any exchange, mortgage, pledge, granting of any right or option to acquire or other arrangement involving the Partnership Units owned by the Corporation having similar economic effect;

**"Corporation Board"** means the board of directors of the Corporation;

**"Corporation Consents"** means the Consents set forth in Schedule 3.2(b) to the Corporation Disclosure Letter;

**"Corporation Disclosure Letter"** means the disclosure letter executed by the Corporation and delivered to the Purchaser concurrently with the execution and delivery of this Agreement;

**"Corporation Financial Statements"** means the unaudited financial statements of the Corporation as at and for the year ended December 31, 2010, and as at and for the three month period ended March 31, 2011 in the Data Site;

**"Corporation Material Contracts"** means all Contracts to which the Corporation is a party or by which it is bound: (i) which, if terminated, modified or if ceased to be in effect without the consent of the Corporation, would have, or would reasonably be expected to have, a Material Adverse Effect in respect of the Corporation; (ii) under which the Corporation directly or indirectly guarantees any liabilities or obligations of a third party; (iii) providing for the establishment, investment in, organization or formation of any joint ventures or partnerships or for the acquisition of any shares or securities of any Person (other than the Partnership Agreement); (iv) which limits or restricts the Corporation from engaging in any line of business or in any geographic area in any material respect; (v) with CPC or any Affiliate thereof that is controlled by CPC; (vi) which are indentures, credit agreements, security agreements, mortgages, promissory notes and other contracts relating to indebtedness for borrowed money, whether incurred, assumed, guaranteed or secured by any asset; (vii) under which the Corporation is obligated to make or expects to receive payments in excess of \$100,000 over the remaining term of the Contract; or (viii) that is otherwise material to the Corporation;

**"Corporation Regulatory Approvals"** means those Regulatory Approvals set forth in Schedule 3.2(c) to the Corporation Disclosure Letter;

**"Corporation Shareholders"** means holders of Corporation Shares, being EPCOR and CPLP;

**"Corporation Shares"** means collectively, the Class A Corporation Shares and the Class B Corporation Shares;

**"Court"** means the Court of Queen's Bench of Alberta;

**"CPC"** means Capital Power Corporation, a corporation incorporated under the *Canada Business Corporations Act*;

**"CPC Agreements"** means those Contracts set forth in Schedule E attached hereto;

**"CPEL"** means CPI Preferred Equity Ltd., a corporation incorporated under the *Business Corporations Act* (Alberta);

**"CPEL Preferred Shares"** means, collectively, the Cumulative Redeemable Preferred Shares, Series 1, the Cumulative Rate Reset Preferred Shares, Series 2 and the Cumulative Floating Rate Preferred Shares, Series 3, each issued by CPEL;

**"CPEL Public Documents"** means all documents and information filed by CPEL under applicable Securities Laws on SEDAR since January 1, 2011 and accessible to the public on the SEDAR website as of the date hereof;

**"CPIH"** means CPI Power Holdings Inc., a corporation incorporated under the laws of the State of Delaware;

## Edgar Filing: ATLANTIC POWER CORP - Form DEFM14A

### Table of Contents

"**CPLP**" means Capital Power L.P., a limited partnership established under the laws of the Province of Ontario;

"**CPRPSLP**" means CP Regional Power Services Limited Partnership, a limited partnership established under the laws of the Province of Alberta;

"**CRA**" means the Canada Revenue Agency;

"**Data Site**" means the electronic data room established and maintained by the Partnership at <https://fmc.firmex.com> in the form and content available as of 9:00 p.m. (Mountain time) on the date immediately preceding the date hereof;

"**Depository**" means Computershare Investor Services Inc.;

"**Director**" means the Director or a Deputy Director appointed pursuant to section 260 of the CBCA;

"**Distribution Agreement**" means the distribution agreement to be entered into at the Effective Time among, CPIH, New LLC, CPEL, the Partnership and the Purchaser in the form set forth in Schedule F hereto;

"**Effective Date**" means the date shown on the Certificate of Arrangement, which date shall be determined in accordance with Section 2.6;

"**Effective Time**" has the meaning ascribed thereto in the Plan of Arrangement;

"**Eligible Holder**" means CPLP and any Partnership Unitholder, other than a Person that is exempt from tax under Part I of the Tax Act, and includes a partnership that is a Partnership Unitholder if one or more of its partners would, if directly a Partnership Unitholder, otherwise be an Eligible Holder;

"**Employee Hiring Agreement**" means the agreement dated the date hereof among CPC, Capital Power Operations (USA) Inc. and the Purchaser providing for the transfer of employees to the Purchaser (or such Person or Persons as are designated by the Purchaser);

"**Encumbrances**" means any pledges, liens, charges, security interests, leases, title retention agreements, mortgages, hypothecs, statutory or deemed trusts, adverse rights or claims, easements, indentures, deeds of trust, rights of way, restrictions on use of real property, licences to third parties, leases to third parties, security agreements, assignments, or encumbrances of any kind or character whatsoever, whether contingent or absolute, and any agreement, option, right of first refusal, right or privilege (whether by Law, contract or otherwise) capable of becoming any of the foregoing;

"**Environmental Laws**" means all material Laws relating to pollution or protection of human health and safety, the environment (including, without limitation, ambient air, surface water, groundwater, land surface or subsurface strata) or wildlife, including, without limitation, Laws relating to the discharge, release or spill or threatened discharge, release or spill of Hazardous Substances or to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Substances;

"**Environmental Reports**" means collectively, the Phase 1 environmental reports for each of the Partnership Facilities in the Data Site;

"**EPCOR**" means EPCOR Utilities Inc., a corporation incorporated under the *Business Corporations Act* (Alberta);

"**ERISA**" means the *U.S. Employee Retirement Income Security Act of 1974*, as amended;

Annex A-9

---

## Edgar Filing: ATLANTIC POWER CORP - Form DEFM14A

### Table of Contents

**"ERISA Affiliate"** means any entity that is treated as a trade or business under common control and a single employer with a Person pursuant to 29 CFR Section 4001.3 and the definition of "Employer" in 29 CFR Section 4001.2;

**"Exchanges"** means the TSX and the NYSE;

**"Exempt Wholesale Generator"** has the meaning ascribed thereto in Section 1262(6) of PUHCA;

**"FERC"** means the Federal Energy Regulatory Commission;

**"Final Order"** means the final order of the Court approving the Arrangement to be applied for by the Partnership, GP and the Corporation following the Partnership Meeting and to be granted pursuant to subsection 192(4) of the CBCA in respect of the Partnership, GP and the Corporation, as such order may be affirmed, amended or modified by the Court (with the consent of each of the Partnership, GP, the Corporation and the Purchaser, each acting reasonably) at any time prior to the Effective Date or, if appealed, then, unless such appeal is withdrawn or denied, as affirmed or as amended (provided that such amendment is acceptable to each of the Partnership, GP, the Corporation and the Purchaser, each acting reasonably) on appeal;

**"Foreign Utility Company"** has the meaning ascribed thereto in Section 1262(6) of PUHCA and the regulations set forth in 18 CFR § 366.1;

**"Form S-4"** means a registration statement on Form S-4 (or other applicable form) pursuant to which the Purchaser shall seek to register the Purchaser Share Issuance under the U.S. Securities Act;

**"FPA"** means the *Federal Power Act*;

**"FPA Section 203 Approval"** has the meaning referenced in Section 4.12;

**"FPA Section 203 Filing"** has the meaning ascribed in Section 4.12;

**"GAAP"** means the generally accepted accounting principles and practices in Canada, including the principles set forth in the Handbook published by the Canadian Institute of Charter Accountants, or any successor institute, which are applicable as at the date of the financial information in respect of which a calculation is made hereunder or as at the date of the particular financial statements referred to herein, as the case may be;

**"Governmental Entity"** means any applicable (i) multinational, federal, provincial, state, regional, municipal, local or other government, governmental or public department, ministry, central bank, court, tribunal, arbitral body, commission, commissioner, board, bureau or agency, domestic or foreign, (ii) stock exchange, including each of the Exchanges; (iii) subdivision, agent, or authority of any of the foregoing, or (iv) quasi-governmental or private body, including any tribunal, commission, regulatory agency or self-regulatory organization, exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing;

**"GP"** means CPI Income Services Ltd., and, for greater certainty, except where otherwise contemplated, means CPI Income Services Ltd. in its personal capacity and not as general partner of the Partnership;

**"GP Board"** means the board of directors of GP;

**"GP Financial Statements"** means the unaudited financial statements of the GP as at and for the year ended December 31, 2010, and as at and for the three month period ended March 31, 2011 in the Data Site;

**"GP Material Contracts"** means all Contracts to which GP is a party or by which it is bound: (i) which, if terminated or modified or if it ceased to be in effect, would have, or would reasonably be expected to have, a Material Adverse Effect in respect of GP; (ii) under which GP directly or indirectly guarantees any liabilities or obligations of a third party; (iii) providing for the establishment, investment

Table of Contents

in, organization or formation of any joint ventures or partnerships or for the acquisition of any shares or securities of any Person (other than the Partnership Agreement); (iv) which limits or restricts GP from engaging in any line of business or in any geographic area in any material respect; (v) with CPC or any Affiliate thereof that is controlled by CPC; (vi) which are indentures, credit agreements, security agreements, mortgages, promissory notes and other contracts relating to indebtedness for borrowed money, whether incurred, assumed, guaranteed or secured by any asset; (vii) under which GP is obligated to make or expects to receive payments in excess of \$100,000 over the remaining term of the Contract; or (viii) that is otherwise material to GP;

**"Hazardous Substances"** means chemicals, pollutants, contaminants, wastes, residual materials, toxic substances, deleterious substances or hazardous substances, including petroleum or petroleum products;

**"HSR Act"** means *Hart-Scott-Rodino Antitrust Improvements Act of 1976*, as amended;

**"HSR Act Approval"** means the expiration or termination of any waiting period under the HSR Act;

**"IFRS"** means the International Financial Reporting Standards as issued by the International Accounting Standards Board and adopted by the Canadian Institute of Chartered Accountants;

**"Intellectual Property"** means all intellectual property existing, used or currently being developed for use and all rights therein, including all claims for past infringement, worldwide, whether registered or unregistered, including without limitation: (a) all patents, patent applications and other patent rights, used, including divisional and continuation patents; (b) all registered and unregistered trade-marks, service marks, logos, slogans, corporate names, business names, and other indicia of origin, and all applications and registrations therefor, (c) registered and unregistered copyrights and mask works, including all copyright in and to computer software programs, including software, and applications and registration of such copyright; (d) internet domain names, applications and reservations for internet domain names, uniform resource locators and the corresponding Internet sites; (e) industrial designs, (f) trade secrets and proprietary information not otherwise listed in (a) through (e) above, including, without limitation, all inventions (whether or not patentable), invention disclosures, moral and economic rights of authors and inventors (however denominated), confidential information, technical data, customer lists, corporate and business names, trade names, trade dress, brand names, know-how, show-how, mask works, formulae, methods (whether or not patentable), designs, processes, procedures, technology, business methods, source codes, object codes, computer software programs (in either source code or object code form) databases, data collections and other proprietary information or material of any type, and all derivatives, improvements and refinements thereof, howsoever recorded, or unrecorded; and (g) any goodwill associated with any of the foregoing;

**"Interim Order"** means the interim order of the Court concerning the Arrangement under subsection 192(4) of the CBCA in respect of the Partnership, GP and the Corporation, containing declarations and directions with respect to the Arrangement and the holding of the Partnership Meeting, as such order may be affirmed, amended or modified by any court of competent jurisdiction with the consent of the Partnership Entities, the Corporation and the Purchaser, each acting reasonably;

**"Investment Canada Act"** means the *Investment Canada Act*, R.S.C. 1985, c. 28 (1st Supp.) as amended and the regulations promulgated thereunder;

**"Investment Canada Act Approval"** means the Minister under the Investment Canada Act (the **"Minister"**) shall have sent a notice pursuant to subsection 21(1), subsection 22(2) or paragraph 23(3)(a) of that Act to the Purchaser, on terms and conditions satisfactory to the Purchaser, acting reasonably, stating that the Minister is satisfied that the transactions contemplated by the Agreement are likely to be of net benefit to Canada, or alternatively, the relevant time period provided

Table of Contents

for such notice under section 21 or section 22 of the Investment Canada Act shall have expired such that the Minister shall be deemed, pursuant to subsection 21(9) or subsection 22(4) of the Investment Canada Act, to be satisfied that the transactions contemplated by the Agreement are of net benefit to Canada;

**"Investment Canada Filing"** has the meaning ascribed in Section 4.10(b);

**"Key Regulatory Approvals"** means, collectively, Competition Act Approval, Investment Canada Act Approval, HSR Act Approval, and the FPA Section 203 Approval;

**"Law"** or **"Laws"** means all laws, statutes, codes, ordinances, decrees, rules, regulations, bylaws, statutory rules, judicial or arbitral or administrative or ministerial or departmental or regulatory judgments, orders, decisions, rulings, injunctions, determinations, awards or other requirements, and terms and conditions of any permit, grant of approval, permission, authority or licence of any Governmental Entity, statutory body or self-regulatory authority (including the Exchanges), and the term "applicable" with respect to such Laws and in the context that refers to one or more Persons, means that such Laws apply to such Person or Persons and/or its Subsidiaries or its or their business, undertaking, property, Benefit Plans or securities and emanate from a Governmental Entity having jurisdiction over the Person or Persons and/or its Subsidiaries or its or their business, undertaking or securities;

**"Management Agreement Assignment Agreement"** means the agreement dated the date hereof among Capital Power Operations (USA) Inc., Frederickson Power L.P., and the Purchaser providing for the assignment of the operations and maintenance agreement made effective April 29, 2004 among Capital Power Operations (USA) Inc. (as successor by merger to Frederickson Project Operations Inc.), Frederickson Power L.P. and Puget Sound Energy, Inc. to the Purchaser (or such person as is designated by the Purchaser) immediately following the completion of the Plan of Arrangement;

**"Management Agreements Termination Agreement"** means the agreement dated the date hereof among CP Regional Power Services Limited Partnership, Capital Power Operations (USA) Inc. and the Partnership, CPI Power (Williams Lake) Ltd., Manchief Power Company LLC, Curtis/Palmer Hydroelectric Company, LP, CPI USA Holdings LLC and CPI USA Ventures LLC providing for the termination of the Partnership Management Agreements (other than the operations and maintenance agreement made effective April 29, 2004 among Capital Power Operations (USA) Inc. (as successor by merger to Frederickson Project Operations Inc.), Frederickson Power L.P. and Puget Sound Energy, Inc.) immediately following the completion of the Plan of Arrangement;

**"Market-Based Rate Authorization"** means authorization granted by FERC to a Partnership Subsidiary pursuant to Section 205 of the FPA to sell wholesale electric energy, capacity or certain ancillary services at rates established in accordance with market conditions, acceptance of a tariff by FERC providing for such sales, and issuance of an order by FERC providing for such authorization and tariff acceptance, and granting such regulatory waivers and blanket authorizations to such Partnership Subsidiary as are customarily granted by FERC to companies authorized to sell electricity at market-based rates, including blanket authorization to issue securities and assume liabilities pursuant to Section 204 of the FPA;

**"Material Adverse Effect"** means, with respect to any Person(s), any change, effect, event, occurrence, fact, state of facts or development that, either individually is or in the aggregate are, or individually or in the aggregate would reasonably be expected to be, both material and adverse to the business, operations, results of operations, properties, assets, liabilities, obligations (whether accrued, conditional or otherwise) or condition (financial or otherwise) of such Person(s) and its Subsidiaries taken as a whole, other than any change, effect, event, occurrence, fact, state of facts or development:

(a)

relating to general international, national or regional, economic or financial conditions or the currency exchange, commodity or securities markets in North America;

## Edgar Filing: ATLANTIC POWER CORP - Form DEFM14A

### Table of Contents

- (b) relating to any natural disaster or epidemic or any acts of terrorism, sabotage, military action or war (whether or not declared) or any escalation or worsening thereof;
- (c) relating to any changes in Laws or regulations or interpretations thereof by any Governmental Entity or in GAAP, U.S. GAAP or IFRS, as the case may be;
- (d) affecting generally the industry in which such Person and its Subsidiaries operate, including, in the case of the Partnership Entities and the Corporation, any change generally affecting the national or regional (A) electric generating, transmission or distribution industry, (B) wholesale or retail markets for electric power or natural gas, or (C) electrical or natural gas transmission and distribution systems;
- (e) relating to any change in markets for commodities or supplies, including electric power, natural gas, emissions, fuel or water, or any change in the design or pricing of the wholesale or retail electric power and natural gas markets (including forward capacity markets, forward reserve markets, day-ahead markets, real-time markets, ancillary services markets and emissions markets);
- (f) relating to any decrease in the market trading price or any decline in the trading volume of any publicly traded securities of such Person (it being understood that causes underlying and other facts relating to such change may be taken into account in determining whether a Material Adverse Effect has occurred);
- (g) relating to any failure by such Person to meet any forecasts, projections or earnings guidance or expectations publicly released or provided, in the case of the Partnership, the Corporation or GP, to the Purchaser, and in the case of the Purchaser, to the Partnership, the Corporation and GP, for any period (it being understood that causes underlying and other facts relating to such failure may be taken into account in determining whether a Material Adverse Effect has occurred);
- (h) relating to and only in respect of NC LLC and the Partnership's facilities in North Carolina, including, any power purchase arrangements, fuel supply arrangements, or renewable energy credit arrangements relating to and only in respect of such facilities;
- (i) relating to any of the transactions or matters expressly contemplated by any of the Partnership Reorganization Agreements;
- (j) resulting from the announcement of this Agreement or the transactions contemplated hereby or from compliance with the terms of this Agreement;
- (k) relating to or resulting from any Taxes that become payable in connection with or as a result of the transactions contemplated by the Agreement or the Partnership Reorganization Agreements;
- (l) relating to or resulting from any attempt by any labour union, employee association or similar organization to organize, certify or establish any labour union or employee association at any of the Partnership Facilities which does not have a relationship with a labour union, employee association or similar organization;
- (m) relating to or resulting from any failure of the Ontario Electricity Financial Corporation ("OEFC") to approve an amendment to the power purchase agreement between the Partnership and the OEFC dated April 29, 1994, as amended, for the Calstock generating facility as outlined in the term sheet dated as of June 6, 2011 between OEFC and the Partnership;
- (n) relating to or resulting from any changes in transportation costs (tolls) on the TransCanada mainline;



Table of Contents

- (o) relating to or resulting from any change in the availability of waste heat for the applicable Partnership Facilities;
- (p) relating to or resulting from the occurrence of any of the transactions contemplated by the Amended and Restated Securityholders' Agreement by and among Primary Energy Recycling Corporation, and EPCOR USA Ventures LLC, and EPCOR USA Holdings LLC and Primary Energy Recycling Holdings LLC, dated August 24, 2009 or the Amended and Restated Management Agreement dated August 24, 2009 among EPCOR USA Ventures LLC, Primary Energy Recycling Holdings LLC, Primary Energy Operations LLC and Primary Energy Recycling Corporation;
- (q) relating to or resulting from the Navy giving notice of termination of the Naval Facility Negotiated Utility Service Contracts (NUSCs) for convenience;
- (r) relating to or resulting from the expiry of the Williams Lake collective agreement on December 31, 2011;
- (s) relating to or resulting from any downgrade in the credit ratings of the Partnership Entities, the Partnership Subsidiaries and/or their respective securities; or
- (t) relating to an award in favour for Petrobank Energy and Resources Ltd. ("Petrobank") for an amount less than \$50 million in connection with the existing arbitration proceedings between the Partnership and Petrobank relating to the pricing dispute over natural gas sales under a long-term supply contract to the Partnership's Nipigon plant.

provided, however, that the change, effect, event, occurrence or state of facts or development referred to in clauses (a) to (e) above shall not be excluded from the definition of Material Adverse Effect in respect of any Person if it materially disproportionately adversely affects such Person and its Subsidiaries, taken as a whole, compared to other companies of similar size operating in the industry in which the Person and its Subsidiaries operate;

**"Material Change"** has the meaning ascribed thereto in the Securities Act;

**"Material Fact"** has the meaning ascribed thereto in the Securities Act;

**"misrepresentation"** has the meaning ascribed thereto in the Securities Act;

**"MI 61-101"** means Multilateral Instrument 61-101 *Protection of Minority Security Holders in Special Transactions*;

**"NC LLC"** means CPI USA North Carolina LLC, a limited liability company formed under the laws of the State of Delaware;

**"NC Purchase Agreement"** means the membership interest purchase agreement dated the date hereof between CPI USA Holdings LLC, CPIH and Capital Power Investments LLC in the form set forth in Schedule G hereto;

**"NERC"** means the North American Electric Reliability Corporation;

**"New LLC"** has the meaning ascribed to it in Section 4.24(c);

**"New LLC2"** has the meaning ascribed to it in Section 4.24(c);

**"NYSE"** means the New York Stock Exchange;

**"Outside Date"** means, subject to Section 2.13, February 29, 2012 or such later date as may be mutually agreed to in writing by the Parties;

**"Parties"** means, collectively, the Partnership, GP, the Corporation and the Purchaser, and **"Party"** means either of them;





Table of Contents

**"Partnership Acquisition Proposal"** means a proposal or offer, oral or written, relating to any of the following (other than the transactions contemplated by this Agreement or the Arrangement): (i) any take-over bid (including an acquisition of Partnership Units from the Corporation), tender offer or exchange offer that, if consummated, would result in any Person, or group of Persons or shareholders of such Person(s) beneficially owning 20% or more of any class of voting or equity securities of the Partnership; (ii) a plan of arrangement, merger, amalgamation, consolidation, share exchange, business combination, reorganization, recapitalization, liquidation, dissolution or other similar transaction involving the Partnership and/or the Partnership Subsidiaries whose assets or revenues, individually or in the aggregate, constitute 20% or more of the consolidated assets or revenues, as applicable, of the Partnership; (iii) any sale or acquisition, direct or indirect, of assets representing 20% or more of the consolidated assets or revenues of the Partnership or which contribute 20% or more of the consolidated revenues of the Partnership, or any lease, long-term supply agreement (other than in the ordinary course of business), exchange, mortgage, pledge or other arrangement having a similar economic effect, in a single transaction or a series of related transactions; or (iv) any sale or acquisition of beneficial ownership of 20% or more of the Partnership Units (or securities convertible or exchangeable into voting or equity securities of the Partnership) or 20% or more of the voting or equity securities of any of the Partnership Subsidiaries (or securities convertible or exchangeable into voting or equity securities of such Partnership Subsidiaries) whose assets, individually or in the aggregate, constitute 20% or more of the consolidated assets or revenues of the Partnership or which contribute 20% or more of the consolidated assets or revenues of the Partnership, or rights or interests therein or thereto in a single transaction or a series of related transactions;

**"Partnership Agreement"** means the amended and restated limited partnership agreement of the Partnership made effective as of November 4, 2009;

**"Partnership Annual Financial Statements"** means the audited consolidated financial statements of the Partnership as at and for the years ended December 31, 2010 and 2009, together with the notes thereto and the auditors' report thereon;

**"Partnership Circular"** means the notice of meeting and management information circular, including all schedules, appendices and exhibits thereto, to be prepared and mailed to the Partnership Unitholders in connection with the Partnership Meeting, as may be amended, supplemented or otherwise modified;

**"Partnership Entities"** means the Partnership and GP;

**"Partnership Entity Consents"** means the Consents set forth in Schedule 3.1(c) to the Partnership Entity Disclosure Letter;

**"Partnership Entity Disclosure Letter"** means the disclosure letter executed by the Partnership Entities and delivered to the Purchaser concurrently with the execution and delivery of this Agreement;

**"Partnership Entity Regulatory Approvals"** means those Regulatory Approvals set forth in Schedule 3.1(c) to the Partnership Entity Disclosure Letter;

**"Partnership Facilities"** means the facilities in which the Partnership holds a direct or indirect interest, except for (i) the Partnership's Roxboro and Southport facilities located in the State of North Carolina, and (ii) any facilities owned, directly or indirectly, by PERH;

**"Partnership Fairness Opinions"** means the opinions of CIBC World Markets Inc. and Greenhill & Co. Canada Ltd., the financial advisors to the Partnership, to the effect that, as of the date of each such opinion, subject to the assumptions and limitations set out therein, the Partnership Unitholder Consideration to be received by the Partnership Unitholders (other than the Purchaser, the Corporation and GP) in connection with the transactions contemplated by this Agreement is fair, from a financial point of view, to such Partnership Unitholders;

Table of Contents

**"Partnership Financial Statements"** means, collectively, the Partnership Annual Financial Statements and the Partnership Interim Financial Statements;

**"Partnership Interim Financial Statements"** means the unaudited consolidated financial statements of the Partnership for the three month periods ended March 31, 2011 and 2010, together with the notes thereto;

**"Partnership Management Agreements"** means those Contracts listed in Schedule H attached hereto;

**"Partnership Material Contracts"** means all Contracts to which the Partnership or any of the Partnership Subsidiaries is a party or by which any of them is bound: (i) which provide for aggregate future payments by or to any of them in excess of \$10 million in any 12-month period; (ii) which, if terminated, modified or if ceased to be in effect without the consent of the Partnership or any of the Partnership Subsidiaries, would have, or would reasonably be expected to have, a Material Adverse Effect in respect of the Partnership; (iii) under which the Partnership or any of the Partnership Subsidiaries directly or indirectly guarantees any liabilities or obligations of a third party in excess of \$10 million in the aggregate; (iv) providing for the establishment, investment in, organization or formation of any joint ventures or partnerships or for the acquisition of any shares or securities of any Person (other than a Partnership Subsidiary); (v) which limits or restricts the Partnership or any Partnership Subsidiary from engaging in any line of business or in any geographic area in any material respect; (vi) with CPC or any Affiliate thereof (other than with the Partnership or any Partnership Subsidiary) that is controlled by CPC; (vii) which are indentures, credit agreements, security agreements, mortgages, promissory notes and other contracts relating to indebtedness for borrowed money, whether incurred, assumed, guaranteed or secured by any asset; (viii) which are PPAs, (ix) which are "material contracts" within the meaning of applicable Securities Laws; (x) under which a Partnership Facility procures 25% or more of its current fuel supply; (xi) any lease of a Partnership Facility; or (xii) that is otherwise material to the Partnership and its subsidiaries, considered as a whole;

**"Partnership Meeting"** means the special meeting of Partnership Unitholders, including any adjournment or postponement thereof, to be held to consider the Arrangement Resolution;

**"Partnership Public Documents"** means all documents and information filed by the Partnership under applicable Securities Laws on SEDAR since January 1, 2011 and accessible to the public on the SEDAR website as of the date hereof;

**"Partnership Reorganization Agreements"** means the NC Purchase Agreement and the Distribution Agreement;

**"Partnership Subsidiaries"** means all Subsidiaries of the Partnership, and which, for the purposes of this Agreement, shall not include NC LLC, New LLC, New LLC2, PERH or any Subsidiary of PERH;

**"Partnership Support Agreements"** means the support agreements dated the date hereof between the Purchaser and each of EPCOR, CPLP and CPC, which have been duly executed and delivered by the parties thereto in the forms set forth in Schedule C;

**"Partnership Termination Fee"** has the meaning ascribed thereto in Section 6.5;

**"Partnership Unitholder Approval"** has the meaning ascribed thereto in Section 2.4(b);

**"Partnership Unitholders"** means holders of Partnership Units;

**"Partnership Units"** means the limited partnership units of the Partnership;

**"Partnership Unitholder Consideration"** has the meaning ascribed thereto in Section 2.1(a);

Table of Contents

**"Pension Transfer Agreement"** means the agreement dated the date hereof entered into among the Purchaser, CPC and Capital Power Operations (USA) Inc. providing for certain pension matters;

**"PERC"** means Primary Energy Recycling Corporation;

**"PERC Agreements"** means, together, (a) the amended and restated management agreement made as of August 24, 2009 among CPI USA Ventures LLC (as successor to EPCOR USA Ventures LLC), PERC, PERH, and Primary Energy Operations LLC and (b) the amended and restated securityholders' agreement made as of August 24, 2009 among CPI USA Ventures LLC (as successor to EPCOR USA Ventures LLC), EPCOR USA Holdings LLC, PERC and PERH, and any amendments or other modifications thereto;

**"PERH"** means Primary Energy Recycling Holdings LLC;

**"Permitted Encumbrances"** means (a)(i) liens for taxes, assessments and governmental charges or levies not yet due and payable and for which appropriate provision has been made in accordance with GAAP, U.S. GAAP or IFRS, as the case may be, and (ii) encumbrances such as materialmen's, mechanics', carriers', workmen's and repairmen's liens and other similar liens arising in the ordinary course of business (but excluding those not discharged in the ordinary course of business); (b) access agreements, servitudes, easements and rights of way relating to sewers, water lines, gas lines, pipelines, electric lines, telephone and cable lines, and other similar services or products; (c) zoning restrictions and other limitations imposed by any Governmental Entity having jurisdiction over real property; (d) reservations in federal patents; (e) as to properties comprising any portion of the facilities in which such Person(s) conducts its business which are leased, or otherwise held by contractual interest, the terms and conditions of the leases and other contracts pertaining thereto that have been provided to the Purchaser prior to the date of this Agreement; (f) customary rights of general application reserved to or vested in any Governmental Entity to control or regulate any interest in the facilities in which such Person(s) conducts its business; provided that such liens, encumbrances, exceptions, agreements, restrictions, limitations, contracts and rights (i) were not incurred in connection with any indebtedness and (ii) do not, individually or in the aggregate, have a material adverse effect on the value or materially impair or add material cost to the use of the subject property; and (g) the terms of the Partnership Material Contracts, the PERC Agreements, the Corporation Material Contracts and the Purchaser Material Contracts;

**"Person"** includes an individual, limited or general partnership, limited liability company, limited liability partnership, trust, joint venture, association, body corporate, unincorporated organization, trustee, executor, administrator, legal representative, government (including any Governmental Entity) or any other entity, whether or not having legal status;

**"Plan of Arrangement"** means the plan of arrangement, substantially in the form and content of Schedule A attached hereto as such plan of arrangement may be amended or supplemented from time to time in accordance with the terms thereof and hereof;

**"Pre-Acquisition Reorganization"** has the meaning ascribed thereto in Section 4.20;

**"Preferred Share Guarantees"** means the guarantees of the Purchaser in respect of the preferred share obligations of CPEL, forms of which are set forth in Schedule J hereto to be effective immediately following completion of the Plan of Arrangement;

**"PPAs"** means power purchase agreements, energy supply agreements, electricity supply agreements, renewable energy supply agreements or electric power tolling agreements for power projects;

**"Proposed Agreement"** has the meaning ascribed thereto in Section 4.13(e);

Annex A-17

---

Table of Contents

**"PUHCA"** means the *Public Utility Holding Company Act of 2005*, enacted as part of the *Energy Policy Act of 2005*, Pub. L. No. 109-58, as codified at 42 U.S.C. § 16451, et seq., together with the regulations promulgated thereunder;

**"Purchaser Acquisition Proposal"** means a proposal or offer, oral or written, relating to any of the following (other than the transactions contemplated by this Agreement or the Arrangement): (i) any take-over bid, tender offer or exchange offer that, if consummated, would result in any Person, or group of Persons or shareholders of such Person(s) beneficially owning 20% or more of any class of voting or equity securities of the Purchaser; (ii) a plan of arrangement, merger, amalgamation, consolidation, share exchange, business combination, reorganization, recapitalization, liquidation, dissolution or other similar transaction involving the Purchaser and/or the Purchaser Subsidiaries whose assets or revenues, individually or in the aggregate, constitute 20% or more of the consolidated assets or revenues, as applicable, of the Purchaser; (iii) any sale or acquisition, direct or indirect, of assets representing 20% or more of the consolidated assets or revenues of the Purchaser or which contribute 20% or more of the consolidated revenues of the Purchaser, or any lease, long-term supply agreement (other than in the ordinary course of business), exchange, mortgage, pledge or other arrangement having a similar economic effect, in a single transaction or a series of related transactions; or (iv) any sale or acquisition of beneficial ownership of 20% or more of the Purchaser Shares (or securities convertible or exchangeable into voting or equity securities of the Purchaser) or a majority of the voting or equity securities of any of the Purchaser Subsidiaries (or securities convertible or exchangeable into voting or equity securities of such Purchaser Subsidiaries) whose assets, individually or in the aggregate, constitute 20% or more of the consolidated assets or revenues of the Purchaser or which contribute 20% or more of the consolidated assets or revenues of the Purchaser, or rights or interests therein or thereto in a single transaction or a series of related transactions;

**"Purchaser Annual Financial Statements"** means the audited consolidated financial statements of the Purchaser as at and for the years ended December 31, 2010 and 2009, together with the notes thereto and the auditors' report thereon;

**"Purchaser Board"** means the board of directors of the Purchaser;

**"Purchaser Circular"** means the notice of meeting and management information circular, including all schedules, appendices and exhibits thereto, to be prepared and mailed to the Purchaser Shareholders in connection with the Purchaser Meeting, as may be amended, supplemented or otherwise modified;

**"Purchaser Consents"** means the Consents set forth in Schedule 3.3(b) to the Purchaser Disclosure Letter;

**"Purchaser Data Site"** means the electronic data room established and maintained by the Purchaser at <https://services.intralinks.com/ui/flex/CIX.html?workspaceId=816445&defaultTab=documents> the form and content available as of 9:00 p.m. (Mountain time) on the date immediately preceding the date hereof;

**"Purchaser Disclosure Letter"** means the disclosure letter executed by the Purchaser and delivered to the Partnership and the Corporation concurrently with the execution and delivery of this Agreement;

**"Purchaser Financial Statements"** means, collectively, the Purchaser Annual Financial Statements and the Purchaser Interim Financial Statements;

**"Purchaser Interim Financial Statements"** means the unaudited consolidated financial statements of Purchaser for the three month periods ended on March 31, 2011 and 2010, together with the notes thereto;

**"Purchaser Material Contracts"** means all Contracts to which the Purchaser or any of the Purchaser Subsidiaries is a party or by which any of them is bound: (i) which provide for aggregate

Table of Contents

future payments by the Purchaser or any Purchaser Material Subsidiary in excess of \$10 million in any 12-month period; (ii) which, if terminated, modified or if ceased to be in effect without the consent of the Purchaser or any of the Purchaser Subsidiaries, would have, or would reasonably be expected to have, a Material Adverse Effect in respect of the Purchaser; (iii) under which the Purchaser or any of the Purchaser Material Subsidiaries directly or indirectly guarantees any liabilities or obligations of a third party in excess of \$10 million in the aggregate; (iv) providing for the establishment, investment in, organization or formation of any joint ventures or partnerships (other than with a wholly owned Purchaser Subsidiary) or for the acquisition of any shares or securities of any Person (other than a Purchaser Subsidiary); (v) which limits or restricts the Purchaser or any Purchaser Material Subsidiary from engaging in any line of business or in any geographic area in any material respect; (vi) which are indentures, credit agreements, security agreements, mortgages, promissory notes and other contracts relating to indebtedness for borrowed money, (vii) which are PPAs; or (viii) which are "material contracts" within the meaning of applicable Securities Laws;

**"Purchaser Material Subsidiaries"** means Pasco Cogen, Ltd., Atlantic Path 15, LLC, Lake Cogen Ltd., Auburndale Power Partners, L.P. and Chambers Cogeneration Limited Partnership, Cadillac Renewable Energy, LLC, Idaho Wind Partners 1, LLC, Orlando Cogen Limited, L.P., Piedmont Green Power, LLC, Gregory Power Partners, L.P., Gregory Partners, LLC, Auburndale GP LLC and Epsilon Power Partners, LLC;

**"Purchaser Meeting"** means the special meeting of Purchaser Shareholders, including any adjournment or postponement thereof, to consider the Purchaser Share Issuance Resolution;

**"Purchaser Note"** means the non-interest bearing promissory note to be issued by the Purchaser in favour of CPLP in the principal amount of \$121,405,211 as part of the Plan of Arrangement;

**"Purchaser Opinions"** means the opinions dated the date hereof to the Purchaser Board from TD Securities Inc. and Morgan Stanley & Co. LLC;

**"Purchaser Public Documents"** means all documents and information filed by the Purchaser under applicable Securities Laws on SEDAR or EDGAR since January 1, 2011 and accessible to the public on the SEDAR or EDGAR as of the date hereof;

**"Purchaser Regulatory Approvals"** means those Regulatory Approvals set forth in Schedule 3.3(c) to the Purchaser Disclosure Letter;

**"Purchaser Share Issuance"** means the issuance of Purchaser Shares pursuant to the Arrangement;

**"Purchaser Share Issuance Resolution"** means the ordinary resolution approving the issuance of the Purchaser Shares pursuant to the Arrangement, in accordance with the requirements of the Exchanges, to be considered by the Purchaser Shareholders at the Purchaser Meeting;

**"Purchaser Shareholders"** means the holders of the Purchaser Shares;

**"Purchaser Shares"** means the common shares in the capital of the Purchaser;

**"Purchaser Subsidiaries"** means all Subsidiaries of the Purchaser and Idaho Wind Partners 1, LLC, including the Purchaser Material Subsidiaries;

**"Purchaser Termination Fee"** has the meaning ascribed thereto in Section 6.4;

**"PURPA"** means the *Public Utility Regulatory Policies Act of 1978*;

**"Qualifying Facility"** means a "Qualifying Facility" as defined by Section 201 of PURPA and the rules set forth in 18 CFR Part 292;

Table of Contents

**"Regulatory Approvals"** means authorizations, sanctions, rulings, consents, orders, exemptions, permits, declarations and other approvals (including the lapse, without objection, of a prescribed time under a statute or regulation that states that a transaction may be implemented if a prescribed time lapses following the giving of notice without an objection being made) of, or filings with, or notices to, Governmental Entities, including the Key Regulatory Approvals;

**"ROFL Termination Agreement"** means the agreement to be entered into on the Effective Date between CPC and the Partnership providing for the termination of the existing rights of the first look held by the Partnership;

**"SEC"** means the United States Securities and Exchange Commission;

**"Securities Act"** means the *Securities Act* (Alberta) and the rules, regulations and published policies made thereunder;

**"Securities Authorities"** means the securities commissions or similar regulatory authorities in each of the provinces and territories of Canada, and the SEC;

**"Securities Laws"** means the Securities Act, together with all other applicable Canadian securities laws, rules and regulations and published policies thereunder, the U.S. Securities Act and the U.S. Exchange Act, together with the rules and regulations promulgated thereunder, and listing standards of the TSX and the NYSE;

**"Securities Offerings"** has the meaning ascribed in Section 4.11(a)(ii);

**"Subsidiary"** has the meaning ascribed thereto in National Instrument 45-106 *Prospectus and Registration Exemptions*;

**"Superior Proposal"** means, with respect to the Partnership, any *bona fide* written Partnership Acquisition Proposal made by a third party that was not solicited by or on behalf of the Partnership after the date hereof, and that the GP Board, determines in good faith (after receipt of advice from its financial advisors and outside legal counsel) (i) is reasonably capable of being completed without undue delay, taking into account all legal, financial, regulatory and other aspects of such Partnership Acquisition Proposal and the party making such Partnership Acquisition Proposal; (ii) in respect of which any required financing to complete such Partnership Acquisition Proposal is committed or has been demonstrated to the satisfaction of the GP Board is reasonably available; (iii) which is available to all Partnership Unitholders on the same terms and conditions; (iv) which is not subject a due diligence and/or access condition (provided, however, that it may have been subject to such a condition which has been satisfied or irrevocably waived); (v) that did not result from a breach of Section 4.13 or 4.14; and (vi) which would, taking into account all of the terms and conditions of such Partnership Acquisition Proposal, if consummated in accordance with its terms (but not assuming away any risk of non-completion), result in a transaction more favourable to the Partnership Unitholders, from a financial point of view, than the Arrangement (including any adjustment to the terms and conditions of the Arrangement proposed by the Purchaser pursuant to Section 4.13(f)); provided that, for purposes of this definition, **"Partnership Acquisition Proposal"** shall have the meaning set forth above, except that the references in the definition thereof to "20% or more of the securities" shall be deemed to be references to "all of the securities" and references to "20% or more of the consolidated assets or revenues" shall be deemed to be references to "all of the consolidated assets or revenues"; provided, however, that any such transaction may involve the Partnership with or without the Partnership's facilities in North Carolina or the entity that holds such assets and may involve a separate party purchasing any such assets;

**"Tax Act"** means the *Income Tax Act* (Canada) and the regulations made thereunder, as amended;

**"Tax"** or **"Taxes"** means all federal, state, provincial, territorial, county, municipal, local or foreign taxes, duties, imposts, levies, assessments, tariffs and other charges imposed, assessed or collected by a

Table of Contents

Governmental Entity including (i) any gross income, net income, gross receipts, business, royalty, capital, capital gains, goods and services, value added, severance, stamp, franchise, occupation, premium, capital stock, sales and use, real property, land transfer, personal property, ad valorem, transfer, licence, profits, windfall profits, environmental, payroll, employment, employer health, pension plan, anti-dumping, countervail, excise, severance, stamp, occupation, or premium tax, (ii) all withholdings for taxes on amounts paid to or by the relevant person, (iii) all employment insurance premiums, Canada, and any other pension plan contributions or premiums and worker's compensation premiums and contributions, (iv) any fine, penalty, interest, or addition to tax, (v) any tax imposed, assessed, or collected or payable pursuant to any tax-sharing agreement or any other contract relating to the sharing or payment of any such tax, levy, assessment, tariff, duty, deficiency, or fee, and (vi) any liability for any of the foregoing as a transferee, successor, guarantor, or by contract or by operation of Law;

**"Tax Returns"** means all reports, forms, elections, designations, schedules, statements, estimates, declarations of estimated Tax, information statements and returns required to be filed, or in fact filed, with a Governmental Entity with respect to Taxes;

**"Transitional Services Agreement"** means the agreement to be entered into as of the Effective Time among CPRPSLP, Capital Power Operations (USA) Inc. and the Purchaser providing for the provision to the Purchaser and its Subsidiaries of certain transitional services for certain periods of time following the Effective Time, reflecting the terms set forth in Schedule I hereto;

**"TSX"** means the Toronto Stock Exchange;

**"U.S. Exchange Act"** means the *United States Securities Exchange Act of 1934*, as amended;

**"U.S. GAAP"** means accounting principles generally accepted in the United States of America; and

**"U.S. Securities Act"** means the *United States Securities Act of 1933*, as amended.

## **1.2 Interpretation Not Affected by Headings**

The division of this Agreement into Articles, Sections, Paragraphs and Schedules and the insertion of a table of contents and headings are for convenience of reference only and do not affect the construction or interpretation of this Agreement. The terms **"hereof"**, **"hereunder"**, **"herein"** and similar expressions refer to this Agreement and not to any particular Article, Section, Paragraph, Schedule or other portion hereof. Unless something in the subject matter or context is inconsistent therewith, references herein to Articles, Sections, Paragraphs and Schedules are to Articles, Sections and Paragraphs of, and Schedules to, this Agreement.

## **1.3 Number and Gender**

In this Agreement, words importing the singular number include the plural and vice versa, and words importing any gender include all genders.

## **1.4 Date for Any Action**

If the date on which any action is required to be taken hereunder by a Party is not a Business Day, such action shall be required to be taken on the next succeeding day which is a Business Day.

## **1.5 Statutory References**

In this Agreement, unless something in the subject matter or context is inconsistent therewith or unless otherwise herein provided, a reference to any statute is to that statute as now enacted or as the same may from time to time be amended, re-enacted or replaced and includes any regulations made thereunder.





Table of Contents

**1.6 Currency**

Unless otherwise stated, all references in this Agreement to sums of money are expressed in lawful money of Canada and "\$" refers to Canadian dollars.

**1.7 Accounting Matters**

Unless otherwise stated, all accounting terms used in this Agreement shall have the meanings attributable thereto under GAAP and all determinations of an accounting nature required to be made shall be made in a manner consistent with GAAP.

**1.8 Rules of Construction**

The Parties hereto acknowledge that their respective legal counsel have reviewed and participated in settling the terms of this Agreement, and the Parties agree that any rule of construction to the effect that any ambiguity is to be resolved against the drafting party will not be applicable to the interpretation of this Agreement.

**1.9 Consents and Approvals**

Any requirement in this Agreement for a Party to consent to or approve of an action taken or proposed to be taken by the other Party, or for a Party to be satisfied as to certain matters (including the conditions to closing contained herein), and any similar phrases, shall require the consent, approval or satisfaction of the GP Board in the case of the Partnership Entities.

**1.10 Knowledge**

In this Agreement, references to "**the knowledge of the Partnership**" or to "**the knowledge of the Partnership Entities**" means the actual knowledge (and not constructive or imputed knowledge), in their capacity as officers of the GP, of each of Stuart Anthony Lee, Anthony Scozzafava and B. Kathryn Chisholm of the GP, after due inquiry, and references to "**the knowledge of the Purchaser**" means the actual knowledge (and not constructive or imputed knowledge), in their capacity as officers of the Purchaser, of each of Barry Welch and Paul Rapisarda, after due inquiry, and references to "**the knowledge of the Corporation**" means the actual knowledge (and not constructive or imputed knowledge), in their capacity as officers of the Corporation, of each of Stuart Anthony Lee and B. Kathryn Chisholm of the Corporation, after due inquiry.

**1.11 Public Documents**

To the extent any of the representations and warranties contained in Article 3 are qualified by Partnership Public Documents or Purchaser Public Documents, such public documents shall be deemed to: (i) exclude any exhibits and schedules thereto, disclosures in the "Risk Factors" or "Forward Looking Statements" sections thereof or any other disclosure included in such documents that is cautionary, predictive or forward looking in nature; and (ii) only include those matters included therein solely to the extent that it is reasonably apparent from a reading of such disclosure that it is applicable to the matters referenced in such Section of Article 3.

**1.12 Schedules**

The following Schedules are attached to this Agreement and are incorporated by reference into this Agreement and form a part hereof:

<i>Schedule A</i>	Plan of Arrangement
<i>Schedule B</i>	Press Release

Annex A-22



Table of Contents

<i>Schedule C</i>	Partnership Support Agreements
<i>Schedule D</i>	Arrangement Resolution
<i>Schedule E</i>	List of CPC Agreements
<i>Schedule F</i>	Form of Distribution Agreement
<i>Schedule G</i>	Form of NC Purchase Agreement
<i>Schedule H</i>	List of Partnership Management Agreements
<i>Schedule I</i>	Term Sheet for Transitional Services Agreement
<i>Schedule J</i>	Forms of Preferred Share Guarantees

**ARTICLE 2  
THE ARRANGEMENT**

**2.1 Plan of Arrangement**

As soon as reasonably practicable following the date hereof, and on the terms and subject to the conditions set forth herein and in the Plan of Arrangement, the Partnership Entities, the Corporation and the Purchaser shall proceed to effect the Arrangement by way of a plan of arrangement under section 192 of the CBCA and in respect of which, on the terms and subject to the conditions contained herein and in the Plan of Arrangement:

- (a) Each Partnership Unitholder other than the Purchaser, the Corporation and GP shall receive at its election or deemed election for each one Partnership Unit held: (i) 1.3 Purchaser Shares or a cash payment equal to \$19.40, all subject to adjustment as more particularly described in the Plan of Arrangement (the "**Partnership Unitholder Consideration**");
- (b) EPCOR shall receive \$1.00 for all of the Class A Corporation Shares (the "**Class A Consideration**"); and
- (c) CPLP shall receive for all of the Class B Corporation Shares (i) the Purchaser Note (which note shall subsequently be repaid and cancelled pursuant to the Plan of Arrangement); and (ii) at its election, either the amount of cash or the number of Purchaser Shares specified in the Plan of Arrangement, subject in each case to the adjustment described in Section 2.1(a), all as more particularly described in the Plan of Arrangement (the "**Class B Consideration**" and, together with the Partnership Unitholder Consideration and the Class A Consideration, the "**Consideration**").

**2.2 Implementation Steps by the Partnership Entities and the Corporation**

Each of the Partnership Entities and the Corporation covenants in favour of the Purchaser that it shall, jointly with the others:

- (a) subject to the terms of this Agreement, as soon as reasonably practicable following the date of execution of this Agreement, the receipt of all Regulatory Approvals under applicable Securities Laws relating to the Form S-4, and the preparation of the Partnership Circular and the Purchaser Circular, apply to the Court in a manner reasonably acceptable to the Purchaser under section 192 of the CBCA for the Interim Order and to take all steps necessary or reasonably desirable to prepare, file, proceed with and diligently prosecute such application;
- (b) subject to obtaining the Interim Order and such approvals as are required by the Interim Order and applicable Laws, take all steps necessary or reasonably desirable to prepare, file, proceed with and diligently prosecute the application to the Court for the Final Order;
- (c) subject to obtaining the Final Order, take all steps necessary or reasonably desirable to file the Articles of Arrangement with the Director; and

Table of Contents

- (d)           take all steps necessary or reasonably desirable to obtain the Certificate of Arrangement from the Director.

**2.3 Partnership Meeting**

Subject to the terms of this Agreement and receipt of the Interim Order, each of the Partnership Entities agrees and covenants in favour of the Purchaser that it shall:

- (a)           in accordance with the terms of and the procedures contained in the Interim Order and applicable Law, duly call, give notice of, convene, hold and conduct the Partnership Meeting as soon as reasonably practicable following the date of execution of this Agreement, and the receipt of all Regulatory Approvals under applicable Securities Laws related to the Form S-4, to consider and, if deemed advisable, to approve the Arrangement and the Arrangement Resolution;
- (b)           in consultation with the Purchaser, fix and publish a record date for the purposes of determining the Partnership Unitholders entitled to receive notice of and vote at the Partnership Meeting in accordance with the Interim Order;
- (c)           except as required for quorum purposes or otherwise permitted under this Agreement, the Partnership Entities shall not adjourn (except as required by Law or by valid Partnership Unitholder action), postpone or cancel (or propose or permit the adjournment (except as required by Law or by valid Partnership Unitholder action), postponement or cancellation of) the Partnership Meeting without the Purchaser's prior written consent;
- (d)           (i) solicit proxies of Partnership Unitholders in favour of the Arrangement Resolution and against any resolution submitted by any other Partnership Unitholder, including, if so reasonably requested by the Purchaser, using the services of dealers and proxy solicitation services and permitting the Purchaser to otherwise assist the Partnership Entities in such solicitation, and take all other actions that are necessary or reasonably desirable to seek the approval of the Arrangement by the Partnership Unitholders, (ii) in the Partnership Circular, subject to the terms of this Agreement, recommend to holders of Partnership Units that they vote in favour of the Arrangement Resolution, and (iii) include in the Partnership Circular a statement that each director and executive officer of the Partnership Entities intends to vote all of his or her Partnership Units in favour of the Arrangement Resolution; and
- (e)           advise the Purchaser as the Purchaser may reasonably request, and at least on a daily basis on each of the last 10 Business Days prior to the date of the Partnership Meeting, as to the aggregate tally of the proxies received in respect of the Arrangement Resolution.

**2.4 Interim Order**

The application referred to in Section 2.2(a) shall request that the Interim Order provide, among other things:

- (a)           for the class of persons to whom notice is to be provided in respect of the Arrangement (such class of persons being the Partnership Unitholders and the Corporation Shareholders), the Partnership Meeting (such class of persons being the Partnership Unitholders) and for the manner in which such notice is to be provided;

Table of Contents

- (b) that the requisite approval for the Arrangement Resolution shall be (i) at least 66<sup>2</sup>/<sub>3</sub>% of the votes cast on the Arrangement Resolution by Partnership Unitholders present in person or represented by proxy at the Partnership Meeting, and (ii) at least a majority of the votes cast on the Arrangement Resolution by Partnership Unitholders present in person or represented by proxy at the Partnership Meeting, after excluding the votes cast by those Persons whose votes are required to be excluded pursuant to MI 61-101 (the "**Partnership Unitholder Approval**");
- (c) that, in all other respects, the terms, restrictions and conditions of the Partnership Agreement, including quorum requirements and all other matters, shall apply in respect of the Partnership Meeting;
- (d) for the notice requirements with respect to the presentation of the application to the Court for the Final Order;
- (e) that the Partnership Meeting may be adjourned or postponed from time to time in compliance with Section 4.19(b) by the Partnership Entities, without the need for additional approval of the Court;
- (f) that the record date for the Partnership Unitholders entitled to notice of and to vote at the Partnership Meeting will not change in respect or as a consequence of any adjournment(s) or postponement(s) of the Partnership Meeting; and
- (g) for such other matters as the Purchaser may reasonably require, subject to obtaining the prior consent of the Partnership Entities, such consent not to be unreasonably withheld or delayed.

## **2.5 Final Order**

If (a) the Interim Order is obtained, and (b) the Arrangement Resolution is passed at the Partnership Meeting by the Partnership Unitholders as provided for in the Interim Order and as required by applicable Law, the Partnership Entities shall as soon as reasonably practicable thereafter and in any event within two Business Days thereafter take all steps necessary or reasonably desirable to submit the Arrangement to the Court and diligently pursue an application for the Final Order pursuant to section 192 of the CBCA.

## **2.6 Filing Articles of Arrangement and Effective Date**

No later than the third Business Day after the satisfaction or waiver (subject to applicable Laws) of the conditions (excluding conditions that, by their terms, cannot be satisfied until the Effective Date, but subject to the satisfaction or, where permitted, waiver of those conditions as of the Effective Date) set forth in Article 5, the Articles of Arrangement shall be filed by the Partnership Entities with the Director. From and after the Effective Time, the Plan of Arrangement will have all of the effects provided by applicable Law, including the CBCA. The Parties shall use their reasonable best efforts to cause the Effective Date to occur on or about December 15, 2011 or as soon thereafter as reasonably practicable and in any event by the Outside Date.

## **2.7 Payment of Consideration**

The Purchaser will, following receipt of the Final Order and prior to the filing by the Partnership Entities and the Corporation of the Articles of Arrangement with the Director, in accordance with the Plan of Arrangement, deliver or cause to be delivered to the Depository on or prior to the Effective Date (a) sufficient funds to satisfy the cash consideration payable to the Partnership Unitholders and the Corporation Shareholders, pursuant to the Plan of Arrangement; and (b) sufficient Purchaser Shares to satisfy the Purchaser share consideration payable to the Partnership Unitholders and Corporation Shareholders, pursuant to the Plan of Arrangement.

Table of Contents

**2.8 Closing**

The completion of the transactions contemplated hereby and by the Arrangement will take place at the Calgary office of Fraser Milner Casgrain LLP, 15th Floor, Bankers Court, 850 2nd Street S.W., Calgary, AB T2P 0R8 at 8:00 a.m. (Mountain time) on the Effective Date, or such other time and place as may be agreed to by the Parties.

**2.9 Partnership Circular**

Subject to compliance with Section 2.10, as soon as reasonably practicable after the execution and delivery of this Agreement, the Partnership Entities shall prepare the Partnership Circular together with any other documents required by the Securities Laws or other applicable Laws in connection with the Partnership Meeting to be filed and prepared by the Partnership Entities. Subject to Section 2.3(a) and Section 2.10, as soon as reasonably practicable after the execution and delivery of this Agreement, the Partnership Entities shall, unless otherwise agreed by the Partnership Entities and the Purchaser, cause the Partnership Circular and such other documentation required in connection with the Partnership Meeting to be mailed to the Partnership Unitholders and filed in all jurisdictions where the same is required to be filed as required by the Interim Order and applicable Laws. The Partnership Circular shall include the unanimous recommendation of the GP Board that the Partnership Unitholders vote in favour of the Arrangement Resolution, subject to the terms of this Agreement, and a statement that each director and executive officer of each of the Partnership Entities intends to vote all of his or her Partnership Units in favour of the Arrangement Resolution, and shall include a copy of the Partnership Fairness Opinions.

**2.10 Preparation of Filings**

(a)

The Parties shall co-operate in the preparation and filing of the Partnership Circular, and in the mailing of the Partnership Circular. Each of the Partnership Entities shall provide the Purchaser and its representatives with a reasonable opportunity to review and comment on the Partnership Circular, including by providing on a timely basis a description of any information required to be supplied by the Purchaser for inclusion in the Partnership Circular, prior to it being printed and mailed to the Partnership Unitholders and filed with the applicable Securities Authorities in accordance with the Interim Order and applicable Laws and will accept the reasonable comments of the Purchaser and its legal counsel with respect to any such information required to be supplied by the Purchaser and included in the Partnership Circular and shall give reasonable consideration to comments of the Purchaser and its legal counsel in respect of any other matters in the Partnership Circular, provided that all information relating to the Purchaser, its Affiliates and the Purchaser Shares included in the Partnership Circular shall be in form and content satisfactory to the Purchaser. The Partnership Entities shall provide the Purchaser with a final copy of the Partnership Circular prior to mailing to the Partnership Unitholders.

(b)

The Purchaser shall provide the Partnership Entities with any information for inclusion in the Partnership Circular that may be required under applicable Law and/or is reasonably requested by the Partnership Entities.

(c)

Each of the Partnership Entities shall ensure that the Partnership Circular, including all information incorporated by reference therein, complies with the Interim Order and all applicable Laws, and, without limiting the generality of the foregoing, that the Partnership Circular does not, at the time of mailing of the Partnership Circular, contain any untrue statement of a Material Fact or omit to state a Material Fact required to be stated therein or necessary to make the statements contained therein not misleading in light of the circumstances under which they are made (other than with respect to any information relating

Table of Contents

to and provided by the Purchaser) and shall contain sufficient detail to permit the Partnership Unitholders to form a reasoned judgement concerning the matters to be placed before them at the Partnership Meeting.

(d)

The Purchaser shall ensure that the information provided by it for inclusion in the Partnership Circular does not, at the time of the mailing of the Partnership Circular, contain any untrue statement of a Material Fact or omit to state any Material Fact required to be stated therein or that is necessary to make the statements contained therein not misleading in light of the circumstances under which they are made.

(e)

Each of the Parties shall promptly notify each other if at any time before the Effective Time it becomes aware that the Partnership Circular contains an untrue statement of a Material Fact or omits to state a Material Fact required to be stated therein or that is necessary to make the statements contained therein not misleading in light of the circumstances under which they are made, or that otherwise requires an amendment or supplement to the Partnership Circular, and the Parties shall co-operate in the preparation of such amendment or supplement as required or appropriate, and the Partnership Entities shall promptly mail or otherwise publicly disseminate any amendment or supplement to the Partnership Circular to Partnership Unitholders and, if required by the Court or applicable Laws, file the same with the applicable Securities Authorities and as otherwise required.

(f)

Each of the Partnership Entities shall as soon as reasonably practicable inform the Purchaser of any requests or comments, whether written or oral, made by Securities Authorities in connection with the Partnership Circular. Each of the Parties will use all commercially reasonable efforts to cooperate with the other and to do all such acts and things as may be necessary in the manner contemplated in the context of the preparation of the Partnership Circular and use its respective commercially reasonable efforts to resolve all requests or comments made by Securities Authorities with respect to the Partnership Circular and any other required filings under applicable Securities Laws as soon as reasonably practicable after receipt thereof.

(g)

Each of the Partnership Entities will inform the Purchaser as soon as reasonably practicable after it is aware of any written communication received from Partnership Unitholders in opposition to the Arrangement or the Arrangement Resolution.

(h)

The Partnership Entities will give advance notice to the Purchaser of the Partnership Meeting and allow the Purchaser's representatives and legal counsel to attend the Partnership Meeting.

(i)

Each of the Parties shall co-operate and use commercially reasonable efforts in good faith to take, or cause to be taken, all commercially reasonable actions, including the preparation of any applications for Regulatory Approvals and other orders, registrations, consents, filings, rulings, exemptions, no-action letters, circulars and approvals required in connection with this Agreement and the Arrangement and the preparation of any required documents, in each case as reasonably necessary to discharge their respective obligations under this Agreement, the Arrangement and the Plan of Arrangement and to complete any of transactions contemplated by this Agreement, including their obligations under applicable Laws. Each Party shall also use commercially reasonable efforts to obtain any necessary consents from any of its auditors and any other advisors to the use of any financial, technical or other expert information required to be included in such filings and to the identification in such filings of each such advisor.

## **2.11 Court Proceedings**

Each of the Partnership Entities and the Corporation will provide the Purchaser and its legal counsel with reasonable opportunity to review and comment upon drafts of all material to be filed with



Table of Contents

the Court in connection with the Arrangement, including by providing on a timely basis a description of any information required to be supplied by the Purchaser for inclusion in such material, prior to the service and filing of that material, and will give reasonable consideration to all such comments of the Purchaser and its legal counsel. Each of the Partnership Entities and the Corporation will ensure that all material filed with the Court in connection with the Arrangement is consistent in all material respects with the terms of this Agreement, the agreements that it contemplates and the Plan of Arrangement. In addition, each of the Partnership Entities and the Corporation agree that it will not object to legal counsel to the Purchaser making submissions on behalf of the Purchaser on the application (and the hearing of the motion) for the Interim Order and the application (and the hearing of the motion) for the Final Order as such counsel considers appropriate, provided that the Partnership Entities and the Corporation are advised of the nature of any submissions prior to the hearing and such submissions are consistent with this Agreement, the agreements that it contemplates and the Plan of Arrangement. Each of the Partnership Entities and the Corporation will also provide to legal counsel to the Purchaser on a timely basis copies of any notice and evidence served on it or its legal counsel in respect of the application for the Interim Order or the Final Order or any appeal therefrom. Subject to applicable Law, none of the Partnership Entities and the Corporation will file any material with the Court in connection with the Arrangement or serve any such material, and will not agree to modify or amend materials so filed or served, except as contemplated hereby or with the Purchaser's prior written consent, such consent not to be unreasonably withheld, conditioned or delayed; provided that nothing herein shall require the Purchaser to agree or consent to any increase in the consideration contemplated in connection with the Arrangement or other modification or amendment to such filed or served materials that expands or increases the Purchaser's obligations set forth in any such filed or served materials or under this Agreement or the Arrangement. The Partnership Entities and the Corporation shall also provide to the Purchaser's outside counsel on a timely basis copies of any notice of appearance or other Court documents served on any of the Partnership Entities and/or the Corporation in respect of the application for the Interim Order or the Final Order or any appeal therefrom and of any notice, whether written or oral, received by any of the Partnership Entities and/or the Corporation indicating any intention to oppose the granting of the Interim Order or the Final Order or to appeal the Interim Order or the Final Order. Each of the Partnership Entities and the Corporation will also oppose any proposal from any party that the Final Order contain any provision inconsistent with this Arrangement Agreement, and, if at any time after the issuance of the Final Order and prior to the Effective Date, any of the Partnership Entities and/or the Corporation is required by the terms of the Final Order or by Law to return to Court with respect to the Final Order, it shall do so after notice to, and in consultation and cooperation with, the Purchaser.

## **2.12 Public Communications**

The Parties agree to issue jointly a press release with respect to this Agreement and the Arrangement in the form set forth in Schedule B attached hereto promptly after its due execution. The Partnership Entities, the Corporation and the Purchaser agree to co-operate in the preparation of presentations, if any, to the Partnership Unitholders, the Purchaser Shareholders, investors, analysts and ratings agencies regarding the Arrangement prior to the making of such presentations and to advise, consult and cooperate with each other in issuing any press releases or otherwise making public statements with respect to this Agreement or the Arrangement. Each of the Partnership Entities, the Corporation and the Purchaser shall use all reasonable commercial efforts to enable the other Party to review and comment on all such press releases and disclosure prior to the release thereof; provided, however, that the foregoing shall be subject to each Party's overriding obligation to make disclosure or filing required under applicable Laws, and if such disclosure is required and the other Party has not reviewed or commented on the disclosure, the Party making such disclosure shall use reasonable commercial efforts to give prior oral or written notice to the other Party, and if such prior notice is not possible, to give such notice immediately following the making of such disclosure.

Table of Contents

**2.13 Outside Date**

The Parties covenant and agree that any Party may postpone the Outside Date for up to 30 days (in 10-day increments) if the consummation of the transactions contemplated hereby is delayed by (i) any appealable judgment rendered by a court of competent jurisdiction enforceable against the Partnership Entities, the Corporation or the Purchaser, (ii) the Parties not having obtained any Regulatory Approval that was not denied by a non-appealable decision of a Governmental Entity, or (iii) the Parties not having obtained any Consent required to be obtained hereunder, by giving written notice to the other Parties to such effect no later than 5:00 p.m. (Mountain time) on the date that is not less than five days prior to the original Outside Date (and any subsequent Outside Date); provided that such judgment is being appealed or such Regulatory Approval or Consent is being actively sought, as applicable.

**2.14 Meeting Coordination**

The Partnership Entities and the Purchaser agree to use their commercially reasonable efforts to schedule the Partnership Meeting and the Purchaser Meeting on the same day, provided that the Purchaser Meeting shall be scheduled to occur prior to the Partnership Meeting.

**ARTICLE 3  
REPRESENTATIONS AND WARRANTIES**

**3.1 Representations and Warranties of the Partnership and GP**

The Partnership and GP hereby jointly and severally represent and warrant to and in favour of the Purchaser as follows and acknowledge that the Purchaser is relying upon such representations and warranties in connection with the entering into of this Agreement:

- (a) Board Approval.
  - (i) Greenhill & Co. Canada Ltd. and CIBC World Markets Inc. have delivered oral opinions as to the Partnership Fairness Opinions to the GP Board to the effect that the consideration to be received under the Arrangement is fair from a financial point of view to the Partnership Unitholders; and
  - (ii) the members of the GP Board entitled to vote, after consultation with their financial and legal advisors, have determined unanimously that the Arrangement is in the best interests of the Partnership and is fair to the Partnership Unitholders and have resolved unanimously to recommend to the Partnership Unitholders that they vote in favour of the Arrangement. The members of the GP Board entitled to vote have unanimously approved the Arrangement and the execution and performance of this Agreement.
- (b) *Organization, Standing and Power.* Each of the Partnership Entities and the Partnership Subsidiaries has been duly incorporated, organized or formed (as the case may be) and is validly existing under the Laws of its jurisdiction of incorporation, organization or formation, and has all requisite partnership or corporate (as the case may be) power, capacity and authority to own, lease and operate its properties and assets and to carry on its business as presently owned, leased, operated and conducted. Each of the Partnership Entities and each of the Partnership Subsidiaries is duly registered and qualified to do business and is in good standing in each jurisdiction in which the character of its properties and assets, owned, leased, licensed or otherwise held, or the nature of its activities makes such registration or qualification, as applicable, necessary, except where the failure to be so registered or qualified, as applicable, would not, individually or in the aggregate, have a Material Adverse Effect on the Partnership, each of such jurisdictions being listed in Schedule 3.1(b) to the Partnership Entity Disclosure Letter. True and complete copies of the constating documents of each of the

Table of Contents

Partnership Entities and the Partnership Subsidiaries have been placed in the Data Site, and none of the Partnership Entities or the Partnership Subsidiaries has taken any action to amend or supersede such documents.

(c)

*Authority; No Conflict.* Each of the Partnership Entities has the requisite partnership or corporate (as the case may be) power, capacity and authority to enter into this Agreement and all other agreements and instruments to be executed by each of the Partnership Entities as contemplated by this Agreement, and to perform its obligations hereunder and under such other agreements and instruments. The execution and delivery of this Agreement by each of the Partnership Entities and the performance by each of the Partnership Entities of its obligations hereunder and the completion by the Partnership Entities of the Arrangement have been duly authorized by the GP Board and except for obtaining the Partnership Unitholder Approval, no other partnership or corporate proceedings, as the case may be, on the part of either of the Partnership Entities are necessary to authorize this Agreement and the Arrangement. This Agreement has been duly authorized, executed and delivered by each of the Partnership Entities and constitutes a legal, valid and binding obligation of each of the Partnership Entities, enforceable against each of the Partnership Entities in accordance with its terms (subject to applicable bankruptcy, insolvency, reorganization and other laws of general application limiting the enforcement of creditors' rights generally and to the fact that specific performance is an equitable remedy available only in the discretion of a court). Except as disclosed in Schedule 3.1(c) to the Partnership Entity Disclosure Letter, the authorization, execution and delivery by each of the Partnership Entities of this Agreement and the performance by each of the Partnership Entities of its obligations hereunder and the completion by each of the Partnership Entities of the transactions contemplated hereby (including the Arrangement) will not:

(i)

violate, conflict with or result in a breach of or default under, and do not and will not create a state of facts which, after notice or lapse of time or both, will result in a breach of or default under, and do not and will not conflict with, or give rise to any right of termination, cancellation, suspension, acceleration, penalty or payment obligation or right to purchase or sell under, any term or provision of:

(A)

the Partnership Agreement or the constating documents or by-laws or other comparable organizational documents of any of the Partnership Subsidiaries, or any resolutions of any of the directors, shareholders, unitholders or partners, as applicable, of the Partnership or any of the Partnership Subsidiaries, or any committee of any of them;

(B)

the constating documents or by-laws of GP, or any resolutions of any of the directors or shareholders of GP, or any committee of any of them;

(C)

any agreement, contract, indenture, deed of trust, mortgage, note, bond, instrument or Authorization to which the Partnership, GP or any of the Partnership Subsidiaries is a party or by which the Partnership, GP or any of the Partnership Subsidiaries is bound, except as would not, individually or in the aggregate, have, or reasonably be expected to have, a Material Adverse Effect in respect of the Partnership Entities taken as a whole; or

(D)

except for the Key Regulatory Approvals and the Partnership Entity Regulatory Approvals, any Law applicable to the Partnership, GP or any of the Partnership Subsidiaries, or any of their respective properties or assets (including, without limitation, the Securities Laws) except as would not, individually or in the aggregate have, or reasonably be expected to have, a Material Adverse Effect in respect of the Partnership Entities taken as a whole;

Table of Contents

- (ii) give rise to any rights of first refusal or rights of first offer, trigger any change in control provisions or any similar provisions or restrictions or limitation under any agreement, contract, indenture, deed of trust, mortgage, note, bond, instrument or Authorization to which the Partnership, GP or any of the Partnership Subsidiaries is a party, except as would not, individually or in the aggregate, have or reasonably be expected to have a Material Adverse Effect in respect of the Partnership Entities taken as a whole;
- (iii) give rise to any termination or acceleration of indebtedness or any rights or obligations under the CPEL Preferred Shares, or cause any third party indebtedness (including any amounts under the CPEL Preferred Shares) to come due before its stated maturity or cause any available credit to cease to be available;
- (iv) except in respect of matters related to the Purchaser, result in the creation or imposition of any Encumbrance upon any of the property or assets of the Partnership, GP or any of the Partnership Subsidiaries, or restrict, hinder, impair or limit the ability of the Partnership, GP or any Partnership Subsidiary to conduct their respective businesses as and where it is now being conducted which would, individually or in the aggregate, have or reasonably be expected to have a Material Adverse Effect in respect of the Partnership Entities taken as a whole; or
- (v) except pursuant to the Partnership Management Agreements, result in any material payment (including retention, severance, unemployment compensation, golden parachute, bonus or otherwise) becoming due from any of the Partnership Entities or any Partnership Subsidiary to any director, officer or employee of any of the Partnership, GP or any of the Partnership Subsidiaries, or increase any benefit payable to such director, officer or employee by the Partnership, GP or any of the Partnership Subsidiaries, or result in the acceleration of the time of payment or vesting of any such benefits.

The Partnership Entity Consents are the only consents and approvals required from, and notices required to, any third party under any Partnership Material Contract in order for the Partnership, GP and the Partnership Subsidiaries to proceed with the execution and delivery of this Agreement and the completion of the transactions contemplated by this Agreement (including the transactions contemplated under each of the Partnership Reorganization Agreements, the Management Agreements Termination Agreement and the Management Agreement Assignment Agreement) and the Arrangement pursuant to the Plan of Arrangement except for consents and approvals which would not, individually or in the aggregate have, or reasonably be expected to have, a Material Adverse Effect in respect of the Partnership Entities taken as a whole.

- (d) *Regulatory Approvals.* Other than the Interim Order, the Final Order, the Key Regulatory Approvals and the Partnership Entity Regulatory Approvals, and except as would not, individually or in the aggregate have, or reasonably be expected to have, a Material Adverse Effect in respect of the Partnership Entities taken as a whole or the ability of the Partnership Entities to consummate the transactions contemplated hereby, no Authorization, consent, sanction, ruling, order, exemption, permit, approval, authorization or declaration of, or filing with, or notice to, any Governmental Entity which has not been received and made and which may not be made after the Effective Date is necessary on the part of any of the Partnership Entities or any Partnership Subsidiary in connection with the execution and delivery by the Partnership Entities of this Agreement and the completion by the Partnership Entities of the transactions contemplated by this Agreement (including the transactions contemplated by the Partnership Reorganization Agreements, the Management Agreements Termination Agreement and the Management Agreement Assignment Agreement), the obligations of each

Table of Contents

of the Partnership Entities hereunder and under the Arrangement pursuant to the Plan of Arrangement.

(e)

*Interest in the Partnership.* GP is the sole general partner of the Partnership. GP beneficially owns 2,400 Partnership Units free and clear of all Encumbrances, except for Permitted Encumbrances and the Partnership Agreement.

(f)

*Capital Structure.* The authorized capital of the Partnership consists of an unlimited number of Partnership Units and an unlimited number of subscription receipts exchangeable into Partnership Units. As at the date hereof, there are 56,467,540 Partnership Units issued and outstanding as fully-paid and non-assessable units in the capital of the Partnership and no subscription receipts have been issued and are outstanding. The authorized capital of GP consists of an unlimited number of common shares and an unlimited number of first preference shares, in each case without nominal or par value. As at the date hereof, there are 61 common shares of GP issued and outstanding as fully-paid and non-assessable shares in the capital of GP, all of which are owned by the Corporation, and no first preference shares have been issued. CPEL is authorized to issue an unlimited number of common shares and an unlimited number of preferred shares issuable in series, of which 432,088,196 common shares are issued outstanding as fully-paid and non-assessable shares in the capital of CPEL, all of which are owned by the Partnership and up to 5,750,000 Cumulative Redeemable Preferred Shares, Series 1, 4,000,000 Cumulative Rate Reset Preferred Shares, Series 2 and 4,000,000 Cumulative Floating Rate Preferred Shares, Series 3 have been authorized for issuance. As at the date hereof, there are 5,000,000 Cumulative Redeemable Preferred Shares, Series 1, 4,000,000 Cumulative Rate Reset Preferred Shares, Series 2 and no Cumulative Floating Rate Preferred Shares, Series 3 issued and outstanding. Except as set forth in the Schedule 3.1(f) of the Partnership Entity Disclosure Letter, there are no options, warrants, conversion privileges or other rights, agreements, arrangements or commitments (pre-emptive, contingent or otherwise) of any character whatsoever requiring or which may require the issuance, sale or transfer by either of the Partnership Entities or CPEL of any securities of either of the Partnership Entities or CPEL (including Partnership Units, shares of GP and CPEL Preferred Shares), or any securities or obligations convertible into, or exchangeable or exercisable for, or otherwise evidencing a right or obligation to acquire, any securities of either of the Partnership Entities or CPEL (including Partnership Units, shares of GP and CPEL Preferred Shares) or the Partnership Subsidiaries. All outstanding Partnership Units, shares of GP and CPEL Preferred Shares have been duly authorized and validly issued, are fully paid and non-assessable. All securities of the Partnership, GP and CPEL (including the Partnership Units, shares of GP and CPEL Preferred Shares) have been issued in compliance with all applicable Laws and Securities Laws. There are no outstanding contractual or other obligations of the Partnership, GP, CPEL or any of the Partnership Subsidiaries to repurchase, redeem or otherwise acquire any of their securities or with respect to the voting or disposition of any outstanding securities of any of the Partnership Subsidiaries. As at the date hereof, no order ceasing or suspending trading in securities of any of the Partnership, GP or CPEL nor prohibiting the sale of such securities has been issued and is outstanding against the Partnership, GP, CPEL or any of their directors or officers.

(g)

*Subsidiaries.* Except as expressly set out in Section 3.1(e), GP does not own shares, units or any other form of equity or investment interest in any Person, except the Partnership. GP does not have any Subsidiaries other than the Partnership (and Partnership Subsidiaries) and the Partnership is considered a Subsidiary of GP because the Partnership is a limited partnership and GP is the general partner of the Partnership. Except as disclosed in Schedule 3.1(g) to the Partnership Entity Disclosure Letter, neither the Partnership nor any Subsidiary of the Partnership owns shares, units or any other form of equity or investment interest in any

Table of Contents

Person, except in other Partnership Subsidiaries, NC LLC, New LLC, New LLC2 and PERH, and each of the Partnership Subsidiaries are disclosed in Schedule 3.1(g) of the Partnership Entity Disclosure Letter. Except as disclosed in Schedule 3.1(g) to the Partnership Entity Disclosure Letter, the Partnership beneficially owns, directly or indirectly, all of the issued and outstanding securities of each of its Subsidiaries free and clear of all Encumbrances, except for Permitted Encumbrances and restrictions on transfer contained in the constating documents of the Subsidiaries of the Partnership. All of the outstanding shares or other equity securities or ownership interests in the capital of each of the Partnership's Subsidiaries are: (i) duly authorized, validly issued, fully paid and non-assessable (and no such shares or other equity or ownership interests have been issued in violation of any pre-emptive or similar rights), and (ii) except as may be owned by the Partnership or any Partnership Subsidiary, there are no outstanding options, warrants, rights, entitlements, understandings or commitments (contingent or otherwise) regarding the right to purchase or acquire, or securities convertible into or exchangeable for, any such shares of capital stock or other ownership interests in, or, except pursuant to the Partnership Reorganization Agreements and except as disclosed in Schedule 3.1(g) to the Partnership Entity Disclosure Letter, material assets or properties of, any of the Partnership Subsidiaries. Except with the Partnership or any Partnership Subsidiary and except for the Partnership Reorganization Agreements and this Agreement, there are no contracts, commitments, agreements, understandings, arrangements or restrictions which require any Partnership Subsidiary to issue, sell or deliver any shares in its capital or other ownership interests, or any securities or obligations convertible into or exchangeable for, any shares of its share capital or other ownership interests. The Partnership does not hold any equity interest in any Subsidiary, other than its interests in the Partnership Subsidiaries and NC LLC.

(h)

*Existing Commitments.* Except as disclosed in Schedule 3.1(h) to the Partnership Entity Disclosure Letter or as contemplated by the Partnership Agreement or the Partnership Reorganization Agreements, (i) except for the Partnership or any Partnership Subsidiary, no Person has any agreement or option, or right or privilege (whether pre-emptive or contractual) capable of becoming an agreement or option (including convertible or exchangeable securities or warrants) for the issuance of Partnership Units or shares of GP or any unissued interest in or securities of any kind in the Partnership or in GP or any of the Partnership Subsidiaries, and (ii) other than this Agreement, there is no agreement which grants to any Person the right to purchase or otherwise acquire any Partnership Units owned by GP.

(i)

*Compliance with Laws.* Except as disclosed in Schedule 3.1(i) of the Partnership Entity Disclosure Letter, to the knowledge of the Partnership Entities, each of the Partnership Entities and the Partnership Subsidiaries has conducted and is conducting its activities or business and the business and activities of the Partnership Facilities in compliance with all applicable Laws (including without limitation those of the country, province, state and municipality in which such entity carries on business or conducts its activities), except as would not, individually or in the aggregate, have a Material Adverse Effect in respect of the Partnership Entities taken as a whole. None of the Partnership, GP or any of the Partnership Subsidiaries has received any written notices or other correspondence from any Governmental Entity regarding any circumstances that have existed or currently exist which would reasonably be expected to lead to a loss, suspension, or modification of, or a refusal to issue, any Authorization relating to its activities which would reasonably be expected to restrict, curtail, limit or adversely affect the ability of the Partnership, GP or any of the Partnership Subsidiaries to operate their respective businesses except in each case as would not, individually or in the aggregate, have a Material Adverse Effect in respect of the Partnership Entities taken as a whole.

Table of Contents

- (j) *Permits and Licenses.* Except as disclosed in Schedule 3.1(j) of the Partnership Entity Disclosure Letter, each of the Partnership Entities, the Partnership Subsidiaries and the Partnership Facilities has or has the benefit of all Authorizations required or necessary to conduct its business and activities as currently conducted, and all such Authorizations are in full force and effect and in good standing and the Partnership, GP and each of the Partnership Subsidiaries and the Partnership Facilities are in material compliance with their requirements except in each case as would not, individually or in the aggregate, have a Material Adverse Effect in respect of the Partnership Entities taken as a whole. There has been no violation of any such Authorizations and, to the knowledge of the Partnership, no proceeding is pending or threatened to revoke, modify, cancel, suspend or limit any such Authorizations or to add any conditions of compliance except in each case as would not, individually or in the aggregate, have a Material Adverse Effect in respect of the Partnership Entities taken as a whole.
- (k) *Canadian Securities Laws; TSX Requirements.* Each of the Partnership and CPEL is a "reporting issuer" under applicable Canadian Securities Laws and is not in default of any material requirements of any applicable Canadian Securities Laws. The Partnership, CPEL and the Partnership Subsidiaries have been and are now in compliance, in all material respects, with all applicable Canadian Securities Laws and there are no current, or, to the knowledge of the Partnership, pending or threatened proceedings before any Securities Authority or other Governmental Entity relating to any alleged non-compliance with any Securities Laws. The Partnership Units and the CPEL Preferred Shares are listed on the TSX, and neither the Partnership nor CPEL is in default, in any material respect, of any requirements of the TSX. As at the date hereof, no order, ruling or determination having the effect of delisting, suspending the sale or ceasing the trading of the Partnership Units, the CPEL Preferred Shares or any securities of GP or of any Partnership Subsidiary has been issued or made by any Securities Authority or the TSX or any other regulatory authority and is continuing in effect and, to the knowledge of the Partnership, at the date hereof, no investigation, inquiry or proceedings (formal or informal) for any purpose have been, instituted or are pending or threatened by any such authority.
- (l) *Partnership Public Documents and CPEL Public Documents.* Each of the Partnership and CPEL has filed all documents required to be filed by it in accordance with applicable Securities Laws with the Securities Authorities and the TSX. Each of the documents filed by the Partnership or CPEL under applicable Securities Laws on SEDAR since January 1, 2011 and prior to the date hereof and accessible to the public on the SEDAR website as of the date hereof, at the time filed (or, if amended, as of the date of such amendment), complied in all material respects with the requirements of applicable Securities Laws and the TSX (and any amendments to any of such documents, as the case may be, required to be made have been filed on a timely basis with the Securities Authorities and the TSX) and did not contain any untrue statement of a Material Fact or omit to state a Material Fact required to be stated therein or necessary to make the statement therein not misleading in light of the circumstances under which it was made. Neither the Partnership nor CPEL has filed any confidential material change report with any Securities Authority which, as of the date hereof, remains confidential.
- (m) *Partnership Financial Statements.* Except as disclosed in Schedule 3.1(m) to the Partnership Entity Disclosure Letter, the Partnership Financial Statements (i) are in accordance with the books, records and accounts of the Partnership and the Partnership Subsidiaries, (ii) are true and correct and present fairly the consolidated financial position of the Partnership and the Partnership Subsidiaries for the periods ended on, and as at, the dates indicated therein, (iii) have been prepared in accordance with, in the case of the Partnership Annual Financial

Table of Contents

Statements, GAAP consistently applied and, in the case of the Partnership Interim Financial Statements, IFRS, and (iv) present fairly the financial position, results of operations and changes in financial position of the Partnership on a consolidated basis as at the dates thereof and for the periods indicated thereon except in each case as otherwise indicated by the Partnership Financial Statements and the notes thereto or, in the case of the Partnership Annual Financial Statements, in the related report of the Partnership's independent auditor and in the case of the Partnership Interim Financial Statement, subject to normal year end audit adjustments.

(n)

*GP Financial Statements.* Except as disclosed in Schedule 3.1(n) to the Partnership Entity Disclosure Letter, the GP Financial Statements (i) are in accordance with the books, records and accounts of GP, (ii) are true and correct and present fairly the financial position of GP for the periods ended on, and as at, the dates indicated therein, (iii) have been prepared in accordance with GAAP or IFRS consistently applied, and (iv) present fairly the financial position, results of operations and changes in financial position of GP as at the dates thereof and for the periods indicated thereon, except in each case as otherwise indicated in the GP Financial Statements.

(o)

*Absence of Certain Changes.* Except as disclosed in Schedule 3.1(o) to the Partnership Entity Disclosure Letter, and except as contemplated in the Partnership Material Contracts, the Partnership Reorganization Agreements or this Agreement, since the date of the Partnership Annual Financial Statements,

(i)

there has not been any event, circumstance or occurrence which has had or is reasonably likely to give rise to a Material Adverse Effect in respect of the Partnership;

(ii)

there has not occurred any adverse Material Change except as disclosed in the Partnership Public Documents, in the business, operations or capital of the Partnership and the Partnership Subsidiaries taken as a whole;

(iii)

there has not been any event, circumstances or occurrence which has had or is reasonably likely to give rise to a Material Adverse Effect in respect of GP;

(iv)

there has not occurred any adverse Material Change in the business, operations or capital of GP;

(v)

the Partnership, GP and the Partnership Subsidiaries have conducted their respective businesses only in the ordinary course of business;

(vi)

except for a change from GAAP to IFRS, there has not been any change in the accounting practices used by any of the Partnership Entities and its Subsidiaries;

(vii)

there has not been any acquisition or sale by the Partnership, GP or any of the Partnership Subsidiaries of any material property or assets; and

(viii)

there has not been any redemption, repurchase or other acquisition of Partnership Units by the Partnership, or any declaration, setting aside or payment of any dividend or other distribution (whether in cash, shares or property) with respect to the Partnership Units.

(p)

*Records.* The corporate records and minute books of GP, the Partnership and the Partnership Subsidiaries have been maintained in accordance with all applicable Laws in all material respects, are complete and accurate in all material respects and contain minutes of all meetings and resolutions of the directors, trustees, shareholders, unitholders or partners, as applicable, or any committee of any of them, except for minutes of meetings of the GP Board and any and all committees thereof relating to the Partnership's sale process and except for meetings for which minutes have not yet been prepared. The financial books and records and





Table of Contents

accounts of GP, the Partnership and the Partnership Subsidiaries (i) except for such books, records and accounts related to the Partnership Interim Financial Statements, have been maintained in accordance with good business practices, applicable Laws and GAAP on a basis consistent with prior years; (ii) in the case of such books, records and accounts related to the Partnership Interim Financial Statements, have been maintained in accordance with good business practices, applicable Laws and IFRS; (iii) are stated in reasonable detail and accurately and fairly reflect the material transactions, acquisitions and dispositions of the assets of the Partnership and the Partnership Subsidiaries; and (iv) accurately and fairly reflect the basis for the Partnership Financial Statements; provided, however, that the foregoing is qualified by the knowledge of the Partnership for periods prior to the date the applicable Partnership Subsidiary became owned by the Partnership.

(q)

*Assets and Undertakings.* The only material assets of GP consist of 2,400 Partnership Units and the general partner interest in the Partnership. The only business of GP is that of general partner of the Partnership. Each of the Partnership and the Partnership Subsidiaries has good and valid title to all of its material assets and undertakings, free and clear of all Encumbrances, except for Permitted Encumbrances, as set out in Schedule 3.1(q) to the Partnership Entity Disclosure Letter, restrictions on transfer contained in the constating documents of the Partnership Subsidiaries or NC LLC and except where the failure to have good title would not have, individually or in the aggregate, a Material Adverse Effect in respect of the Partnership Entities taken as a whole.

(r)

*Operation of Partnership Facilities.*

(i)

Schedule 3.1(r)(i) to the Partnership Entity Disclosure Letter includes a complete list of all of the Partnership Facilities. The information the Partnership has made available to the Purchaser and its Agents in the Data Site relating to the historical operation of the Partnership Facilities is true and correct in all material respects.

(ii)

Each of the Partnership Entities and the Partnership Subsidiaries owns, leases or otherwise has the right (including those rights by way of licenses, easements and rights of way, including those by which any Partnership Facility is connected to the local energy transmission and/or distribution system) to use all real property, including all fixtures and improvements situated thereon, and, except as disclosed in Schedule 3.1(r)(ii) of the Partnership Entity Disclosure Letter, owns, leases or otherwise has the right to use all equipment and personal property, tangible and intangible, in each case which is used in the operations of the business of such entity and which is necessary to conduct the business of the related Partnership Facility in the manner in which it is presently conducted except where the failure to so own, lease or have the right to use would not have, individually or in the aggregate, a Material Adverse Effect in respect of the Partnership.

Table of Contents

(s)

*Material Contracts.* True and complete copies of the Partnership Material Contracts and the GP Material Contracts have been placed in the Data Site. All of such Partnership Material Contracts and GP Material Contracts are (i) valid and binding obligations of the Partnership, the Partnership Subsidiaries or GP, as applicable, enforceable in accordance with their respective terms, except as may be limited by bankruptcy, insolvency and other laws affecting the enforcement of creditors' rights generally and subject to the qualification that equitable remedies may only be granted in the discretion of a court of competent jurisdiction and are in good standing; (ii) except where they expire in accordance with their terms, in full force and effect, and the Partnership, GP or the Partnership Subsidiaries are entitled to all rights and benefits thereunder in accordance with the terms thereof; (iii) none of the Partnership or the Partnership Subsidiaries or GP have waived any rights under any such Partnership Material Contract or GP Material Contract; and (iv) subject to obtaining the Partnership Entity Consents, no default exists under and no event has occurred which, after notice or lapse of time or both, or otherwise, would constitute a default under or breach, by the Partnership, any of the Partnership Subsidiaries, GP or trigger a right of termination of any of such contracts or, to the knowledge of the Partnership Entities, by any other person, of any obligation, agreement, covenant or condition contained in any such Partnership Material Contract or GP Material Contract except in each case as would not result in a Material Adverse Effect in respect of the Partnership Entities taken as a whole. As at the date hereof, none of the Partnership, GP or any of the Partnership Subsidiaries has received written notice that any party to a Partnership Material Contract or GP Material Contract intends to cancel, terminate or otherwise modify or not renew such contract, and to the knowledge of the Partnership Entities, no such action has been threatened.

(t)

*Litigation.* Except as disclosed in Schedule 3.1(t) to the Partnership Entity Disclosure Letter, there is no claim, action, suit, proceeding, administrative action, regulatory action or investigation which has been commenced or, to the knowledge of the Partnership, is pending or threatened against or affecting the Partnership Entities or any of the Partnership Subsidiaries or any of their respective assets or properties, or to which any of the Partnership Entities or any of the Partnership Subsidiaries is a party or to which any property or assets of the Partnership Entities or any of the Partnership Subsidiaries is subject, at Law or in equity, before or by any Governmental Entity, which, individually or in the aggregate, if determined adversely to any of the Partnership Entities or any of the Partnership Subsidiaries, as the case may be, has or would reasonably be expected to result in a Material Adverse Effect in respect of the Partnership Entities taken as a whole.

(u)

*Environmental Matters.* Except as disclosed in the Environmental Report or the Partnership Public Documents or as would not have or result in a Material Adverse Effect in respect of the Partnership, to the knowledge of the Partnership:

(i)

none of the Partnership, any Partnership Subsidiary or any Partnership Facility is in material violation of any Environmental Laws;

(ii)

there are no pending or, to the knowledge of the Partnership, threatened, administrative, regulatory or judicial actions, suits, demands, demand letters, claims, liens, orders, notices of non-compliance, infraction or violation, prosecution, investigation or proceedings relating to any Environmental Law against the Partnership, any of the Partnership Subsidiaries or the Partnership Facilities; and

(iii)

the Partnership has made available to the Purchaser all material third part audits, assessments and reports with respect to environmental matters in respect of the Partnership, each Partnership Subsidiary and each Partnership Facility in its possession.

(v)

*Partnership Benefit Plans.*

Table of Contents

- (i) To the knowledge of the Partnership, the only entities that supply labourers and/or operations and maintenance services in any material respect to the Partnership or Partnership Subsidiaries are and, since July 1, 2009 have been, Capital Power Corporation and Capital Power Operations (USA) Inc.
- (ii) Neither of the Partnership Entities nor any of the Partnership Subsidiaries has any employees or Benefit Plans. The officers and directors of the Corporation are listed in Schedule 3.1(v) to the Partnership Entity Disclosure Letter.
- (iii) Except as disclosed in Schedule 3.1(v) to the Partnership Entity Disclosure Letter to the knowledge of the Partnership Entities, no person has applied to have a Partnership Entity or any of the Partnership Subsidiaries declared a related employer or successor employer pursuant to applicable labour Laws.
- (iv) Within the six years preceding the date of this Agreement, none of the Partnership Entities, the Partnership Subsidiaries nor any ERISA Affiliate of any of the foregoing has incurred any liability under Subtitle C or D of Title IV of ERISA with respect to any "single-employer plan" within the meaning of ERISA Section 4001(a)(15), currently or formerly maintained by the Partnership Entities, the Partnership Subsidiaries or any ERISA Affiliate of any of the foregoing.
- (v) None of the Partnership Entities, the Partnership Subsidiaries nor any ERISA Affiliate of any of the foregoing has incurred within the six years preceding the date of this Agreement, nor will they incur as a result of the transactions contemplated by this Agreement, any withdrawal liability under Subtitle E of Title IV of ERISA with respect to any "multiemployer plan" within the meaning of ERISA Section 4001(a)(3).
- (vi) None of the Partnership Entities, the Partnership Subsidiaries nor any ERISA Affiliate of any of the foregoing has engaged in, nor is it a successor or parent corporation to an entity that has engaged in, a transaction described in ERISA Section 4069(a) or 4212(c); nor will this transaction result in a transaction described in ERISA Section 4069(a) or 4212(c).
- (vii) No act or omission has occurred (or will occur as a result of the transactions contemplated by this Agreement) and no conditions exists with respect to any Benefit Plan currently or previously contributed to, maintained or administered by the Partnership Entities, the Partnership Subsidiaries or any ERISA Affiliate of any of the foregoing that would subject the Partnership Entities or the Partnership Subsidiaries (or the assets of any such Benefit Plan) to any material fine, penalty, tax or liability of any kind imposed under ERISA, the Code or other applicable Law (other than routine claims for benefits accrued under such Benefit Plans).
- (viii) Except as disclosed in Schedule 3.1(v) to the Partnership Entity Disclosure Letter, within the six years preceding the date of this Agreement, none of the Partnership Entities, the Partnership Subsidiaries nor any ERISA Affiliate of any of the foregoing has maintained, had an obligation to contribute to, contributed to, or had any liability with respect to any current or former employee benefit plan that is or has been subject to Title IV of ERISA (including any "multiemployer plan" within the meaning of ERISA Section 4001(a)(3)).
- (w) *Intellectual Property.* Except as disclosed in Schedule 3.1(w) to the Partnership Entity Disclosure Letter, each of the Partnership Entities and the Partnership Subsidiaries own or possesses adequate right, title and interest in and to all Intellectual Property necessary to conduct its business as currently conducted. The Intellectual Property owned by the Partnership Entities or the Partnership Subsidiaries and currently used to conduct their respective businesses, including the operation of the Partnership Facilities, does not, to the

Table of Contents

knowledge of the Partnership Entities, conflict with, misappropriate or infringe upon or otherwise violate in any material respect any intellectual property rights of any other Person, and, to the knowledge of the Partnership Entities, none of the Partnership Entities or the Partnership Subsidiaries have received any written notice alleging any such conflict, misappropriation, infringement or violation.

(x)

*Tax Matters.* Except as disclosed in Schedule 3.1(x) to the Partnership Entity Disclosure Letter:

(i)

each of the Partnership Entities and the Partnership Subsidiaries has (A) filed all material Tax Returns required to be filed within the prescribed time and all such Tax Returns are complete and correct in all material respects; (B) paid all material Taxes which are due and payable as shown on such Tax Returns or on subsequent assessments with respect thereto; and (C) made adequate and timely payment of all material instalments of the Taxes;

(ii)

each of the Partnership Entities and each Partnership Subsidiary has paid all material Taxes, including instalments on account of Taxes for the current year required by applicable Law, which are due and payable by it whether or not assessed by the appropriate Governmental Entity and each of the Partnership Entities has provided adequate accruals in accordance with GAAP in the case of the GP Financial Statements and the Partnership Annual Financial Statements, and IFRS in the case of the Partnership Interim Financial Statements for any material Taxes for the period covered by such financial statements that have not been paid whether or not shown as being due on any Tax Returns; and since such publication date, no material liability in respect of Taxes not reflected in such financial statements or otherwise provided has been assessed, proposed to be assessed, incurred or accrued, other than in the ordinary course of business;

(iii)

each of the Partnership Entities and each Partnership Subsidiary has duly and timely withheld all Taxes and other amounts required by Law to be withheld by it (including Taxes and other amounts required to be withheld by it in respect of any amount paid or credited or deemed to be paid or credited by it to or for the benefit of any person) and has duly and timely remitted to the appropriate Governmental Entity such Taxes or other amounts required by applicable Law to be remitted by it, except in each case where such amounts are immaterial;

(iv)

neither of the Partnership Entities nor any Partnership Subsidiary is a party to any agreement or other arrangement, or any waiver, providing for any extension of time within which: (A) to file any Tax Return covering any Taxes; (B) to file any elections, designations or similar filings relating to Taxes; (C) either of the Partnership Entities or any Partnership Subsidiary is required to pay or remit any Taxes or amounts on account of Taxes; or (D) any Governmental Entity may assess or collect Taxes for which either of the Partnership Entities or any Partnership Subsidiary is or may be liable;

(v)

neither of the Partnership Entities nor any Partnership Subsidiary is a party to any tax sharing, tax indemnity or tax allocation agreement or arrangement;

(vi)

other than ordinary course audits and claims, there are no proceedings, investigations, assessments, reassessments, audits or claims in progress or, to the knowledge of the Partnership Entities, pending or threatened against the Partnership Entities or any Partnership Subsidiary in respect of Taxes and no material deficiencies have been asserted in writing by any Governmental Entity with respect to Taxes of the Partnership Entities or any Partnership Subsidiary that have not yet been settled;

Table of Contents

- (vii) the Partnership Entities have made available to the Purchaser copies of: (A) all Tax Returns relating to the Taxes of the Partnership Entities or any Partnership Subsidiary that have been filed since January 1, 2009; and (B) copies of all of its material correspondence with any Governmental Entity with respect to Taxes since January 1, 2009;
- (viii) neither of the Partnership Entities nor any Partnership Subsidiary is the subject of a Tax ruling, or is a party to any agreement, waiver or other arrangement with any Government Entity respecting Taxes payable by it or Tax Returns required to be filed by it or statute of limitations with respect to Taxes;
- (ix) none of sections 69, 78, 80, 80.01, 80.02, 80.03 or 80.04 of the Tax Act or any equivalent provision of any Tax legislation of any province or any other jurisdiction, have applied to the Partnership Entities or any Partnership Subsidiary, none of such provisions will apply to the elimination of any of the payables or other indebtedness shown on the Partnership Financial Statements or the GP Financial Statements as being owed to the Partnership Entities or such Partnership Subsidiary or GP, as the case may be, (as such amounts may change or have changed from time to time), and to the knowledge of the Partnership Entities, there are no circumstances which could, in themselves, result in the application of any such provisions to any of the Partnership Entities or the Partnership Subsidiaries for taxation years ending after the Effective Date;
- (x) each of the Partnership Entities and the Partnership Subsidiaries and any non-resident person with whom any of them was not dealing at arm's length during a taxation year (or portion thereof) ending on or before the Effective Date, has made or obtained records or documents that in all material respects meet the requirements of subsection 247(4) of the Tax Act and any equivalent provision of any Tax legislation of any other relevant jurisdiction;
- (xi) each of the Partnership Entities and the Partnership Subsidiaries has duly and timely collected all amounts on account of any sales, use or transfer Taxes, including goods and services, harmonized sales, provincial and territorial, state and local taxes, required by applicable Law to be collected by it and has duly and timely remitted to the appropriate Governmental Entity any such amounts required by applicable Laws to be remitted to it, except in each case where such amounts are immaterial;
- (xii) no Partnership Entity or Partnership Subsidiary has, directly or indirectly, transferred property to or supplied services to, or acquired property or services from, any Person with whom it was not dealing at arm's length (for the purposes of the Tax Act) for consideration other than consideration equal to the fair market value of the property or services at the time of the transfer, supply or acquisition of such property or services;
- (xiii) there are no Encumbrances for Taxes, other than Permitted Encumbrances, on any of the assets of any Partnership Entity or Partnership Subsidiary;
- (xiv) prior to the date hereof, there has never been a change of control of CPEL for the purposes of the Tax Act or any other Law;
- (xv) CPEL has not made an "excessive eligible dividend designation" (as defined in subsection 89(1) of the Tax Act) and its "low rate income pool" (as defined in subsection 89(1) of the Tax Act) is nil;
- (xvi) no claim has ever been made by or is expected from any Governmental Entity in a jurisdiction in which any Partnership Entity or any Partnership Subsidiary does not file Tax Returns that it is or may be subject to taxation in that jurisdiction. None of the

## Edgar Filing: ATLANTIC POWER CORP - Form DEFM14A

### Table of Contents

Partnership Entities or Partnership Subsidiaries is required to file a Tax Return in any jurisdiction in which it has not previously filed a Tax Return;

- (xvii) for the purposes of the Tax Act and any other relevant Tax purposes:
  - (A) GP is resident in Canada and is not resident in any other country; and
  - (B) each of the Partnership Subsidiaries is resident in the country in which it was formed, and is not resident in any other country;
- (xviii) to the knowledge of the Partnership Entities, each of Coastal Rivers Power Limited Partnership and NW Energy (Williams Lake) Limited Partnership has at all times since September 1, 2005 been a "Canadian partnership" as defined in subsection 102(1) of the Tax Act;
- (xix) the definition of "SIFT partnership" in subsection 197(1) of the Tax Act did not apply to the Partnership for a taxation year of the Partnership that ended before 2011;
- (xx) the membership interests in NC LLC are "excluded property" of CPI USA Holdings LLC, as defined for purposes of subsection 95(1) of the Tax Act;.
- (xxi) Schedule 3.1(x)(xxi) to the Partnership Entity Disclosure Letter accurately lists the U.S. federal income tax classification of each Partnership Subsidiary that is required to file Tax Returns in the U.S. or any State thereof;
- (xxii) for U.S. federal income tax purposes, no limitation under Sections 382 or 384 of the Code currently applies to the net operating losses or built in losses of any Partnership Entity or Partnership Subsidiary;
- (xxiii) no Partnership Entity or Partnership Subsidiary (i) has ever been a member of an affiliated group of corporations filing a consolidated United States federal income Tax Return, and (ii) has any liability for Taxes of any other Person under United States Treasury Regulations Section 1.1502-6 (or any similar provision of foreign, state or local law), as a transferee or successor, by contract, or otherwise;
- (xxiv) no Partnership Entity or Partnership Subsidiary has been notified of, or has any knowledge of its participation in a transaction that is described as a "listed transaction" within the meaning of Treasury Regulation Section 1.6011-4(b);
- (xxv) each Partnership Entity and Partnership Subsidiary has complied with all tax reporting requirements under Sections 6038A, 6038B, 6038C, 6038D, or 6039C of the Code;
- (xxvi) no Partnership Entity or Partnership Subsidiary has distributed stock of another Person, or has had its stock distributed by another Person, in a transaction that was purported or intended to be governed in whole or in part by Section 355 of the Code or Section 361 of the Code; and
- (xxvii) no Partnership Entity or Partnership Subsidiary will be required to include any item of income in, or exclude any deduction from, taxable income for any taxable period (or portion thereof) ending after the Effective Date as a result of any (A) change in method of accounting for a taxable period ending on or prior to the Effective Date, (B) agreement or other arrangement executed on or prior to the Effective Date, including any "closing agreement" as described in Section 7121 of the Code (or any corresponding or similar provision of the taxation legislation of

## Edgar Filing: ATLANTIC POWER CORP - Form DEFM14A

any other jurisdiction), (C) intercompany transactions or any excess loss account described in Treasury Regulations under Section 1502 of the Code (or any corresponding or similar provision of the taxation legislation of any other jurisdiction), (D) installment sale or open transaction disposition

Annex A-41

---



Table of Contents

made on or prior to the Effective Date, (E) prepaid amount received on or prior to the Effective Date, or (F) any election, designation or similar filing related to Taxes, including any election under Section 108(i) of the Code.

(y)

*Fees.* Except as disclosed in Schedule 3.1(y) to the Partnership Entity Disclosure Letter, none of any of the Partnership Entities or the Partnership Subsidiaries will be liable, directly or indirectly, for the fees, commissions or expenses of any broker, finder, investment banker or other similar agent in connection with the Arrangement.

(z)

*Regulatory Status.* Each Partnership Subsidiary selling electric power at wholesale in the United States either (i) in all material respects meets the requirements for, and has been determined by FERC to be, an Exempt Wholesale Generator and has Market-Based Rate Authorization, (ii) generates such electric power only at Partnership Facilities that are Qualifying Facilities, or (iii) has Market-Based Rate Authorization and owns no facilities for the generation of electric power. Each Partnership Subsidiary selling electric power at wholesale outside the United States is a Foreign Utility Company within the meaning of PUHCA. The Partnership is a holding company solely with respect to Qualifying Facilities, Exempt Wholesale Generators, or Foreign Utility Companies within the meaning of PUHCA; and the Partnership and the Partnership Subsidiaries are exempt from regulation under Section 1264 of PUHCA. The Partnership has no knowledge of any facts that are reasonably likely to cause any Partnership Subsidiary to lose its status as a Qualifying Facility, an Exempt Wholesale Generator, or a Foreign Utility Company, or its Market-Based Rate Authorization. Except as disclosed in Schedule 3.1(z) to the Partnership Entity Disclosure Letter, each Partnership Subsidiary has, been and is in compliance, in all material respects, with applicable NERC registration requirements and reliability standards. Neither the Partnership nor, except as described in the Partnership Entity Disclosure Letter, any of the Partnership Subsidiaries, is subject to regulation as a public utility or public service company (or similar designation) by any state of the United States or any municipality or any political subdivision of the United States.

(aa)

*Internal Controls and Financial Reporting.* The Partnership has (i) designed disclosure controls and procedures to provide reasonable assurance that material information relating to the Partnership, including the Partnership Subsidiaries, is made known to the Chief Executive Officer and Chief Financial Officer of the Partnership on a timely basis, particularly during the periods in which the annual or interim filings are being prepared; (ii) designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP or IFRS; (iii) has evaluated the effectiveness of the Partnership's disclosure controls and procedures and has disclosed in its management's discussion and analysis its conclusions about the effectiveness of its disclosure controls and procedures; and (iv) has evaluated the effectiveness of the Partnership's internal control over financial reporting and has disclosed in its management's discussion and analysis, its conclusions about the effectiveness of internal control over financial reporting and, if applicable, the necessary disclosure relating to any material weaknesses. To the knowledge of the Partnership, prior to the date of this Agreement:

(i)

there are no significant deficiencies in the design or operation of, or material weaknesses in, the internal controls over financial reporting of the Partnership that could reasonably be expected to adversely affect the Partnership's ability to record, process, summarize and report financial information; and

(ii)

there is and has been no fraud, whether or not material, involving management or any other employees who have a significant role in the internal control over financial reporting of the Partnership. Since January 1, 2008, the Partnership has received no:

Table of Contents

(x) complaints from any source regarding accounting, internal accounting controls or auditing matters; or  
(y) expressions of concern from employees of the Partnership or any Partnership Subsidiary regarding questionable accounting or auditing matters.

(bb)

*No Undisclosed Liabilities.* Except as disclosed in Schedule 3.1(bb) to the Partnership Entity Disclosure Letter, the Partnership Entities and the Partnership Subsidiaries have no outstanding indebtedness, liability or obligation (including liabilities or obligations to fund any operations or work, to give any guarantees or for Taxes), whether accrued, absolute, contingent or otherwise, and are not party to or bound by any suretyship, guarantee, indemnification or assumption agreement, or endorsement of, or any other similar commitment with respect to the obligations, liabilities or indebtedness of any Person, other than: (i) those set forth or adequately provided for in the balance sheets included in the Partnership Financial Statements (the "Partnership Balance Sheets") or disclosed in the notes thereto; (ii) those incurred in the ordinary course of business and not required to be set forth in the Partnership Balance Sheets under GAAP or IFRS, as applicable; (iii) those incurred in the ordinary course of business since the date of the Partnership Balance Sheets or as contemplated by this Agreement; (iv) those set forth in the Partnership Material Contracts, the Partnership Management Agreements or the PERC Agreement; (v) those to any Partnership Entity, a Partnership Subsidiary or NC LLC; and (vi) those incurred in connection with the transactions contemplated hereby, including the Partnership Reorganization Agreements, the Management Agreements Termination Agreement and the Management Agreement Assignment Agreement.

(cc)

*Related Party Transactions.* Except as disclosed in the Partnership Public Documents, the Partnership Material Contracts, the Partnership Management Agreements, the GP Material Contracts, the Partnership Reorganization Agreements and the other agreements contemplated hereby, including the ROFL Termination Agreement, there are no Contracts or other transactions currently in place between any of the Partnership Entities or their Subsidiaries, on the one hand, and: (i) any officer or director of any of the Partnership Entities or their Subsidiaries; (ii) any holder of record or beneficial owner of 10% or more of the Partnership Units; and (iii) any Affiliate or associate (as defined in the Securities Act) of any such, officer, director, holder of record or beneficial owner, on the other hand.

(dd)

*Registration Rights.* No Partnership Unitholder has any right to compel the Partnership to register or otherwise qualify the Partnership Units (or any of them) for public sale or distribution.

(ee)

*Insurance.* All insurance maintained by any of the Partnership Entities and any of the Partnership Subsidiaries is in full force and effect and in good standing and is in amounts and in respect of such risks as are normal and usual for companies of similar size operating in the industry in which the Partnership Entities and the Partnership Subsidiaries operate.

(ff)

*PERH.*

(i)

The Partnership is the sole beneficial owner of 22,388,491 common membership interests of PERH representing a 14.3% interest in PERH. To the knowledge of the Partnership, PERC is the sole registered owner of the remaining 85.7% interest in PERH.

(ii)

The Partnership Entities have made available to the Purchaser a correct and complete copy of each PERC Agreement.

(iii)

Each PERC Agreement is in full force and effect, represents a legal, valid and binding obligation of CPI USA Ventures LLC (as the successor to EPCOR USA Ventures LLC), an indirect, wholly-owned subsidiary of the Partnership, and, enforceable in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy,

Table of Contents

insolvency, reorganization, moratorium or other similar Laws affecting the enforcement of creditors' rights generally, and general principles of equity (regardless of whether such enforceability is considered in a proceeding at Law or in equity), including, without limitation, the possible unavailability of specific performance, injunctive relief or any other equitable remedy, and the concepts of materiality, reasonableness, good faith, and fair dealing, and except as disclosed in Schedule 3.1(ff) to the Partnership Entity Disclosure Letter:

- (A) neither of the PERC Agreements has been materially breached or cancelled by the Partnership Entities or any of their Subsidiaries, and no event has occurred which with the passage of time or the giving of notice or both would result in a material default or breach thereunder; and
- (B) there is no current negotiation with respect to renewal, repudiation or amendment of either of the PERC Agreements.

### 3.2 Representations and Warranties of the Corporation

The Corporation hereby represents and warrants to and in favour of the Purchaser as follows and acknowledges that the Purchaser is relying upon such representations and warranties in connection with the entering into of this Agreement:

- (a) *Organization, Standing and Power.* The Corporation has been duly incorporated and is validly existing under the Laws of its jurisdiction of incorporation, organization or formation, and has all requisite corporate power, capacity and authority to own, lease and operate its properties and assets and to carry on its business as presently owned, leased, operated and conducted. The Corporation is duly registered and qualified to do business and is in good standing in each jurisdiction in which the character of its properties and assets, owned, leased, licensed or otherwise held, or the nature of its activities makes such registration or qualification, as applicable, necessary, except where the failure to be so registered or qualified, as applicable, will not, individually or in the aggregate, have a Material Adverse Effect on the Corporation, each of such jurisdictions being listed in Schedule 3.2(a) to the Corporation Disclosure Letter. True and complete copies of the constating documents of the Corporation have been placed in the Data Site, and the Corporation has not taken any action to amend or supersede such documents.
- (b) *Authority; No Conflict.* The Corporation has the requisite corporate power, capacity and authority to enter into this Agreement and all other agreements and instruments to be executed by the Corporation as contemplated by this Agreement, and to perform its obligations hereunder and under such other agreements and instruments. The execution and delivery of this Agreement by the Corporation and the performance by the Corporation of its obligations under this Agreement have been duly authorized by the Corporation Board and except for obtaining the approval of the Corporation Shareholders no other corporate proceedings on the part of the Corporation are necessary to authorize this Agreement and the Arrangement. This Agreement has been duly authorized, executed and delivered by the Corporation and constitutes a legal, valid and binding obligation of the Corporation, enforceable against the Corporation in accordance with its terms (subject to applicable bankruptcy, insolvency, reorganization and other laws of general application limiting the enforcement of creditors' rights generally and to the fact that specific performance is an equitable remedy available only in the discretion of a court). Except as disclosed in Schedule 3.2(b) to the Corporation Disclosure Letter, the authorization, execution and delivery by the Corporation of this Agreement and the performance by the Corporation of its

Table of Contents

obligations hereunder and the completion by the Corporation of the transactions contemplated hereby (including the Arrangement) will not:

- (i) violate, conflict with or result in a breach of or default under, and do not and will not create a state of facts which, after notice or lapse of time or both, will result in a breach of or default under, and do not and will not conflict with, or give rise to any right of termination, cancellation, suspension, acceleration, penalty or payment obligation or right to purchase or sell under, any term or provision of:
  - (A) the constating documents or by-laws of the Corporation or any resolutions of any of the directors or shareholders of the Corporation, or any committee of any of them;
  - (B) any agreement, contract, indenture, deed of trust, mortgage, note, bond, instrument or Authorization to which the Corporation is a party or by which it is bound except as would not, individually or in the aggregate, have, or reasonably be expected to have, a Material Adverse Effect in respect of the Corporation; or
  - (C) except for the Key Regulatory Approvals and the Corporation Regulatory Approvals, any Law applicable to the Corporation, or any of its respective properties or assets (including, without limitation, the Securities Laws) except as would not, individually or in the aggregate, have, or reasonably be expected to have, a Material Adverse Effect in respect of the Corporation;
- (ii) give rise to any rights of first refusal or rights of first offer, trigger any change in control provisions or any similar provisions or restrictions or limitation under any agreement, contract, indenture, deed of trust, mortgage, note, bond, instrument or Authorization to which the Corporation is a party except as would not, individually or in the aggregate, have or reasonably be expected to have a Material Adverse Effect in respect of the Corporation;
- (iii) give rise to any termination or acceleration of indebtedness, or cause any third party indebtedness to come due before its stated maturity or cause any available credit to cease to be available;
- (iv) except in respect of matters related to the Purchaser, result in the creation or imposition of any Encumbrance upon any of the property or assets of the Corporation, or restrict, hinder, impair or limit the ability of the Corporation to conduct its businesses as and where it is now being conducted which would, individually or in the aggregate, have or reasonably be expected to have a Material Adverse Effect in respect of the Corporation; or
- (v) result in any material payment (including retention, severance, unemployment compensation, golden parachute, bonus or otherwise) becoming due from the Corporation to any director, officer or employee of the Corporation, or increase any benefit payable to such director, officer or employee by the Corporation, or result in the acceleration of the time of payment or vesting of any such benefits.

The Corporation Consents are the only consents and approvals required from, and notices required to, any third party under any Corporation Material Contract in order for the Corporation to proceed with the execution and delivery of this Agreement and the completion of the transactions contemplated by this Agreement and the Arrangement pursuant to the Plan of Arrangement, except for consents and approvals which would not, individually or in the aggregate, have or reasonably be expected to have a Material Adverse Effect in respect of the Corporation.

Table of Contents

- (c) *Regulatory Approvals.* Other than the Interim Order, the Final Order, the Key Regulatory Approvals and the Corporation Regulatory Approvals, and except as would not, individually or in the aggregate, have or reasonably be expected to have, a Material Adverse Effect in respect of the Corporation or the ability of the Corporation to consummate the transactions contemplated hereby, no Authorization, consent, sanction, ruling, order, exemption, permit, approval, authorization or declaration of, or filing with, or notice to, any Governmental Entity which has not been received or made and which may not be made after the Effective Date is required by the Corporation in connection with the execution and delivery by the Corporation of this Agreement and the completion by the Corporation of the transactions contemplated by this Agreement, the obligations of the Corporation hereunder and under the Arrangement pursuant to the Plan of Arrangement.
- (d) *Capital Structure.* The authorized capital of the Corporation consists of an unlimited number of Class A Shares and an unlimited number of Class B Shares. As at the date hereof, there are 51 Class A Shares, all of which are directly or indirectly owned by EPCOR, and 49 Class B Shares, all of which are directly owned by CPLP, issued and outstanding as fully-paid and non-assessable shares of the Corporation. There are no options, warrants, conversion privileges or other rights, agreements, arrangements or commitments (pre-emptive, contingent or otherwise) of any character whatsoever requiring or which may require the issuance, sale or transfer by the Corporation of any securities of the Corporation (including the Corporation Shares), or any securities or obligations convertible into, or exchangeable or exercisable for, or otherwise evidencing a right or obligation to acquire, any securities of the Corporation (including the Corporation Shares). All outstanding Corporation Shares have been duly authorized and validly issued, are fully-paid and non-assessable shares in the capital of the Corporation. All securities of the Corporation (including the Corporation Shares) have been issued in compliance with all applicable Laws and Securities Laws. There are no outstanding contractual or other obligations of the Corporation or any of the Partnership Entities, Partnership Subsidiaries or any other Person to repurchase, redeem or otherwise acquire any of the securities of the Corporation.
- (e) *Units of the Partnership.* The Corporation directly owns 16,511,104 Partnership Units free and clear of all Encumbrances, except for Permitted Encumbrances and the Partnership Agreement.
- (f) *Subsidiaries.* The Corporation does not own shares, units or any other form of equity or investment interest in any Person, other than GP and the Partnership. The Corporation directly owns all of the issued and outstanding securities of GP free and clear of all Encumbrances, except for Permitted Encumbrances and restrictions on transfer contained in the constating documents of GP.
- (g) *Existing Commitments.* (i) no Person has any agreement or option, or right or privilege (whether pre-emptive or contractual) capable of becoming an agreement or option (including convertible or exchangeable securities or warrants) for the issuance of shares of the Corporation or of any unissued interest in or securities of any kind in the Corporation, and (ii) other than this Agreement, there is no agreement which grants to any Person the right to purchase or otherwise acquire any Corporation Shares, or Partnership Units or shares of GP owned by the Corporation.
- (h) *Compliance with Laws.* To the knowledge of the Corporation, the Corporation has conducted and is conducting its activities or business in compliance with all applicable Laws (including without limitation those of the country, province, state and municipality in which such entity carries on business or conducts its activities), except as would not, individually or in the aggregate, have a Material Adverse Effect in respect of the Corporation. The Corporation has

Table of Contents

not received any written notices or other correspondence from any Governmental Entity regarding any circumstances that have existed or currently exist which would reasonably be expected to lead to a loss, suspension, or modification of, or a refusal to issue, any Authorization relating to its activities which would reasonably be expected to restrict, curtail, limit or adversely affect the ability of the Corporation to operate its businesses except in each case as would not, individually or in the aggregate, have a Material Adverse Effect in respect of the Corporation.

(i)

*Permits and Licenses.* To the knowledge of the Corporation, the Corporation has or has the benefit of all Authorizations required or necessary to conduct its business and activities as currently conducted, and all such Authorizations are in full force and effect and in good standing and the Corporation is in material compliance with their requirements except in each case as would not, individually or in the aggregate, have a Material Adverse Effect in respect of the Corporation. There has been no violation of any such Authorizations and, to the knowledge of the Corporation, no proceeding is pending or threatened to revoke, modify, cancel, suspend or limit any such Authorizations or to add any conditions of compliance except in each case as would not, individually or in the aggregate, have a Material Adverse Effect in respect of the Corporation.

(j)

*Financial Statements.* Except as disclosed in Schedule 3.2(j) to the Corporation Disclosure Letter, the Corporation Financial Statements (i) are in accordance with the books, records and accounts of the Corporation, (ii) are true and correct and present fairly the financial position of the Corporation for the periods ended on, and as at, the dates indicated, (iii) have been prepared in accordance with GAAP or IFRS consistently applied, and (iv) present fairly the financial position, results of operations and changes in financial position of the Corporation as at the dates thereof and for the periods indicated thereon except in each case as otherwise indicated in the Corporation Financial Statements.

(k)

*Absence of Certain Changes.* Except as disclosed in Schedule 3.2(k) to the Corporation Disclosure Letter, and except as contemplated in the Corporation Material Contracts or this Agreement, since the date of the Corporation Financial Statements,

(i)

there has not been any event, circumstance or occurrence which has had or is reasonably likely to give rise to a Material Adverse Effect in respect of the Corporation;

(ii)

there has not occurred any adverse Material Change in the business, operations or capital of the Corporation;

(iii)

the Corporation has conducted its business only in the ordinary course of business;

(iv)

except for a change from GAAP to IFRS, there has not been any change in the accounting practices used by the Corporation;

(v)

the only material undertaking of the Corporation has been holding 16,511,104 Partnership Units and 61 common shares of GP and there has not been any acquisition or sale by the Corporation of any property or assets; and

(vi)

there has not been any redemption, repurchase or other acquisition of Corporation Shares by the Corporation, or any declaration, setting aside or payment of any dividend or other distribution (whether in cash, shares or property) with respect to the Corporation Shares.

Table of Contents

- (l) *Records.* The corporate records and minute books of the Corporation have been maintained in accordance with all applicable Laws in all material respects, are complete and accurate in all material respects and contain minutes of all meetings and resolutions of the directors and shareholders, or any committee of any of them except for minutes of the board of directors of the Corporation and all committees thereof relating to the process leading to the transactions contemplated hereby and except for meetings for which minutes have not yet been prepared. The financial books and records and accounts of the Corporation, (i) have been maintained in accordance with good business practices, applicable Laws and GAAP on a basis consistent with prior years; (ii) are stated in reasonable detail and accurately and fairly reflect the material transactions, acquisitions and dispositions of the assets of the Corporation; and (iii) accurately and fairly reflect the basis for the Corporation Financial Statements.
- (m) *Assets.* The only material assets of the Corporation are 61 common shares of GP and 16,511,104 Partnership Units of the Partnership. The Corporation has good and valid title to all of its material assets and undertakings, free and clear of all Encumbrances, except for Permitted Encumbrances and except where the failure to have good title would not have a Material Adverse Effect in respect of the Corporation.
- (n) *Operations of the Corporation.* The information that the Corporation has made available to the Purchaser and its Agents in the Data Site is true and correct in all material respects. Since the incorporation of the Corporation, the only material undertaking of the Corporation has been holding 16,511,104 Partnership Units and 61 common shares of GP.
- (o) *Material Contracts.* True and complete copies of the Corporation Material Contracts have been placed in the Data Site. All of such Corporation Material Contracts are (i) valid and binding obligations of the Corporation, enforceable in accordance with their respective terms, except as may be limited by bankruptcy, insolvency and other laws affecting the enforcement of creditors' rights generally and subject to the qualification that equitable remedies may only be granted in the discretion of a court of competent jurisdiction and are in good standing; (ii) except where they expire in accordance with their terms, in full force and effect, and the Corporation is entitled to all rights and benefits thereunder in accordance with the terms thereof; (iii) the Corporation has not waived any rights under any such Corporation Material Contract; and (iv) subject to obtaining the Corporation Consents, no default exists under and no event has occurred which, after notice or lapse of time or both, or otherwise, would constitute a default under or breach, by the Corporation, or trigger a right of termination of any of such contracts or, to the knowledge of the Corporation, by any other person, of any material obligation, agreement, covenant or condition contained in any such Corporation Material Contract except as would not result in a Material Adverse Effect in respect of the Corporation. As at the date hereof, the Corporation has not received written notice that any party to a Corporation Material Contract intends to cancel, terminate or otherwise modify or not renew such contract, and to the knowledge of the Corporation, no such action has been threatened.
- (p) *Litigation.* Except as disclosed in Schedule 3.2(p) to the Corporation Disclosure Letter, there is no claim, action, suit, proceeding, administrative action, regulatory action or investigation which has been commenced or, to the knowledge of the Corporation, is pending or threatened against or affecting the Corporation or any of its assets or properties, or to which the Corporation is a party or to which any of the property or assets of the Corporation is subject, at Law or in equity, before or by any Governmental Entity which, individually or in the aggregate, or determined adversely to the Corporation, has or would reasonably be expected to result in a Material Adverse Effect in respect of the Corporation.
- (q) *Benefit Plans.*

Table of Contents

- (i) The Corporation does not have any employees or Benefit Plans. The officers and directors of the Corporation are listed in Schedule 3.2(q) to the Corporation Disclosure Letter.
- (ii) Except as disclosed in Schedule 3.2(q) to the Corporation Disclosure Letter to the knowledge of the Corporation, no person has applied to have the Corporation declared a related employer or successor employer pursuant to applicable labour laws.
- (iii) Within the six years preceding the date of this Agreement, neither the Corporation nor any ERISA Affiliate has incurred any liability under Subtitle C or D of Title IV of ERISA with respect to any "single-employer plan" within the meaning of ERISA Section 4001(a)(15), currently or formerly maintained by the Corporation or any ERISA Affiliate of any of the foregoing.
- (iv) Neither the Corporation nor any ERISA Affiliate has incurred within the six years preceding the date of this Agreement, nor will they incur as a result of the transactions contemplated by this Agreement, any withdrawal liability under Subtitle E of Title IV of ERISA with respect to any "multiemployer plan" within the meaning of ERISA Section 4001(a)(3).
- (v) Neither the Corporation nor any ERISA Affiliate has engaged in nor is it a successor or parent corporation to an entity that has engaged in a transaction described in ERISA Section 4069(a) or 4212(c); nor will this transaction result in a transaction described in ERISA Section 4069(a) or 4212(c).
- (vi) No act or omission has occurred (or will occur as a result of the transactions contemplated by this Agreement) and no condition exists with respect to any Benefit Plan currently or previously contributed to, maintained or administered by the Corporation or any ERISA Affiliate that would subject the Corporation (or the assets of any such Benefit Plan) to any material fine, penalty, tax or liability of any kind imposed under ERISA, the Code or other applicable law (other than routine claims for benefits accrued under such Benefit Plans).
- (vii) Except as disclosed in Schedule 3.2(q) to the Corporation Disclosure Letter, within the six years preceding the date of this Agreement neither the Corporation nor any ERISA Affiliate has maintained, had an obligation to contribute to, contributed to, or had any liability with respect to any current or former employee benefit plan that is or has been subject to Title IV of ERISA (including any "multiemployer plan" within the meaning of ERISA Section 4001(a)(3)).
- (viii) To the knowledge of the Corporation, the only entities that supply labourers and/or operations and maintenance services in any material respect to the Corporation are and, at all times during the past three (3) years have been, Capital Power Corporation and Capital Power Operations (USA) Inc.
- (r) *Intellectual Property.*
  - (i) Except as disclosed in Schedule 3.2(r) to the Corporation Disclosure Letter, the Corporation owns or possesses adequate right, title and interest in and to all Intellectual Property necessary to conduct its business as currently conducted. The Intellectual Property owned by the Corporation and currently used to conduct its business does not, to the knowledge of the Corporation, conflict with, misappropriate or infringe upon or otherwise violate in any material respect any intellectual property rights of any other Person, and, to the knowledge of the Corporation, the Corporation has not received any written notice alleging any such conflict, misappropriation, infringement or violation.



Table of Contents

(s)

*Tax Matters.* Except as disclosed in Schedule 3.2(s) to the Corporation Disclosure Letter:

- (i) the Corporation has (A) filed all material Tax Returns required to be filed within the prescribed time and all such Tax Returns are complete and correct in all material respects; (B) paid all material Taxes which are due and payable as shown on such Tax Returns or on subsequent assessments with respect thereto; and (C) made adequate and timely payment of all material instalments of the Taxes;
- (ii) the Corporation has paid all material Taxes, including instalments on account of Taxes for the current year required by applicable Law, which are due and payable by it whether or not assessed by the appropriate Governmental Entity and the Corporation has provided adequate accruals in accordance with GAAP in the Corporation Financial Statements for any material Taxes for the period covered by such financial statements that have not been paid whether or not shown as being due on any Tax Returns; and since such publication date, no material liability in respect of Taxes not reflected in such financial statements or otherwise provided has been assessed, proposed to be assessed, incurred or accrued, other than in the ordinary course of business;
- (iii) the Corporation has duly and timely withheld all Taxes and other amounts required by Law to be withheld by it (including Taxes and other amounts required to be withheld by it in respect of any amount paid or credited or deemed to be paid or credited by it to or for the benefit of any person) and has duly and timely remitted to the appropriate Governmental Entity such Taxes or other amounts required by applicable Law to be remitted by it, except in each case where such amounts are immaterial;
- (iv) the Corporation is not a party to any agreement or other arrangement, or any waiver, providing for any extension of time within which: (A) to file any Tax Return covering any Taxes; (B) to file any elections, designations or similar filings relating to Taxes; (C) the Corporation is required to pay or remit any Taxes or amounts on account of Taxes; or (D) any Governmental Entity may assess or collect Taxes for which the Corporation is or may be liable;
- (v) the Corporation is not a party to any tax sharing, tax indemnity or tax allocation agreement or arrangement;
- (vi) other than ordinary course audits and claims, there are no proceedings, investigations, assessments, reassessments, audits or claims in progress or, to the knowledge of the Corporation Sellers, pending or threatened against the Corporation in respect of Taxes and no material deficiencies have been asserted in writing by any Governmental Entity with respect to Taxes of the Corporation that have not yet been settled;
- (vii) the Corporation has made available to the Purchaser copies of: (A) all Tax Returns relating to the Taxes of the Corporation that to the knowledge of the Corporation have been filed since January 1, 2009; and (B) copies of all of its material correspondence with any Governmental Entity with respect to Taxes since January 1, 2009;
- (viii) the Corporation is not the subject of a Tax ruling, and the Corporation is not a party to any agreement, waiver or other arrangement with any Government Entity respecting Taxes payable by it or Tax Returns required to be filed by it or statute of limitations with respect to Taxes;
- (ix) none of sections 69, 78, 80, 80.01, 80.02, 80.03 or 80.04 of the Tax Act or any equivalent provision of any Tax legislation of any province or any other jurisdiction, have applied to the Corporation, none of such provisions will apply to the elimination of any of the payables or other indebtedness shown on the Corporation Financial Statements as being

Table of Contents

owed to the Corporation (as such amounts may change or have changed from time to time), and to the knowledge of the Corporation Sellers there are no circumstances which could, in themselves, result in the application of any such provisions to the Corporation for taxation years ending after the Effective Date;

- (x) the Corporation and any non-resident person with whom any of them was not dealing at arm's length during a taxation year (or portion thereof) ending on or before the Effective Date, has made or obtained records or documents that in all material respects meet the requirements of subsection 247(4) of the Tax Act and any equivalent provision of any Tax legislation of any other relevant jurisdiction;
- (xi) the Corporation has duly and timely collected all amounts on account of any sales, use or transfer Taxes, including goods and services, harmonized sales, provincial and territorial, state and local taxes, required by applicable Law to be collected by it and has duly and timely remitted to the appropriate Governmental Entity any such amounts required by applicable Laws to be remitted to it, except in each case where such amounts are immaterial;
- (xii) the Corporation has not, directly or indirectly, transferred property to or supplied services to, or acquired property or services from, any Person with whom it was not dealing at arm's length (for the purposes of the Tax Act) for consideration other than consideration equal to the fair market value of the property or services at the time of transfer, supply or acquisition of such property or services;
- (xiii) there are no Encumbrances for Taxes, other than Permitted Encumbrances, on any of the assets of the Corporation;
- (xiv) the Corporation has not made an "excessive eligible dividend designation" (as defined in subsection 89(1) of the Tax Act) and its "low rate income pool" (as defined in subsection 89(1) of the Tax Act) is nil; and
- (xv) no claim has ever been made by or is expected from any Governmental Entity in a jurisdiction in which the Corporation does not file Tax Returns that it is or may be subject to taxation in that jurisdiction. The Corporation is not required to file a Tax Return in any jurisdiction other than Canada.
- (t) *Fees.* Except as disclosed in Schedule 3.2(t) to the Corporation Disclosure Letter, the Corporation will not be liable, directly or indirectly, for the fees, commissions or expenses of any broker, finder, investment banker or other similar agent in connection with the Arrangement.
- (u) *No Undisclosed Liabilities.* The Corporation has no outstanding indebtedness, liability or obligation (including liabilities or obligations to fund any operations or work or exploration program, to give any guarantees or for Taxes), whether accrued, absolute, contingent or otherwise, and is not party to or bound by any suretyship, guarantee, indemnification or assumption agreement, or endorsement of, or any other similar commitment with respect to the obligations, liabilities or indebtedness of any Person, other than: (i) those set forth or adequately provided for in the balance sheet included in the Corporation Financial Statements (the "Corporation Balance Sheet") or disclosed in the notes hereto; (ii) those incurred in the ordinary course of business and not required to be set forth in the Corporation Balance Sheet under GAAP or IFRS, as applicable; (iii) those incurred in the ordinary course of business since the date of the Corporation Balance Sheet or as contemplated by this Agreement; (iv) those set forth in the Corporation Material Contracts; and (v) those incurred in connection with the transactions contemplated hereby.

Table of Contents

- (v) *Related Party Transactions.* Except for the Corporation Material Contracts and other agreements contemplated hereby, there are no Contracts or other transactions currently in place between the Corporation, on the one hand, and: (i) any officer or director of the Corporation; (ii) any holder of record or beneficial owner of 10% or more of the Corporation Shares; and (iii) any Affiliate or associate (as defined in the Securities Act) of any such, officer, director, holder of record or beneficial owner, on the other hand.
- (w) *Registration Rights.* No Corporation Shareholder has any right to compel the Corporation to register or otherwise qualify the Corporation Shares (or any of them) for public sale or distribution.
- (x) *Insurance.* All insurance maintained by the Corporation is in full force and effect and in good standing and is in amounts and in respect of such risks as are normal and usual for companies of similar size operating in the industry in which the Corporation operates.
- (y) *Shareholder and Similar Agreements.* Except as disclosed in Schedule 3.2(y) to the Corporation Disclosure Letter, the Corporation is not a party to any unitholder, shareholder, pooling, voting trust or other similar agreement relating to the issued and outstanding Corporation Shares.

### 3.3 Representations and Warranties of the Purchaser

The Purchaser hereby represents and warrants to and in favour of each of the Partnership and the Corporation as follows and acknowledges that each of the Partnership and the Corporation is relying upon such representations and warranties in connection with the entering into of this Agreement:

- (a) *Organization, Standing and Power.* Each of the Purchaser and the Purchaser Subsidiaries has been duly incorporated, organized or formed (as the case may be) and is validly existing under the Laws of its jurisdiction of incorporation, organization or formation, and has all requisite partnership or corporate (as the case may be) power, capacity and authority to own, lease and operate its properties and assets and to carry on its business as presently owned, leased, operated and conducted. Each of the Purchaser and the Purchaser Subsidiaries is duly registered and qualified to do business and is in good standing in each jurisdiction in which the character of its properties and assets, owned, leased, licensed or otherwise held, or the nature of its activities makes such registration or qualification, as applicable, necessary, except where the failure to be so registered or qualified, as applicable, would not, individually or in the aggregate, have a Material Adverse Effect on the Purchaser, each of such jurisdictions being listed in Schedule 3.3(a) to the Purchaser Disclosure Letter. True and complete copies of the constating documents of each of the Purchaser and the Purchaser Subsidiaries have been delivered or made available to the Partnership and the Corporation, and none of the Purchaser or the Purchaser Subsidiaries has taken any action to amend or supersede such documents.
- (b) *Authority; No Conflict.* The Purchaser has the requisite corporate power, capacity and authority to enter into this Agreement and all other agreements and instruments to be executed by the Purchaser as contemplated by this Agreement, and to perform its obligations hereunder and under such other agreements and instruments. The execution and delivery of this Agreement by the Purchaser and the performance by the Purchaser of its obligations under this Agreement have been duly authorized by the Purchaser Board and except for obtaining the Purchaser Shareholder Approval of the Purchaser Share Issuance Resolution, no other corporate proceedings on the part of the Purchaser are necessary to authorize this Agreement and the Arrangement. This Agreement has been duly authorized, executed and delivered by the Purchaser and constitutes a legal, valid and binding obligation of the Purchaser, enforceable against the Purchaser in accordance with its terms (subject to applicable

Table of Contents

bankruptcy, insolvency, reorganization and other laws of general application limiting the enforcement of creditors' rights generally and to the fact that specific performance is an equitable remedy available only in the discretion of a court). Except as disclosed in Schedule 3.3(b) to the Purchaser Disclosure Letter, the authorization, execution and delivery by the Purchaser of this Agreement and the performance by the Purchaser of its obligations hereunder and the completion by the Purchaser of the transactions contemplated hereby (including the Arrangement) will not:

- (i) violate, conflict with or result in a breach of or default under, and do not and will not create a state of facts which, after notice or lapse of time or both, will result in a breach of or default under, and do not and will not conflict with, or give rise to any right of termination, cancellation, suspension, acceleration, penalty or payment obligation or right to purchase or sell under, any term or provision of:
  - (A) the constating documents or by-laws of the Purchaser or any of the Purchaser Subsidiaries, or any resolutions of any of the directors or shareholders of the Purchaser or any of the Purchaser Subsidiaries, or any committee of any of them;
  - (B) any agreement, contract, indenture, deed of trust, mortgage, note, bond, instrument or Authorization to which the Purchaser or any of the Purchaser Material Subsidiaries is a party or by which any of them is bound, except as would not, individually or in the aggregate, have or reasonably be expected to have a Material Adverse Effect in respect of the Purchaser on a consolidated basis; or
  - (C) except for the Key Regulatory Approvals and the Purchaser Regulatory Approvals, any Law applicable to the Purchaser or any of the Purchaser Subsidiaries, or any of their respective properties or assets (including, without limitation, the Securities Laws) except as would not, individually or in the aggregate have, or reasonably be expected to have, a Material Adverse Effect in respect of the Purchaser taken as a whole;
- (ii) give rise to any rights of first refusal or rights of first offer, trigger any change in control provisions or any similar provisions or restrictions or limitation under any agreement, contract, indenture, deed of trust, mortgage, note, bond, instrument or Authorization to which the Purchaser or any of the Purchaser Subsidiaries is a party, except as would not, individually or in the aggregate, have or reasonably be expected to have a Material Adverse Effect in respect of the Purchaser;
- (iii) give rise to any termination or acceleration of indebtedness, or cause any third party indebtedness to come due before its stated maturity or cause any available credit to cease to be available;
- (iv) except in matters related to the Partnership or Corporation result in the creation or imposition of any Encumbrance upon any of the property or assets of the Purchaser or any of the Purchaser Subsidiaries, or restrict, hinder, impair or limit the ability of the Purchaser or any of the Purchaser Subsidiaries to conduct their respective businesses as and where it is now being conducted which would, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on the Purchaser; or
- (v) result in any material payment (including retention, severance, unemployment compensation, golden parachute, bonus or otherwise) becoming due to any director, officer or employee of the Purchaser or any of the Purchaser Subsidiaries, or increase any benefit payable to such director, officer or employee by the Purchaser or any of the Purchaser Subsidiaries, or result in the acceleration of the time of payment or vesting of any such benefits.

Table of Contents

The Purchaser Consents are the only consents and approvals required from, and notices required to, any third party under any Purchaser Material Contract in order for the Purchaser to proceed with the execution and delivery of this Agreement and the completion of the transactions contemplated by this Agreement and the Arrangement pursuant to the Plan of Arrangement except for consents and approvals which would not, individually or in the aggregate have, or reasonably be expected to have, a Material Adverse Effect in respect of the Purchaser taken as a whole.

(c)

*Regulatory Approvals.* Other than the Interim Order, the Final Order, the Key Regulatory Approvals, the Purchaser Regulatory Approvals and those listed in Schedule 3.3(c), and except as would not, individually or in the aggregate have, or reasonably be expected to have, a Material Adverse Effect in respect of the Purchaser taken as a whole or the ability of the Purchaser to consummate the transactions contemplated hereby, no Authorization consent, sanction, ruling, order, exemption, permit, approval, authorization or declaration of, or filing with, or notice to, any Governmental Entity which has not been received and made and which may not be made after the Effective Date is necessary on the part of the Purchaser or any Purchaser Subsidiary in connection with the execution and delivery by the Purchaser of this Agreement and the completion by the Purchaser of the transactions contemplated by this Agreement, the obligations of the Purchaser hereunder and under the Arrangement pursuant to the Plan of Arrangement.

(d)

*Capital Structure.* The authorized share capital of the Purchaser consists of an unlimited number of Purchaser Shares. As at the date hereof, there are 68,561,149 Purchaser Shares issued and outstanding as fully-paid and non-assessable shares in the capital of the Purchaser. Schedule 3.3(d) to the Purchaser Disclosure Letter sets forth the number of vested and unvested Purchaser options or Purchaser warrants or other convertible securities (other than the outstanding convertible debentures of the Purchaser, details of which are set forth in the Purchaser Public Documents) . Other than such Purchaser options, warrants and other convertible securities, there are no options, warrants, conversion privileges or other rights, agreements, arrangements or commitments (pre-emptive, contingent or otherwise) of any character whatsoever requiring or which may require the issuance, sale or transfer by the Purchaser of any securities of the Purchaser (including the Purchaser Shares), or any securities or obligations convertible into, or exchangeable or exercisable for, or otherwise evidencing a right or obligation to acquire, any securities of the Purchaser (including the Purchaser Shares) or the Purchaser Subsidiaries. All outstanding the Purchaser Shares have been duly authorized and validly issued, are fully paid and non-assessable. All securities of the Purchaser (including the Purchaser Shares) have been issued in compliance with all applicable Laws and Securities Laws. There are no outstanding contractual or other obligations of the Purchaser or any of the Purchaser Subsidiaries to repurchase, redeem or otherwise acquire any of their securities or with respect to the voting or disposition of any outstanding securities of any of the Purchaser Subsidiaries. As at the date hereof, no order ceasing or suspending trading in securities of the Purchaser nor prohibiting the sale of such securities has been issued and is outstanding against the Purchaser or any of its directors or officers.

(e)

*Subsidiaries.* The Purchaser beneficially owns, directly or indirectly, all of the issued and outstanding securities of each of the Purchaser Subsidiaries free and clear of all Encumbrances, except for Permitted Encumbrances. All of the outstanding shares or other equity securities or ownership interests in the capital of each of the Purchaser Subsidiaries are: (i) duly authorized, validly issued, fully paid and non-assessable (and no such shares or other equity or ownership interests have been issued in violation of any pre-emptive or similar rights) and (ii) except as may be owned by the Purchaser or any Purchaser Subsidiary there are no outstanding options, warrants, rights, entitlements, understandings or commitments

Table of Contents

(contingent or otherwise) regarding the right to purchase or acquire, or securities convertible into or exchangeable for, any such shares of capital stock or other ownership interests in, or material assets or properties of, the Purchaser Subsidiaries. Except with the Purchaser or any Purchaser Subsidiary, there are no contracts, commitments, agreements, understandings, arrangements or restrictions which require any Purchaser Subsidiary to issue, sell or deliver any shares in its capital or other ownership interests, or any securities or obligations convertible into or exchangeable for, any shares of its share capital or other ownership interests. The Purchaser does not hold any equity interest in any Subsidiary, other than its interests in the Purchaser Subsidiaries.

(f)

*Compliance with Laws.* Except as disclosed in the Purchaser Public Documents or Schedule 3.3(f) to the Purchaser Disclosure Letter, to the knowledge of the Purchaser, each of the Purchaser and the Purchaser Subsidiaries has conducted and is conducting its activities or business in compliance with all applicable Laws (including without limitation those of the country, province, state and municipality in which such entity carries on business or conducts its activities), except as would not, individually or in the aggregate, have a Material Adverse Effect in respect of the Purchaser taken as a whole. None of the Purchaser or, to the knowledge of the Purchaser, any of the Purchaser Subsidiaries has received any written notices or other correspondence from any Governmental Entity regarding any circumstances that have existed or currently exist which would reasonably be expected to lead to a loss, suspension, or modification of, or a refusal to issue, any Authorization relating to its activities which would reasonably be expected to restrict, curtail, limit or adversely affect the ability of the Purchaser or any of the Purchaser Subsidiaries to operate their respective businesses except in each case as would not, individually or in the aggregate, have a Material Adverse Effect in respect of the Purchaser taken as a whole.

(g)

*Permits and Licenses.* Except as disclosed in the Purchaser Public Documents or in Schedule 3.3(g) of the Purchaser Disclosure Letter, to the knowledge of the Purchaser, each of the Purchaser and the Purchaser Subsidiaries has or has the benefit of all Authorizations required or necessary to conduct its business and activities as currently conducted, and all such Authorizations are in full force and effect and in good standing and the Purchaser and each of the Purchaser Subsidiaries are in material compliance with their requirements, except in each case as would not, individually or in the aggregate, have a Material Adverse Effect in respect of the Purchaser.

(h)

*Securities Laws; Exchange Requirements.* The Purchaser is a "reporting issuer" under applicable Canadian Securities Laws and is not in default of any material requirements of any applicable Securities Laws. The Purchaser has been and is now in compliance, in all material respects, with all applicable Securities Laws and there are no current or, to the knowledge of the Purchaser, pending or threatened proceedings before any Securities Authority or other Governmental Entity relating to any alleged non-compliance with any Securities Laws. The Purchaser Shares are listed on the Exchanges, and the Purchaser is not in default in any material respect of any requirements of the TSX or the NYSE. As of the date hereof, no order, ruling or determination having the effect of delisting, suspending the sale or ceasing the trading of the Purchaser Shares has been issued or made by any Securities Authority or the TSX or the NYSE or any other regulatory authority and is continuing in effect and, to the knowledge of the Purchaser, at the date hereof, no investigation, inquiry or proceedings (formal or informal) for any purpose have been instituted or are pending or threatened by any such authority.

(i)

*Purchaser Public Documents.* The Purchaser has filed all documents required to be filed by it in accordance with applicable Securities Laws with the Securities Authorities and the Exchanges. The documents filed by the Purchaser, at the time filed under applicable Securities

Table of Contents

Laws on SEDAR or EDGAR since January 1, 2011 and prior to the date hereof and accessible to the public on SEDAR or EDGAR (or, if amended, as of the date of such amendment), complied in all material respects with the requirements of applicable Securities Laws and the Exchanges (and any amendments of such required to be made have been filed on a timely basis with the Securities Authorities and the Exchanges) and did not contain any untrue statement of a Material Fact or omit to state a Material Fact required to be stated therein or necessary to make the statement therein not misleading in light of the circumstances under which it was made. The Purchaser has not filed any confidential material change report with any Securities Authority which, as of the date hereof, remains confidential.

(j)

*Financial Statements.* Except as disclosed in Schedule 3.3(j) to the Purchaser Disclosure Letter, the Purchaser Financial Statements (i) are in accordance with the books, records and accounts of the Purchaser and the Purchaser Subsidiaries, (ii) are true and correct and present fairly the consolidated financial position of the Purchaser and the Purchaser Subsidiaries for the periods ended on, and as at, the dates indicated therein, (iii) have been prepared in accordance with U.S. GAAP consistently applied, and (iv) present fairly the financial position, results of operations and changes in financial position of the Purchaser on a consolidated basis as at the dates thereof and for the periods indicated thereon, except in each case as otherwise indicated in the Purchaser Financial Statements and the notes thereto or, in the case of the Purchaser Annual Financial Statements, in the related report of the Purchaser's independent auditor, and in the case of Purchaser Interim Financial Statement, subject to normal year end audit adjustments.

(k)

*Absence of Certain Changes.* Except as disclosed in the Purchaser Public Documents or Schedule 3.3(k) to the Purchaser Disclosure Letter, and except as contemplated in the Purchaser Material Contracts or this Agreement, since the date of the Purchaser Annual Financial Statements,

(i)

there has not been any event, circumstance or occurrence which has had or is reasonably likely to give rise to a Material Adverse Effect in respect of the Purchaser;

(ii)

there has not occurred any adverse Material Change except as disclosed in the Purchaser Public Documents, in the business, operations or capital of the Purchaser and the Purchaser Subsidiaries taken as a whole;

(iii)

the Purchaser and its Subsidiaries have conducted their respective businesses only in the ordinary course of business;

(iv)

there has not been any change in the accounting practices used by any of the Purchaser and its Subsidiaries; and

(v)

there has not been any redemption, repurchase or other acquisition of Purchaser Shares by the Purchaser, or any declaration, setting aside or payment of any dividend or other distribution (whether in cash, shares or property) with respect to the Purchaser Shares.

(l)

*Records.* The corporate records and minute books of the Purchaser and the Purchaser Subsidiaries have been maintained in accordance with all applicable Laws in all material respects, are complete and accurate in all material respects and contain minutes of all meetings and resolutions of the directors, shareholders, unitholders or partners, as applicable, or any committee of any of them except for minutes of meetings of the directors and any and all committees thereof relating to the Purchaser's acquisition process and except for meetings for which minutes have not yet been prepared. The financial books and records and accounts of the Purchaser and the Purchaser Subsidiaries (i) have been maintained in accordance with good business practices, applicable Laws and U.S. GAAP on a basis consistent with prior years; (ii) are stated in reasonable detail and accurately and fairly reflect the material

Table of Contents

transactions, acquisitions and dispositions of the assets of the Purchaser and the Purchaser Material Subsidiaries; and (iii) accurately and fairly reflect the basis for the Purchaser Financial Statements; provided, however, that the foregoing is qualified by the knowledge of the Purchaser for periods prior to the date the applicable Purchaser Subsidiary became owned by the Purchaser.

(m)

*Assets and Undertakings.* Each of the Purchaser and the Purchaser Subsidiaries has good and valid title to all of its material assets and undertakings, free and clear of all Encumbrances, except for Permitted Encumbrances, restrictions on transfer contained in the constating documents of the Purchaser Subsidiaries and except where the failure to have good title would not have a Material Adverse Effect in respect of the Purchaser taken as a whole.

(n)

*Operations of Purchaser.* The information the Purchaser has made available to the Partnership Entities and their Agents in the Purchaser Data Site relating to the historical operation of the business of the Purchaser is true and correct in all material respects.

(o)

*Material Contracts.* True and complete copies of the Purchaser Material Contracts have been placed in the Purchaser Data Site, other than the power purchase agreement in respect of Piedmont Green Power, LLC. All of such Purchaser Material Contracts are (i) valid and binding obligations of the Purchaser or the Purchaser Subsidiaries, as applicable, enforceable in accordance with their respective terms, except as may be limited by bankruptcy, insolvency and other laws affecting the enforcement of creditors' rights generally and subject to the qualification that equitable remedies may only be granted in the discretion of a court of competent jurisdiction and are in good standing; (ii) except where they expire in accordance with their terms, in full force and effect, and the Purchaser or the Purchaser Subsidiaries are entitled to all rights and benefits thereunder in accordance with the terms thereof; (iii) none of the Purchaser or the Purchaser Subsidiaries have waived any rights under any such Purchaser Material Contract; and (iv) subject to obtaining the Purchaser Consents, no default exists under and no event has occurred which, after notice or lapse of time or both, or otherwise, would constitute a default under or breach, by the Purchaser, any of the Purchaser Subsidiaries, or trigger a right of termination of any of such contracts or, to the knowledge of the Purchaser, any other person, of any material obligation, agreement, covenant or condition contained in any such Purchaser Material Contract except in each case as would not result in a Material Adverse Effect in respect of the Purchaser taken as a whole. As at the date hereof, none of the Purchaser or any of the Purchaser Material Subsidiaries has received written notice that any party to a Purchaser Material Contract intends to cancel, terminate or otherwise modify or not renew such contract, and to the knowledge of the Purchaser, no such action has been threatened.

(p)

*Litigation.* Except as disclosed in the Purchaser Public Documents or in Schedule 3.3(p) to the Purchaser Disclosure Letter, there is no claim, action, suit, proceeding, administrative action, regulatory action or investigation which has been commenced or, to the knowledge of the Purchaser, is pending or threatened against or affecting the Purchaser or any of the Purchaser Subsidiaries or any of their respective assets or properties, or to which any of the Purchaser or any of the Purchaser Subsidiaries is a party or to which any property or assets of the Purchaser or any of the Purchaser Subsidiaries is subject, at Law or in equity, before or by any Governmental Entity, which, individually or in the aggregate, if determined adversely to any of the Purchaser or any of the Purchaser Subsidiaries, as the case may be, has or could reasonably be expected to result in a Material Adverse Effect in respect of the Purchaser.



Table of Contents

(q)

*Environmental Matters.* Except as disclosed in Schedule 3.3(q) to the Purchaser Disclosure Letter or the Purchaser Public Documents, or as would not have or result in a Material Adverse Effect in respect of the Purchaser, to the knowledge of the Purchaser:

(i)

none of the Purchaser, any Purchaser Subsidiaries or any of the Purchaser's operations is in material violation of any Environmental Laws;

(ii)

there are no pending or, to the knowledge of the Purchaser, threatened administrative, regulatory or judicial actions, suits, demands, demand letters, claims, liens, orders, notices of non-compliance, infraction or violation, prosecution, investigation or proceedings relating to any Environmental Law against the Purchaser, any of the Purchaser Material Subsidiaries or any of the Purchaser's operations; and

(iii)

the Purchaser has made available to the Partnership Entities all material third party audits, assessments and reports with respect to environmental matters in respect of the Purchaser and the Purchaser Material Subsidiaries in its possession.

(r)

*Employee Matters.* Except as disclosed in Schedule 3.3(r) to the Purchaser Disclosure Letter,

(i)

the Purchaser has no Employees governed by the Laws of Canada;

(ii)

no labour dispute with any employees of the Purchaser or any of the Purchaser Subsidiaries, exists or, to the knowledge of the Purchaser, is imminent;

(iii)

none of the Purchaser or the Purchaser Subsidiaries is bound by or party to any collective bargaining agreement, and no trade union, council of trade unions, employee bargaining agency or affiliated bargaining agent holds any bargaining rights with respect to the Purchaser or the Purchaser Subsidiaries, and there is no organizational campaign in progress with respect to any employees of the Purchaser or any of the Purchaser Subsidiaries and, to the knowledge of the Purchaser, no question concerning representation of such employees exists;

(iv)

there are no unfair labour practice charges or complaints against the Purchaser or any Purchaser Subsidiary or, to the knowledge of the Purchaser, threatened before the National Labour Relations Board, Labour Authority, Labour courts, or any other Governmental Entity and there are not any pending or, to the Purchaser's knowledge, threatened union grievances against the Purchaser or the Purchaser Subsidiaries;

(v)

no collective bargaining negotiations, whether voluntary or mandatory, are currently taking place or scheduled or planned with respect to the Purchaser or any Purchaser Subsidiary;

(vi)

to the knowledge of the Purchaser, no person has applied to have the Purchaser or any of the Purchaser Subsidiaries declared a related employer or successor employer pursuant to any applicable labour laws;

(vii)

the Purchaser and each Purchaser Subsidiary is, and at all times during the past three (3) years has been, in compliance in all material respects with all applicable Laws and regulations respecting labour, employment, fair employment practices, terms and conditions of employment, occupational safety and health, workers' compensation, unemployment insurance, affirmative action and wages and hours (including the Fair Labor Standards Act and related state and local laws);

(viii)

## Edgar Filing: ATLANTIC POWER CORP - Form DEFM14A

the Purchaser and each Purchaser Subsidiary is, and at all times during the past three (3) years has been, in compliance in all material respects with the requirements of the Immigration Reform Control Act of 1986;

Annex A-58

---

Table of Contents

- (ix) there are no charges pending or, to the knowledge of the Purchaser, threatened with respect to the status of employees or independent contractors of the Purchaser and each Purchaser Subsidiary, nor has the Purchaser or any Purchaser Subsidiary received any notice or information concerning any prospective change with respect to employees or independent contractors;
- (x) there are not any pending, or, to the Purchaser's knowledge, threatened, charges against the Purchaser or any Purchaser Subsidiary by any of their current or former employees before the Equal Employment Opportunity Commission or any foreign, state or local agency responsible for the prevention of unlawful employment practices;
- (xi) the Purchaser or any Purchaser Subsidiary, has not received any communication during the past three (3) years of the intent of any Governmental Entity responsible for the enforcement of labour or employment laws to conduct an investigation of or affecting the Company or any Subsidiary and no such investigation is in progress;
- (xii) the Purchaser or any Purchaser Subsidiary are not subject to any consent decree, injunction or other form of court order relating to any labour or employment practice;
- (xiii) to the knowledge of the Purchaser, (a) each entity who supplies labourers and/or operations and maintenance services to the Purchaser or Purchaser Subsidiaries is and, at all times during the past three (3) years, has been, in compliance in all material respects with all applicable Laws and regulations respecting labour, employment, fair employment practices, terms and conditions of employment, occupational safety and health, workers' compensation, unemployment insurance, affirmative action and wages and hours (including the Fair Labor Standards Act and related state and local laws) with respect to such supplied labourers, (b) no labour strike, slow down, dispute, or stoppage is pending or threatened with respect to such supplied labourers or has occurred at any time during the past three (3) years; (c) with respect to such supplied labourers, each entity supplying the same is in compliance in all material respects with the terms and all applicable laws relating to any employee benefit plans; (d) with respect to such supplied labourers, there is no on-going or threatened union organizational campaign and no question concerning representation exists; and (e) none of the entities who supply labour and/or operations and maintenance services to the Purchaser or the Purchaser Subsidiaries are bound by or party to any collective bargaining agreement, and no trade union, council of trade unions, employee bargaining agency or affiliated bargaining agent holds any bargaining rights with respect to the entities who supply labourers and/or operations and maintenance services to the Purchaser or the Purchaser Subsidiaries; and
- (xiv) the Purchaser shall defend, indemnify and hold harmless the Partnership Entities and the Partnership Subsidiaries from and against any action or liability under the WARN Act and State WARN Acts (as defined in the Employee Hiring Agreement) related to, concerning, or that stem in whole or in part from the transaction described in this Agreement and the Employee Hiring Agreement. The Purchaser is solely and exclusively responsible for providing any and all notices to all of those entitled to such notices under such Acts related to, concerning, or that stem in whole or in part from the transaction described in this Agreement.
- (s) *Purchaser Benefit Plans.*
  - (i) The Purchaser has no rights, obligations or liabilities in respect of any Benefit Plan governed by the Laws of Canada;
  - (ii) Except as disclosed in Schedule 3.3(s) to the Purchaser Disclosure Letter, neither the Purchaser nor any Purchaser Subsidiary has any Benefit Plans. Each Benefit Plan

Table of Contents

sponsored or contributed to by Purchaser or any Purchaser Subsidiary (or which otherwise covers an employee or former employee of Purchaser or any Purchaser Subsidiary or a dependent thereof) shall be referred to herein as a "Purchaser Benefit Plan" and collectively as the "Purchaser Benefit Plans";

- (iii) Each Purchaser Benefit Plan has been administered in all material respects according to its terms and applicable Laws and there are no outstanding violations or defaults thereunder nor any actions, claims or other proceedings pending or, to the knowledge of the Purchaser, threatened with respect to any Purchaser Benefit Plan;
- (iv) All contributions or premiums required to be made by the Purchaser and the Purchaser Subsidiaries under the terms of each Purchaser Benefit Plan or pursuant to applicable Laws have been made in a timely fashion in accordance with applicable Laws and the terms of the Purchaser Benefit Plans;
- (v) To the extent applicable, each Purchaser Benefit Plan complies in all material respects with the requirements of ERISA and the Code, and any Purchaser Benefit Plan intended to be qualified under Code Section 401(a) or 423 is so qualified and has been so qualified since its creation, and its related trust is tax-exempt and has been since its creation. No Purchaser Benefit Plan is covered by Title IV of ERISA or Code Section 412;
- (vi) Within the six years preceding the date of this Agreement, none of the Purchaser, the Purchaser Subsidiaries nor any ERISA Affiliate of any of the foregoing has incurred any liability under Subtitle C or D of Title IV of ERISA with respect to any "single-employer plan" within the meaning of ERISA Section 4001(a)(15), currently or formerly maintained by the Purchaser, the Purchaser Subsidiaries or any ERISA Affiliate of any of the foregoing;
- (vii) None of the Purchaser, the Purchaser Subsidiaries nor any ERISA Affiliate of any of the foregoing has incurred within the six years preceding the date of this Agreement, nor will they incur as a result of the transactions contemplated by this Agreement, any withdrawal liability under Subtitle E of Title IV of ERISA with respect to any "multiemployer plan," within the meaning of ERISA Section 4001(a)(3);
- (viii) None of the Purchaser, the Purchaser Subsidiaries nor any ERISA Affiliate of any of the foregoing has engaged in, nor is it a successor or parent corporation to an entity that has engaged in, a transaction described in ERISA Section 4069(a) or 4212(c); nor will this transaction result in a transaction described in ERISA Section 4069(a) or 4212(c);
- (ix) Except as disclosed in Schedule 3.3(s) to the Purchaser Disclosure Letter, within the six years preceding the date of this Agreement, none of the Purchaser, the Purchaser Subsidiaries nor any ERISA Affiliate of any of the foregoing has maintained, had an obligation to contribute to, contributed to, or had any liability with respect to any current or former employee benefit plan that is or has been subject to Title IV of ERISA (including any "multiemployer plan" within the meaning of ERISA Section 4001(a)(3)). No Purchaser Benefit Plan is a multiple employer welfare arrangement as defined in ERISA Section 3(40);
- (x) All Purchaser Benefit Plans that are "nonqualified deferred compensation plans" within the meaning of Code Section 409A(d)(1) satisfy the requirements of Code Section 409A and the U.S. Treasury regulations thereunder;
- (xi) No Purchaser Benefit Plan is currently under a governmental investigation or audit and, to the knowledge of the Purchaser, no such investigation or audit has been threatened;

Table of Contents

- (xii) None of the Purchaser Benefit Plans covers Persons other than current or former employees of the Purchaser and the Purchaser Subsidiaries and their dependants and beneficiaries or provides for the payment of post-employment or post-retirement benefits other than such benefits required by Law to be provided;
- (xiii) There are no restrictions on the rights of Purchaser or Purchaser Subsidiary to amend or terminate any Purchaser Benefit Plan without incurring any liability thereunder (other than ordinary administrative expenses and benefits incurred through the date of plan termination); and
- (xiv) No act or omission has occurred (or will occur as a result of the transactions contemplated by this Agreement) and no condition exists with respect to any Benefit Plan currently or previously sponsored, contributed to, maintained or administered by Purchaser or a Purchaser Subsidiary or any ERISA Affiliate thereof that would subject the Purchaser or any Purchaser Subsidiary (or the assets of any such Purchaser Benefit Plan) to any material fine, penalty, tax or liability of any kind imposed under ERISA, the Code or other applicable Law (other than routine claims for benefits accrued under Purchaser Benefit Plans for employees of the Purchaser or an ERISA Affiliate of Purchaser and their beneficiaries).
- (t) *Intellectual Property.*
  - (i) Except as disclosed in Schedule 3.3(t) to the Purchaser Disclosure Letter, each of the Purchaser and the Purchaser Subsidiaries own or possess adequate title and interest in and to all Intellectual Property used by it and necessary to conduct its business as currently conducted. The Intellectual Property owned by the Purchaser or the Purchaser Subsidiaries and currently used to conduct their respective businesses does not, to the knowledge of the Purchaser, conflict with, misappropriate or infringe upon or otherwise violate in any material respect any intellectual property rights of any other Person, and, to the knowledge of the Purchaser, none of the Purchaser or the Purchaser Subsidiaries have received any written notice alleging any such conflict, misappropriation, infringement or violation.
- (u) *Tax Matters.* Except as disclosed in Schedule 3.3(u) to the Purchaser Disclosure Letter:
  - (i) each of the Purchaser and the Purchaser Subsidiaries has (A) filed all material Tax Returns required to be filed within the prescribed time and all such Tax Returns are complete and correct in all material respects; (B) paid all material Taxes which are due and payable as shown on such Tax Returns or on subsequent assessments with respect thereto; and (C) made adequate and timely payment of all material instalments of the Taxes;
  - (ii) the Purchaser and each Purchaser Subsidiary has paid all material Taxes, including instalments on account of Taxes for the current year required by applicable Law, which are due and payable by it whether or not assessed by the appropriate Governmental Entity and the Purchaser has provided adequate accruals in accordance with U.S. GAAP in the most recently published financial statements of the Purchaser for any material Taxes for the period covered by such financial statements that have not been paid whether or not shown as being due on any Tax Returns. Since such publication date, no material liability in respect of Taxes not reflected in such financial statements or otherwise provided has been assessed, proposed to be assessed, incurred or accrued, other than in the ordinary course of business;
  - (iii) the Purchaser and each Purchaser Subsidiary has duly and timely withheld all Taxes and other amounts required by Law to be withheld by it (including Taxes and other amounts

Table of Contents

required to be withheld by it in respect of any amount paid or credited or deemed to be paid or credited by it to or for the benefit of any person) and has duly and timely remitted to the appropriate Governmental Entity such Taxes or other amounts required by applicable Law to be remitted by it, except in each case where such amounts are immaterial;

- (iv) neither the Purchaser nor any Purchaser Subsidiary is a party to any agreement or other arrangement, or any waiver, providing for any extension of time within which: (A) to file any Tax Return covering any Taxes; (B) to file any elections, designations or similar filings relating to Taxes; (C) the Purchaser or any Purchaser Subsidiary is required to pay or remit any Taxes or amounts on account of Taxes; or (D) any Governmental Entity may assess or collect Taxes for which the Purchaser or any Purchaser Subsidiary is or may be liable;
- (v) neither the Purchaser nor any Purchaser Material Subsidiary is a party to any tax sharing, tax indemnity or tax allocation agreement or arrangement;
- (vi) other than ordinary course audits and claims, there are no proceedings, investigations, assessments, reassessments, audits or claims in progress or, to the knowledge of the Purchaser, pending or threatened against the Purchaser or any Purchaser Subsidiary in respect of Taxes and no material deficiencies have been asserted in writing by any Governmental Entity with respect to Taxes of the Purchaser or any Purchaser Subsidiary that have not yet been settled;
- (vii) the Purchaser has made available to the Partnership Entities copies of: (A) all Tax Returns relating to the Taxes of the Purchaser or any Purchaser Subsidiary that have been filed since January 1, 2009; and (B) copies of all of its material correspondence with any Governmental Entity with respect to Taxes since January 1, 2009;
- (viii) neither the Purchaser nor any Purchaser Subsidiary is the subject of a Tax ruling, or is a party to any agreement, waiver or other arrangement with any Government Entity respecting Taxes payable by it or Tax Returns required to be filed by it or statute of limitations with respect to Taxes;
- (ix) none of sections 69, 78, 80, 80.01, 80.02, 80.03 or 80.04 of the Tax Act or any equivalent provision of any Tax legislation of any province or any other jurisdiction, have applied to the Purchaser or any Purchaser Subsidiary, none of such provisions will apply to the elimination of any of the payables or other indebtedness shown on the Purchaser Financial Statements as being owed to the Purchaser or such Purchaser Subsidiary, as the case may be, (as such amounts may change or have changed from time to time), and to the knowledge of the Purchaser, there are no circumstances which could, in themselves, result in the application of any such provisions to any of the Purchaser or the Purchaser Subsidiaries for taxation years ending after the Effective Date;
- (x) each of the Purchaser and the Purchaser Subsidiaries and any non-resident person with whom any of them was not dealing at arm's length during a taxation year (or portion thereof) ending on or before the Effective Date, has made or obtained records or documents that in all material respects meet the requirements of subsection 247(4) of the Tax Act and any equivalent provision of any Tax legislation of any other relevant jurisdiction;
- (xi) each of the Purchaser and the Purchaser Subsidiaries has duly and timely collected all amounts on account of any sales, use or transfer Taxes, including goods and services, harmonized sales, provincial and territorial, state and local taxes, required by applicable Law to be collected by it and has duly and timely remitted to the appropriate

## Edgar Filing: ATLANTIC POWER CORP - Form DEFM14A

### Table of Contents

Governmental Entity any such amounts required by applicable Laws to be remitted to it, except in each case where such amounts are immaterial;

(xii)

for the purposes of the Tax Act and any other relevant Tax purposes:

(A)

the Purchaser is resident in Canada and is not resident in any other country; and

(B)

each of the Purchaser Material Subsidiaries is resident in the country in which it was formed, and is not resident in any other country;

(xiii)

neither the Purchaser nor any Purchaser Subsidiary has, directly or indirectly, transferred property to or supplied services to, or acquired property or services from, any Person with whom it was not dealing at arm's length (for the purposes of the Tax Act) for consideration other than consideration equal to the fair market value of the property or services at the time of the transfer, supply or acquisition of such property or services;

(xiv)

there are no Encumbrances for Taxes, other than Permitted Encumbrances, on any of the assets of the Purchaser or any Purchaser Subsidiary;

(xv)

for U.S. federal income tax purposes, no limitation under Sections 382 or 384 of the Code currently applies to the net operating losses or built in losses of the Purchaser or any Purchaser Subsidiary;

(xvi)

neither the Purchaser nor any Purchaser Subsidiary (i) has ever been a member of an affiliated group of corporations filing a consolidated United States federal income Tax Return, and (ii) has any liability for Taxes of any other Person under United States Treasury Regulations Section 1.1502-6 (or any similar provision of foreign, state or local law), as a transferee or successor, by contract, or otherwise;

(xvii)

neither the Purchaser nor any Purchaser Subsidiary has been notified of, or has any knowledge of its participation in a transaction that is described as a "listed transaction" within the meaning of Treasury Regulation Section 1.6011-4(b);

(xviii)

the Purchaser and each Purchaser Subsidiary has complied with all tax reporting requirements under Sections 6038A, 6038B, 6038C, 6038D, or 6039C of the Code;

(xix)

neither the Purchaser nor any Purchaser Subsidiary has distributed stock of another Person, or has had its stock distributed by another Person, in a transaction that was purported or intended to be governed in whole or in part by Section 355 of the Code or Section 361 of the Code; and

(xx)

neither the Purchaser nor any Purchaser Subsidiary will be required to include any item of income in, or exclude any deduction from, taxable income for any taxable period (or portion thereof) ending after the Effective Date as a result of any (A) change in method of accounting for a taxable period ending on or prior to the Effective Date, (B) agreement or other arrangement executed on or prior to the Effective Date, including any "closing agreement" as described in Section 7121 of the Code (or any corresponding or similar provision of the taxation legislation of any other jurisdiction), (C) intercompany transactions or any excess loss account described in Treasury Regulations under Section 1502 of the Code (or any corresponding or similar provision of the taxation legislation of any other jurisdiction), (D) instalment sale or open transaction disposition made on or prior to the Effective Date, (E) prepaid amount received on or prior to the Effective Date, or (F) any election, designation or similar filing related to Taxes, including any election under Section 108(i) of the Code.

(v)

Edgar Filing: ATLANTIC POWER CORP - Form DEFM14A

*Fees.* Except as disclosed in Schedule 3.3(v) to the Purchaser Disclosure Letter, none of the Purchaser or the Purchaser Subsidiaries will be liable, directly or indirectly, for the fees,

Annex A-63

---



Table of Contents

commissions or expenses of any broker, finder, investment banker or other similar agent in connection with the Arrangement.

(w)

*Commitment Letter.* Pursuant to a commitment letter (the "**Commitment Letter**") dated June 15, 2011 between The Toronto Dominion Bank (the "**Bank**") and the Purchaser, a complete and accurate executed copy of which has been delivered to the Partnership, the Bank has provided a fully underwritten commitment to structure, arrange, underwrite and syndicate (i) a bridge credit facility in an aggregate amount of up to \$230,000,000 to be made available to the Purchaser; and (ii) a bridge credit facility in an aggregate amount of up to \$400,000,000 to be made available to the Partnership (collectively, the "**Bridge Loans**"). There are no conditions precedent related to the funding of the Bridge Loans, other than as expressly set forth in the Commitment Letter. Assuming the accuracy of the Partnership Entities' and the Corporation's representations and warranties contained herein, as of the date of this Agreement, the Purchaser has no reasonable basis to believe that any of the conditions set forth in the Commitment Letter will not be satisfied or that the Bridge Loans will not be available to the Purchaser or the Partnership, as the case may be, when required in accordance with this Agreement. Assuming the accuracy of the Partnership Entities' and the Corporation's representations and warranties contained herein, as of the date of this Agreement, no event has occurred which, with or without notice, lapse of time or both, would constitute a material default or breach on the part of the Purchaser under any representation, warranty, term or condition of the Commitment Letter other than to the extent that any term or condition requires any action by, or otherwise relates to, the Corporation, the Partnership Entities or any of the Partnership Subsidiaries.

(x)

*Funds Available.* The Bridge Loans and the available cash of the Purchaser will be sufficient to enable the Purchaser to pay the cash consideration payable to the Partnership Unitholders and the Corporation Shareholders pursuant to the Plan of Arrangement and the fees and expenses of the Purchaser in connection with the transactions contemplated by this Agreement and the Commitment Letter.

(y)

*Internal Controls and Financial Reporting.* The Purchaser has (i) designed disclosure controls and procedures to provide reasonable assurance that material information relating to the Purchaser, including the Purchaser Subsidiaries, is made known to the Chief Executive Officer and Chief Financial Officer of the Purchaser on a timely basis, particularly during the periods in which the annual or interim filings are being prepared; (ii) designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP; (iii) has evaluated the effectiveness of the Purchaser's disclosure controls and procedures and has disclosed in its management's discussion and analysis its conclusions about the effectiveness of its disclosure controls and procedures; and (iv) has evaluated the effectiveness of the Purchaser's internal control over financial reporting and has disclosed in its management's discussion and analysis its conclusions about the effectiveness of internal control over financial reporting and, if applicable, the necessary disclosure relating to any material weaknesses. To the knowledge of the Purchaser, prior to the date of this Agreement:

(i)

there are no significant deficiencies in the design or operation of, or material weaknesses in, the internal controls over financial reporting of the Purchaser that could reasonably be expected to adversely affect the Purchaser's ability to record, process, summarize and report financial information; and

(ii)

there is and has been no fraud, whether or not material, involving management or any other employees who have a significant role in the internal control over financial reporting of the Purchaser. Since January 1, 2008, the Purchaser has received no:

Table of Contents

(x) complaints from any source regarding accounting, internal accounting controls or auditing matters; or  
(y) expressions of concern from employees of the Purchaser or any Purchaser Subsidiary regarding questionable accounting or auditing matters.

- (z) *Related Party Transactions.* Except as disclosed in the Purchaser Public Documents the other agreements contemplated hereby, there are no Contracts or other transactions currently in place between the Purchaser or its Subsidiaries, on the one hand, and: (i) any officer or director of any of the Purchaser or its Subsidiaries; (ii) any holder of record or beneficial owner of 10% or more of the Purchaser Shares; and (iii) any Affiliate or associate (so defined in the Securities Act) of any such, officer, director, holder of record or beneficial owner, on the other hand.
- (aa) *Registration Rights.* No Purchaser Shareholder has any right to compel the Purchaser to register or otherwise qualify the Purchaser Shares (or any of them) for public sale or distribution.
- (bb) *Insurance.* All insurance maintained by the Purchaser is in full force and effect and in good standing and is in amounts and in respect of such risks as are normal and usual for companies of similar size operating in the industry in which the Purchaser operates.
- (cc) *Board Approval.*
- (i) TD Securities Inc. and Morgan Stanley & Co. LLC have delivered opinions to the Purchaser Board to the effect that, as of the date of such opinions and subject to the limitations, qualifications and assumptions set forth therein, the Partnership Unitholder Consideration to be paid pursuant to this Agreement is fair from a financial point of view to the Purchaser; and
- (ii) the Purchaser has determined unanimously that the Arrangement is in the best interests of the Purchaser and is fair to the Purchaser Shareholders and has resolved unanimously to recommend to the Purchaser Shareholders that they vote in favour of the Purchaser Share Issuance. The Purchaser Board has unanimously approved the Arrangement pursuant to the Plan of Arrangement and the execution and performance of this Agreement.
- (dd) *RRSP Eligibility.* The Purchaser is a "public corporation" as defined in the Tax Act.

### 3.4 Disclosure Letters

Concurrently with the execution and delivery of this Agreement, the Partnership Entities are delivering to the Purchaser the Partnership Entity Disclosure Letter and the Corporation is delivering to the Purchaser the Corporation Disclosure Letter, each of which is deemed to modify the representations and the warranties of the Partnership Entities and the Corporation, respectively, contained in this Agreement, and the Purchaser is delivering to each of the Partnership Entities and the Corporation the Purchaser Disclosure Letter, which is deemed to modify the representations and warranties of the Purchaser contained in this Agreement. Notwithstanding anything in the Partnership Entity Disclosure Letter, the Corporation Disclosure Letter or the Purchaser Disclosure Letter to the contrary, all disclosures in the Partnership Entity Disclosure Letter, the Corporation Disclosure Letter and the Purchaser Disclosure Letter must reference or be associated with a particular Section in this Agreement, but will also be interpreted to relate to or modify other Sections of this Agreement. The inclusion of any item in the Partnership Entity Disclosure Letter, the Corporation Disclosure Letter or the Purchaser Disclosure Letter shall not be construed as an admission by the Partnership Entities, the Corporation or the Purchaser, as applicable, of the materiality of such item.

Table of Contents

**3.5 Survival of Representations and Warranties**

- (a) The representations and warranties contained in Sections 3.1, 3.2 and 3.3 of this Agreement shall not survive the completion of the Arrangement and shall expire and be terminated on the earlier of (i) the Effective Time, and (ii) the date on which this Agreement is terminated in accordance with its terms.
- (b) Except for the representations and warranties contained herein, none of the Partnership, GP, the Corporation, the Purchaser or any other Persons on behalf of the Partnership, GP, the Corporation or the Purchaser, makes any express or implied representation or warranty with respect to the Partnership, GP, the Corporation or the Purchaser or with respect to any other information provided or otherwise made available in connection with the transactions contemplated hereby.
- (c) This Section 3.5 will not limit any covenant or agreement of any of the Parties which, by its terms, contemplates performance after the Effective Time or the date on which this Agreement is terminated, as the case may be.

**ARTICLE 4  
COVENANTS**

**4.1 Covenants of the Purchaser General**

The Purchaser covenants and agrees with the Partnership Entities and the Corporation that, from the date of this Agreement until the earlier of the Effective Time and the time this Agreement is terminated in accordance with its terms, except with the prior written consent of the Partnership Entities and the Corporation (such consent not to be unreasonably withheld or delayed), and except as otherwise expressly permitted or specifically contemplated by this Agreement (including the Plan of Arrangement) or required by applicable Laws:

- (a) the Purchaser shall forthwith carry out the terms of the Interim Order and the Final Order to the extent applicable to it and will use all reasonable commercial efforts to assist the Partnership Entities and the Corporation in obtaining such orders;
- (b) make joint elections with Eligible Holders in respect of the disposition of their Partnership Units or Corporation Shares, as the case may be, pursuant to Section 85 of the Tax Act (or any analogous provision of provincial tax law) in accordance with the procedures and within the time limits set out in the Plan of Arrangement. The agreed amount under such joint elections shall be determined by each Eligible Holder in its sole discretion within the limits set out in the Tax Act;
- (c) the Purchaser shall, concurrently with the first public announcement of the transactions contemplated hereby, publicly announce that the Purchaser intends to increase the annual dividend of the Purchaser to an amount equal to \$1.15 per Purchaser Share, effective on the Effective Date and conditional on the closing of the Arrangement as planned and there being no Material Change in the financial condition of the Purchaser or the Partnership prior to the Effective Time; and
- (d) the Purchaser shall use its reasonable commercial efforts to obtain approval for the listing of the Purchaser Shares to be issued pursuant to the Arrangement on the Exchanges.

Annex A-66

---

Table of Contents

**4.2 Purchaser Meeting**

Subject to the terms of this Agreement, the Purchaser covenants in favour of the Partnership Entities and the Corporation that it shall:

- (a) in accordance with the terms of and the procedures contained in applicable Law, duly call, give notice of, convene, hold and conduct the Purchaser Meeting as soon as reasonably practicable following the date of execution of this Agreement and the receipt of all Regulatory Approvals under applicable Securities Laws related to the Form S-4, to consider and, if deemed advisable, to approve the Purchaser Share Issuance Resolution;
- (b) in consultation with the Partnership Entities, fix and publish a record date for the purposes of determining the Purchaser Shareholders entitled to receive notice of and vote at the Purchaser Meeting;
- (c) except as required for quorum purposes or otherwise permitted under this Agreement, the Purchaser shall not adjourn (except as required by Law or by valid Purchaser Shareholder action), postpone or cancel (or propose to permit the adjournment (except as required by Law or by valid Purchaser Shareholder action), postponement or cancellation of) the Purchaser Meeting without the prior written consent of the Partnership Entities;
- (d) (i) solicit proxies of Purchaser Shareholders in favour of the Purchaser Share Issuance Resolution and against any resolution submitted by any other Purchaser Shareholder, including, if so reasonably requested by the Partnership Entities, using the services of dealers and proxy solicitation services and permitting the Partnership Entities to otherwise assist the Purchaser in such solicitation, and take all other actions that are necessary or reasonably desirable to seek the approval of the Purchaser Share Issuance Resolution by the Purchaser Shareholders, (ii) in the Purchaser Circular recommend to holders of Purchaser Shares that they vote in favour of the Purchaser Share Issuance Resolution, and (iii) include in the Purchaser Circular a statement that each director and executive officer of the Purchaser intends to vote all of such Person's Purchaser Shares in favour of the Purchaser Share Issuance Resolution; and
- (e) advise the Partnership Entities and the Corporation as each may reasonably request, and at least on a daily basis on each of the last 10 Business Days prior to the date of the Purchaser Meeting, as to the aggregate tally of the proxies received in respect of the Purchaser Share Issuance Resolution.

**4.3 Purchaser Circular; Form S-4**

- (a) Subject to compliance with Section 4.4, as soon as reasonably practicable after the execution and delivery of this Agreement, the Purchaser shall prepare the Purchaser Circular which shall form part of the Form S-4, together with any other documents required by the Securities Laws or other applicable Laws in connection with the Purchaser Meeting to be filed or prepared by the Purchaser. Subject to Section 4.2(a) and Section 4.4, as soon as reasonably practicable after the execution and delivery of this Agreement, the Purchaser shall, unless otherwise agreed by the Parties, cause the Purchaser Circular and such other documentation required in connection with the Purchaser Meeting to be mailed to the Purchaser Shareholders and filed in all jurisdictions where the same is required to be filed as required by applicable Laws. The Purchaser Circular shall include the unanimous recommendation of the Purchaser Board that the Purchaser Shareholders vote in favour of the Purchaser Share Issuance Resolution, subject to the terms of this Agreement and a statement that each director and executive officer of the Purchaser intends to vote all of his or her Purchaser Shares in favour of the Purchaser Share Issuance Resolution, and shall include a copy of the Purchaser Opinions.

Table of Contents

- (b) Subject to compliance with Section 4.4, as soon as reasonably practicable after the execution and delivery of this Agreement, the Purchaser shall prepare and file with the SEC the Form S-4. The Purchaser shall use its commercially reasonable efforts to have the Form S-4 declared effective under the U.S. Securities Act as promptly as practicable after its filing with the SEC.

**4.4 Preparation of Purchaser Filings**

- (a) The Parties shall use reasonable commercial efforts to co-operate in the preparation and filing of the Purchaser Circular and the Form S-4, and in the mailing of the Purchaser Circular. The Purchaser shall provide each of the Partnership Entities and the Corporation and each of their representatives with a reasonable opportunity to review and comment on the Purchaser Circular and the Form S-4, including by providing on a timely basis a description of any information required to be supplied by the Partnership Entities and the Corporation for inclusion in the Purchaser Circular or the Form S-4 (as applicable), prior to it being printed and mailed to the Purchaser Shareholders and filed with the applicable Securities Authorities in accordance with applicable Laws and will accept the reasonable comments of each of the Partnership Entities and the Corporation and their legal counsel with respect to any such information required to be supplied by the Partnership Entities and the Corporation and included in the Purchaser Circular or the Form S-4 and shall give reasonable consideration to comments of each of the Partnership Entities and the Corporation and its legal counsel in respect of any other matters in the Purchaser Circular or the Form S-4, provided that all information relating to the Partnership Entities and the Corporation included in the Purchaser Circular or the Form S-4 shall be in form and content satisfactory to the Partnership Entities and the Corporation. The Purchaser shall provide the Partnership Entities and the Corporation with a final copy of the Purchaser Circular prior to mailing to the Partnership Unitholders and the Corporation Shareholders and the Form S-4 once it is declared effective under the U.S. Securities Act.
- (b) Each of the Partnership Entities and the Corporation shall provide the Purchaser with any information for inclusion in the Purchaser Circular or the Form S-4 that may be required under applicable Law and/or is reasonably requested by the Purchaser.
- (c) The Purchaser shall ensure that the Purchaser Circular, including all information incorporated by reference therein, complies with all applicable Laws, and, without limiting the generality of the foregoing, that the Purchaser Circular does not, at the time of mailing of the Purchaser Circular, contain any untrue statement of a Material Fact or omit to state a Material Fact required to be stated therein or necessary to make the statements contained therein not misleading in light of the circumstances under which they are made (other than with respect to any information relating to and provided by the Partnership Entities and the Corporation) and shall contain sufficient detail to permit the Purchaser Shareholders to form reasoned judgement concerning the matters to be placed before them at the Purchaser Meeting. The Purchaser shall ensure that the Form S-4, including all information incorporated by reference therein, complies with all applicable Securities Laws, and, without limiting the generality of the foregoing, that the Form S-4 does not, at the time it is declared effective under the U.S. Securities Act, contain any untrue statement of a Material Fact or omit to state a Material Fact required to be stated therein or necessary to make the statements contained therein not misleading in light of the circumstances under which they are made (other than with respect to any information relating to and provided by the Partnership Entities and the Corporation).
- (d) Each of the Partnership Entities and the Corporation shall ensure that the information provided by it for inclusion in the Purchaser Circular or the Form S-4 does not, at the time of

Table of Contents

the mailing of the Purchaser Circular or the effectiveness of the Form S-4, as applicable, contain any untrue statement of a Material Fact or omit to state any Material Fact required to be stated therein or that is necessary to make the statements contained therein not misleading in light of the circumstances under which they are made.

(e)

Each of the Parties shall promptly notify each other if at any time before the Effective Time it becomes aware that the Purchaser Circular or the Form S-4 contains an untrue statement of a Material Fact or omits to state a Material Fact required to be stated therein or that is necessary to make the statements contained therein not misleading in light of the circumstances under which they are made, or that otherwise requires an amendment or supplement to the Purchaser Circular or the Form S-4, and the Parties shall co-operate in the preparation of such amendment or supplement as required or appropriate, and the Purchaser shall promptly mail or otherwise publicly disseminate any amendment or supplement to the Purchaser Circular to Purchaser Shareholders and, if required by the Court or applicable Laws, file the same with the applicable Securities Authorities and as otherwise required.

(f)

The Purchaser shall as soon as reasonably practicable inform each of the Partnership Entities and the Corporation of any requests or comments, whether oral or written, made by Securities Authorities in connection with the Purchaser Circular or the Form S-4. Each of the Parties will use all reasonable commercial efforts to cooperate with the other and to do all such acts and things as may be necessary or desirable in the manner contemplated in the context of the preparation of the Purchaser Circular and the Form S-4 and use its respective commercially reasonable efforts to resolve all requests or comments made by Securities Authorities with respect to the Purchaser Circular and the Form S-4 and any other required filings under applicable Securities Laws as soon as reasonably practicable after receipt thereof. The Purchaser shall provide the Partnership Entities and the Corporation, on the date of their filing or delivery, copies of each filing with, and responses delivered to, the Securities Authorities in connection with the Form S-4, including any request for effectiveness of the Form S-4.

(g)

The Purchaser will inform each of the Partnership Entities and the Corporation as soon as reasonably practicable after it is aware of any written communication received from Purchaser Shareholders in opposition to the Purchaser Share Issuance or the Purchaser Share Issuance Resolution.

(h)

The Purchaser will give advance notice to each of the Partnership Entities and the Corporation of the Purchaser Meeting and allow each of the Partnership Entities' and the Corporation's representatives and legal counsel to attend the Purchaser Meeting.

(i)

The Purchaser shall promptly notify the Partnership Entities and the Corporation of the effectiveness of the Form S-4.

#### **4.5 Conduct of Business by the Partnership**

The Partnership Entities covenant and agree with the Purchaser that they shall, and shall cause the Partnership Subsidiaries to, during the period from the date of this Agreement until the earlier of the Effective Time and the time that this Agreement is terminated in accordance with its terms, unless the Purchaser shall otherwise agree in writing (such agreement not to be unreasonably withheld or delayed), and except in each case as otherwise permitted or contemplated by this Agreement, the Partnership Reorganization Agreements, the Management Agreements Termination Agreement, the Management Agreement Assignment Agreement or the Plan of Arrangement, as contemplated in Schedule 4.5 to the Partnership Entity Disclosure Letter, or as is otherwise required by applicable Law, conduct its and their respective businesses only in, and not take any action except in, the ordinary course of business, use all reasonable commercial efforts to maintain and preserve its and their business

Table of Contents

organization and goodwill, assets, employees and advantageous business relationships, and, without limiting the generality of the foregoing, not:

- (a) amend or propose to amend the Partnership Agreement or the constating documents of any Partnership Subsidiary;
- (b) adopt a plan of liquidation or resolutions providing for the liquidation or dissolution of the Partnership or any Partnership Subsidiary;
- (c) reorganize, amalgamate or merge the Partnership or any Partnership Subsidiary with any other Person;
- (d) admit any Person as a general partner of the Partnership other than the GP;
- (e) reduce the stated capital of the shares of any Partnership Subsidiary;
- (f) split, consolidate, combine, reclassify or otherwise amend the terms of any class of securities;
- (g) except pursuant to its distribution reinvestment plan in connection with the distribution to be paid by the Partnership on or about June 23, 2011, issue or agree to issue any additional securities or any options, warrants, calls, conversion privileges or rights of any kind to acquire any securities;
- (h) redeem, purchase or otherwise acquire any of its securities or securities of any Partnership Subsidiary, except as may be required in accordance with their terms;
- (i) declare, set aside or pay any dividend or other distribution or payment in cash, securities or property with respect to any class of securities (other than (i) the regular monthly distribution to Partnership Unitholders in the amount of \$1.76 on an annualized basis payable to Partnership Unitholders of record on the last business day of each month, (ii) the regular dividends to holders of preferred shares of CPEL, and (iii) dividends or other distributions or payments to the Partnership or any of the Partnership Subsidiaries);
- (j) make any loan or advances to any other Person other than Partnership Subsidiaries, except in the ordinary course of business;
- (k) except in the ordinary course of business, sell, pledge, dispose of, mortgage, licence or encumber any property or assets with a value individually or in the aggregate exceeding \$10 million;
- (l) acquire, by merger, amalgamation, consolidation, acquisition of securities or assets or otherwise, any corporation, partnership or other business organization or division thereof or, except in Partnership Subsidiaries, make any investment therein either by purchase of securities, contributions of capital or property transfer, with an acquisition or investment cost individually or in the aggregate exceeding \$10 million;
- (m) incur or commit to capital expenditures in an amount in excess of the budgeted capital expenditure amounts as set forth in the Partnership 2011-01-05 CPILP Consolidated Model in the Data Site;
- (n)

## Edgar Filing: ATLANTIC POWER CORP - Form DEFM14A

incur or commit to any expenditures in respect of, make any loan or advances to, or otherwise fund the Partnership's Roxboro and Southport facilities located in the State of North Carolina except as budgeted in the Partnership 2011-01-05 CPILP Consolidated Model in the Data Site;

(o)

incur, create, assume or otherwise become liable for any indebtedness for borrowed money or any other liability or obligation or issue any debt securities or assume, guarantee, endorse or otherwise as an accommodation become responsible for, the obligations of any other Person, or make any loans or advances, except in the ordinary course of business;

Annex A-70

---



Table of Contents

- (p) pay, discharge, settle, satisfy, compromise, waive, assign or release any claims, liabilities or obligations for an amount exceeding \$10 million in the aggregate other than the payment, discharge or satisfaction, in the ordinary course of business of liabilities reflected or reserved against in the Partnership's financial statements or incurred in the ordinary course of business;
- (q) waive, release, grant, transfer, exercise, modify or amend in any material respect, other than in the ordinary course of the business, (i) any existing Partnership Material Contracts, (ii) any material Authorization, or (iii) any other material legal rights or claims;
- (r) take any action or fail to take any action which action or failure to act would reasonably be expected to result in the material loss, expiration or surrender of, or the loss of any material benefit under any material Authorization necessary to conduct its businesses as now conducted;
- (s) take any action or fail to take any action that is intended to, or would reasonably be expected to, individually or in the aggregate, prevent, materially delay or materially impede the ability of the Partnership to consummate the Arrangement or the other transactions contemplated by this Agreement;
- (t) except in the ordinary course of business or pursuant to existing employment, pension, termination or compensation arrangements, policies or agreements or the Partnership Management Agreements, grant to any director, officer or employee an increase in compensation in any form, make any loan to any director, officer, employee or former employee, or take any action with respect to the grant of any change of control, severance, retention or termination pay to, or the entering into of any employment agreement with, any director, officer or employee, or with respect to any increase of benefits payable under its current change of control, severance or termination pay policies;
- (u) establish, adopt, enter into, amend in any material manner or terminate any Benefit Plan (or any plan, agreement, program, policy, trust, fund or other arrangement that would be a Benefit Plan if it were in existence as of the date hereof) or collective bargaining agreement;
- (v) enter into or renew any agreement, contract, lease, licence or other binding obligation of the Partnership or any Partnership Subsidiary (A) containing (1) any material limitation or restriction on the ability of the Partnership or any Partnership Subsidiary or, following completion of the transactions contemplated hereby, the ability of the Purchaser or its Subsidiaries, to engage in any type of activity or business, (2) any limitation or restriction on the localities in which, all or any portion of the business of the Partnership or any Partnership Subsidiary or, following consummation of the transactions contemplated hereby, all or any portion of the business of the Purchaser or its Subsidiaries, is or would be conducted, or (3) any material limit or restriction on the ability of the Partnership or any Partnership Subsidiary or, following completion of the transactions contemplated hereby, the ability of the Purchaser or its Subsidiaries, to solicit customers or employees, or (B) that would reasonably be expected to materially delay or prevent the consummation of the transactions contemplated by this Agreement;
- (w) except as provided for in the Partnership 2011-01-05 CPILP Consolidated Model in the Data Site or in the ordinary course of business, not enter into or renew any agreement, contract, lease, licence or other binding obligation of the Partnership or any Partnership Subsidiary that is not terminable within 30 days of the Effective Date without payment by the Purchaser or its Subsidiaries that involves or would reasonably be expected to involve payments in excess of \$10 million in the aggregate over the term of the contract;

Table of Contents

- (x) make any changes to any of its accounting policies, principles, methods, practices or procedures, except as required by applicable Laws or under GAAP or IFRS in the case of GP or under IFRS in the case of the Partnership;
- (y) except for tax elections in respect of the December 2010 transfer of Coastal Rivers Power Limited Partnership and NW Energy (Williams Lake) Limited Partnership, and their general partners, to CPEL, make or change any material Tax election, change any annual Tax accounting period, adopt or change any method of Tax accounting, amend any material Tax Returns or enter into any agreement with any Governmental Entity relating to Taxes;
- (z) take any action that would reasonably be expected to adversely affect any Partnership Subsidiary's status as a Qualifying Facility, an Exempt Wholesale Generator, or a Foreign Utility Company, or its Market-Based Rate Authorization or its compliance with all applicable NERC requirements and standards;
- (aa) except pursuant to the Partnership Material Contracts, the Partnership Management Agreements, the Partnership Reorganization Agreements, the ROFL Termination Agreement, the transactions contemplated by this Agreement and for transactions undertaken in the ordinary course of business, enter into any transaction, undertaking or arrangement with any Person with which they are not dealing at arm's length, as that term is defined for the purposes of the Tax Act;
- (bb) cause or permit New LLC or New LLC2 to undertake any activity except as explicitly provided under this Agreement, the Plan of Arrangement or the Partnership Reorganization Agreements; and
- (cc) agree, resolve or commit to do any of the foregoing.

In addition, the Partnership Entities covenant and agree with the Purchaser that they shall, and shall cause the Partnership Subsidiaries to, during the period from the date of this Agreement until the earlier of the Effective Time and the time that this Agreement is terminated in accordance with its terms, use its reasonable commercial efforts (taking into account insurance market conditions and offerings and industry practices) to cause their current insurance policies, including directors' and officers' insurance, not to be cancelled or terminated or any of the coverages thereunder to lapse, except where such cancellation, termination or lapse would not individually or in the aggregate be material to the Partnership, unless simultaneously with such termination, cancellation or lapse, replacement policies underwritten by insurance or re-insurance companies of nationally recognized standing having comparable deductibles and providing coverage equal to or greater than the coverage under the cancelled, terminated or lapsed policies for substantially similar premiums are in full force and effect; provided that subject to Section 4.16, none of the Partnership Entities or any Partnership Subsidiary shall obtain or renew any insurance (or re-insurance) policy for a term exceeding 12 months from the date hereof.

#### **4.6 Conduct of Business by GP**

GP covenants and agrees with the Purchaser that it shall, during the period from the date of this Agreement until the earlier of the Effective Time and the time that this Agreement is terminated in accordance with its terms, unless the Purchaser shall otherwise agree in writing (such agreement not to be unreasonably withheld or delayed), cause the Partnership to comply with its obligations under this Agreement and the Plan of Arrangement, and except as otherwise expressly permitted or specifically contemplated by this Agreement or the Plan of Arrangement, as contemplated in Schedule 4.6 of the Partnership Entity Disclosure Letter, or as is otherwise required by applicable Law, conduct its business only in, and not take any action except in, the ordinary course of business, use all reasonable

Table of Contents

commercial efforts to maintain and preserve its business organization, assets, employees and advantageous business relationships, and, without limiting the generality of the foregoing, not:

- (a) amend or propose to amend the constating documents of GP;
- (b) adopt a plan of liquidation or resolutions providing for its liquidation or dissolution;
- (c) reorganize, amalgamate or merge with any other Person;
- (d) reduce the stated capital of its outstanding shares;
- (e) split, consolidate, combine, reclassify or otherwise amend the terms of any class of securities;
- (f) issue or agree to issue any additional securities or any options, warrants, calls, conversion privileges or rights of any kind to acquire any securities;
- (g) redeem, purchase or otherwise acquire any of its securities;
- (h) declare, set aside or pay any dividend or other distribution or payment in cash, securities or property with respect to any class of securities (other than dividends to holders of shares of GP in an amount consistent with past practice and dividends to holders of shares of GP as contemplated in the Plan of Arrangement;
- (i) make any loan or advances to any other Person, except in the ordinary course of business;
- (j) except in the ordinary course of business, sell, pledge, dispose of, mortgage, licence or encumber any property or assets with a value individually or in the aggregate exceeding \$100,000;
- (k) sell, pledge or dispose of any Partnership Units owned by it at the date of this Agreement;
- (l) acquire, by merger, amalgamation, consolidation, acquisition of securities or assets or otherwise, any corporation, partnership or other business organization or division thereof or make any investment therein either by purchase of securities, contributions of capital or property transfer, with an acquisition or investment cost individually or in the aggregate exceeding \$100,000;
- (m) incur or commit to capital expenditures in excess of \$100,000 prior to the Effective Date;
- (n) incur, create, assume or otherwise become liable for any indebtedness for borrowed money or any other liability or obligation or issue any debt securities or assume, guarantee, endorse or otherwise as an accommodation become responsible for, the obligations of any other Person, or make any loans or advances, except in the ordinary course of business;
- (o) pay, discharge, settle, satisfy, compromise, waive, assign or release any claims, liabilities or obligations for an amount exceeding \$100,000 in the aggregate other than the payment, discharge or satisfaction, in the ordinary course of business of liabilities incurred in the ordinary course of business;
- (p)

## Edgar Filing: ATLANTIC POWER CORP - Form DEFM14A

waive, release, grant, transfer, exercise, modify or amend in any material respect, other than in the ordinary course of the business, (i) any existing GP Material Contract, (ii) any material Authorization, or (iii) any other material legal rights or claims;

(q)

take any action or fail to take any action which action or failure to act would reasonably be expected to result in the material loss, expiration or surrender of, or the loss of any material benefit under any material Authorization necessary to conduct its business as now conducted;

(r)

take any action or fail to take any action that is intended to, or would reasonably be expected to, individually or in the aggregate, prevent, materially delay or materially impede the ability

Annex A-73

---

Table of Contents

of the GP to consummate the Arrangement or the other transactions contemplated by this Agreement;

- (s) except in the ordinary course of business or pursuant to existing employment, pension, termination or compensation arrangements, policies or agreements, grant to any director, officer or employee an increase in compensation in any form, make any loan to any director, officer, employee or former employee, or take any action with respect to the grant of any change of control, severance, retention or termination pay to, or the entering into of any employment agreement with, any director, officer or employee, or with respect to any increase of benefits payable under its current change of control, severance or termination pay policies;
- (t) establish, adopt, enter into, amend in any material manner or terminate any Benefit Plan (or any plan, agreement, program, policy, trust, fund or other arrangement that would be a Benefit Plan if it were in existence as of the date hereof) or collective bargaining agreement;
- (u) enter into or renew any agreement, contract, lease, licence or other binding obligation of the GP (A) containing (1) any material limitation or restriction on the ability of the GP or, following completion of the transactions contemplated hereby, the ability of the Purchaser or its Subsidiaries, to engage in any type of activity or business, (2) any limitation or restriction on the localities in which, all or any portion of the business of the GP or, following consummation of the transactions contemplated hereby, all or any portion of the business of the Purchaser or its Subsidiaries, is or would be conducted, or (3) any material limit or restriction on the ability of the GP or, following completion of the transactions contemplated hereby, the ability of the Purchaser or its Subsidiaries, to solicit customers or employees, or (B) that would reasonably be expected to materially delay or prevent the consummation of the transactions contemplated by this Agreement;
- (v) except in the ordinary course of business, not enter into or renew any agreement, contract, lease, licence or other binding obligation of the GP that is not terminable within 30 days of the Effective Date without payment by the Purchaser or its Subsidiaries that involves or would reasonably be expected to involve payments in excess of \$100,000 in the aggregate over the term of the contract;
- (w) make any changes to any of its accounting policies, principles, methods, practices or procedures, except as required by applicable Laws or under GAAP or under IFRS;
- (x) make or change any material Tax election, change any annual Tax accounting period, adopt or change any method of Tax accounting, amend any material Tax Returns or enter into any agreement with any Governmental Entity relating to Taxes;
- (y) except pursuant to the Partnership Material Contracts, the Partnership Management Agreements, the Partnership Reorganization Agreements, the ROFL Termination Agreement, the transactions contemplated by this Agreement and for transactions undertaken in the ordinary course of business, enter into any transaction, undertaking or arrangement with any Person with which it is not dealing at arm's length, as that term is defined for the purposes of the Tax Act; and
- (z) agree, resolve or commit to do any of the foregoing.

In addition, GP covenants and agrees with the Purchaser that it shall vote, or cause to be voted, the Partnership Units owned by it in favour of the Arrangement at the Partnership Meeting, and that it shall, during the period from the date of this Agreement until the earlier of the Effective Time and the time that this Agreement is terminated in accordance with its terms, use its reasonable commercial efforts (taking into account insurance market conditions and offerings and industry practices) to cause its current insurance policies, including directors' and officers' insurance, not to be cancelled or

Table of Contents

terminated or any of the coverages thereunder to lapse, except where such cancellation, termination or lapse would not individually or in the aggregate be material to GP, unless simultaneously with such termination, cancellation or lapse, replacement policies underwritten by insurance or re-insurance companies of nationally recognized standing having comparable deductibles and providing coverage equal to or greater than the coverage under the cancelled, terminated or lapsed policies for substantially similar premiums are in full force and effect; provided that subject to Section 4.16, the GP shall not obtain or renew any insurance (or re-insurance) policy for a term exceeding 12 months from the date hereof.

**4.7 Conduct of Business by the Corporation**

The Corporation covenants and agrees with the Purchaser that it shall, during the period from the date of this Agreement until the earlier of the Effective Time and the time that this Agreement is terminated in accordance with its terms, unless the Purchaser shall otherwise agree in writing (such agreement not to be unreasonably withheld or delayed), and except as otherwise expressly permitted or specifically contemplated by this Agreement or the Plan of Arrangement, as contemplated by the Corporation Disclosure Letter, or as is otherwise required by applicable Law, conduct its business only in, and not take any action except in, the ordinary course of business, use all reasonable best efforts to maintain and preserve its business organization, assets, employees and advantageous business relationships, and, without limiting the generality of the foregoing, not:

- (a) amend or propose to amend the constating documents of the Corporation;
- (b) adopt a plan of liquidation or resolutions providing for its liquidation or dissolution;
- (c) reorganize, amalgamate or merge with any other Person;
- (d) reduce the stated capital of its outstanding shares;
- (e) split, consolidate, combine, reclassify or otherwise amend the terms of any class of securities;
- (f) issue or agree to issue any additional securities or any options, warrants, calls, conversion privileges or rights of any kind to acquire any securities;
- (g) redeem, purchase or otherwise acquire any of its securities;
- (h) declare, set aside or pay any dividend or other distribution or payment in cash, securities or property with respect to any class of securities, other than the dividend to Corporation Shareholders as contemplated in the Plan of Arrangement;
- (i) make any loan or advances to any other Person;
- (j) sell, pledge, dispose of, mortgage, licence or encumber any property or assets;
- (k) sell, pledge or dispose of any Partnership Units or shares of GP owned by it at the date of this Agreement;
- (l) acquire, by merger, amalgamation, consolidation, acquisition of securities or assets or otherwise, any corporation, partnership or other business organization or division thereof or make any investment therein either by purchase of securities, contributions of capital or property transfer;

(m)

incur or commit to capital expenditures;

(n)

incur, create, assume or otherwise become liable for any indebtedness for borrowed money or any other liability or obligation or issue any debt securities or assume, guarantee, endorse or otherwise as an accommodation become responsible for, the obligations of any other Person, or make any loans or advances;

Annex A-75

---

## Edgar Filing: ATLANTIC POWER CORP - Form DEFM14A

### Table of Contents

- (o) pay, discharge, settle, satisfy, compromise, waive, assign or release any claims, liabilities or obligations;
- (p) waive, release, grant, transfer, exercise, modify or amend in any material respect (i) any existing Corporation Material Contract, (ii) any material Authorization, or (iii) any other material legal rights or claims;
- (q) take any action or fail to take any action which action or failure to act would reasonably be expected to result in the material loss, expiration or surrender of, or the loss of any material benefit under, any material Authorization necessary to conduct its business as now conducted;
- (r) take any action or fail to take any action that is intended to, or would reasonably be expected to, individually or in the aggregate, prevent, materially delay or materially impede the ability of the Corporation to consummate the Arrangement or the other transactions contemplated by this Agreement;
- (s) grant to any director, officer or employee any compensation in any form, make any loan to any director, officer, employee or former employee, or take any action with respect to the grant of any change of control, severance, retention or termination pay to, or the entering into of any employment agreement with, any director, officer or employee;
- (t) establish, adopt, enter into, amend in any material manner or terminate any Benefit Plan (or any plan, agreement, program, policy, trust, fund or other arrangement that would be a Benefit Plan if it were in existence as of the date hereof) or collective bargaining agreement;
- (u) enter into or renew any agreement, contract, lease, licence or other binding obligation of the Corporation (A) containing (1) any material limitation or restriction on the ability of the Corporation or, following completion of the transactions contemplated hereby, the ability of the Purchaser or its Subsidiaries, to engage in any type of activity or business, (2) any limitation or restriction on the localities in which, all or any portion of the business of the Corporation or, following consummation of the transactions contemplated hereby, all or any portion of the business of the Purchaser or its Subsidiaries, is or would be conducted, or (3) any material limit or restriction on the ability of the Corporation or, following completion of the transactions contemplated hereby, the ability of the Purchaser or its Subsidiaries, to solicit customers or employees, or (B) that would reasonably be expected to materially delay or prevent the consummation of the transactions contemplated by this Agreement;
- (v) not enter into or renew any agreement, contract, lease, licence or other binding obligation of the Corporation other than in ordinary course;
- (w) make any changes to any of its accounting policies, principles, methods, practices or procedures, except as required by applicable Laws or under GAAP or IFRS;
- (x) make or change any material Tax election, change any annual Tax accounting period, adopt or change any method of Tax accounting, amend any material Tax Returns, or enter into any agreement with any Governmental Entity relating to Taxes;
- (y) except pursuant to the Corporation Material Contracts, the transactions contemplated by this Agreement and for transactions undertaken in the ordinary course of business, enter into any transaction, undertaking or arrangement with any Person with which it is not dealing at arm's length, as that term is defined for the purposes of the Tax Act; and
- (z) agree, resolve or commit to do any of the foregoing.

In addition, the Corporation covenants and agrees with the Purchaser that it shall vote, or cause to be voted, the Partnership Units owned by it in favour of the Arrangement at the Partnership Meeting, and that it shall, during the period from the date of this Agreement until the earlier of



the Effective

Annex A-76

---

Table of Contents

Time and the time that this Agreement is terminated in accordance with its terms, use its reasonable commercial efforts (taking into account insurance market conditions and offerings and industry practices) to cause its current insurance policies, including directors' and officers' insurance, not to be cancelled or terminated or any of the coverages thereunder to lapse, except where such cancellation, termination or lapse would not individually or in the aggregate be material to the Corporation, unless simultaneously with such termination, cancellation or lapse, replacement policies underwritten by insurance or re-insurance companies of nationally recognized standing having comparable deductibles and providing coverage equal to or greater than the coverage under the cancelled, terminated or lapsed policies for substantially similar premiums are in full force and effect; provided that subject to Section 4.16, the Corporation shall not obtain or re-new any insurance (or re-insurance) policy for a term exceeding 12 months from the date hereof.

#### **4.8 Conduct of Business by the Purchaser**

The Purchaser covenants and agrees with the Partnership, GP and the Corporation that it shall, and shall cause the Purchaser Subsidiaries to, during the period from the date of this Agreement until the earlier of the Effective Time and the time that this Agreement is terminated in accordance with its terms, unless the Partnership Entities and the Corporation shall otherwise agree in writing (such agreement not to be unreasonably withheld or delayed), and except in each case as otherwise permitted or contemplated by this Agreement or the Plan of Arrangement, as contemplated by the Purchaser Disclosure Letter, or as is otherwise required by applicable Law, conduct its business only in, and not take any action except in, the ordinary course of business use all reasonable commercial efforts to maintain and preserve its business organization, assets, employees and advantageous business relationships, and not:

- (a) amend or propose to amend the articles or by-laws of the Purchaser or the constating documents of any Purchaser Subsidiary;
- (b) adopt a plan of liquidation or resolutions providing for its liquidation or dissolution;
- (c) reorganize, amalgamate or merge with any other Person;
- (d) take any action or fail to take any action that is intended to, or would reasonably be expected to, individually or in the aggregate, prevent, materially delay or materially impede the ability of the Purchaser to consummate the Arrangement or the other transactions contemplated by this Agreement;
- (e) split, consolidate, combine, reclassify or otherwise amend the terms of any class of securities;
- (f) issue or agree to issue any additional securities or any options, warrants, calls, conversion privileges or rights of any kind to acquire any securities, except for: (i) the issuance of securities of the Purchaser necessary for the consummation of the Arrangement (including as may be issued pursuant to the Securities Offerings); (ii) issuances of common shares upon the exercise of outstanding convertible debentures; (iii) the issuance of notional units and/or common shares pursuant to the Purchaser's long term incentive plan and deferred unit plan; (iv) the issuance of common shares pursuant to any dividend reinvestment plan that may be adopted by the Purchaser; or (v) the issuance of additional securities of Purchaser Subsidiaries in the ordinary course of business;
- (g) redeem, purchase or otherwise acquire any of its securities except pursuant to any normal course issuer bid that may be implemented by the Purchaser;
- (h) declare, set aside or pay any dividend or other distribution or payment in cash, securities or property with respect to the Purchaser Shares, other than (i) the regular monthly dividend to



Table of Contents

Purchaser Shareholders in the amount of \$0.0912 per month, and (ii) dividends or other distributions or payments to the Purchaser or any Purchaser Subsidiary;

- (i) make any loan or advances to any other Person other than wholly-owned Purchaser Subsidiaries, except in the ordinary course of business;
- (j) except in the ordinary course of business, sell, pledge, dispose of or encumber any property or assets with a value individually or in the aggregate exceeding \$10 million;
- (k) acquire, by merger, amalgamation, consolidation, acquisition of securities or assets or otherwise, any corporation, partnership or other business organization or division thereof or make any investment therein either by purchase of securities, contributions of capital or property transfer, with an acquisition or investment cost individually or in the aggregate exceeding \$10 million; or
- (l) agree, resolve or commit to do any of the foregoing.

**4.9 Mutual Covenants Regarding the Arrangement**

Until the earlier of the Effective Time and the time that this Agreement is terminated in accordance with its terms, each Party shall perform all obligations required to be performed by such Party under this Agreement, and cooperate with the other Parties in connection therewith and use all commercially reasonable efforts to satisfy (or cause the satisfaction of) the conditions precedent to its obligations hereunder as set forth in Article 5 (to the extent the same is within its control) and to consummate and make effective, as soon as reasonably practicable, the transactions contemplated hereby, including the Arrangement and, without limiting the generality of the foregoing, each Party shall use all commercially reasonable efforts to:

- (a) other than with respect to the Investment Canada Act Approval, apply for and obtain, and to assist the other Parties to obtain, all Regulatory Approvals required by such Party and its Subsidiaries in connection with the completion by such Party of the transactions contemplated by this Agreement, and, in doing so, keep the other Parties reasonably informed as to the status of the proceedings related to obtaining such Regulatory Approvals, including providing the other Parties and their advisors with copies of all related applications and notifications, in draft form, in order for the other Parties and its advisors to provide their comments thereon, provided that submissions, filings or other written communications to the Commissioner of Competition or the staff of the Competition Bureau may be redacted as necessary before sharing with the other Party to address reasonable confidentiality concerns, provided that external legal counsel to the Purchaser, the Partnership Entities and the Corporation shall receive non-redacted versions of drafts or final submissions, filings or other written communications to the Commissioner of Competition or the staff of the Competition Bureau on the basis that the redacted information will not be shared with their respective clients, provided that, notwithstanding anything in the Agreement to the contrary, no Party shall have an obligation to provide any other Party and its advisors with copies of related applications and notifications, in draft form or otherwise, to the extent the foregoing is not permitted under any applicable Law;
- (b) other than with respect to the Investment Canada Act Approval, not participate in any meetings or material conversations with any Government Entity in respect of any filings, investigations or other inquiries related to the transactions contemplated by this Agreement unless it consults with the other Party in advance and to the extent permitted by such Governmental Entity, gives the other Party the reasonable opportunity to participate in such communications or meetings;

Table of Contents

- (c) the Parties hereto understand and agree that the commercially reasonable efforts of any Party hereto to obtain Competition Act Approval or HSR Act Approval shall not be deemed to include: (i) entering into any settlement, undertaking, consent decree, consent agreement, consent order, stipulation or agreement with the Commissioner of Competition or with any other Government Entity in connection with the transactions contemplated hereby; (ii) divesting or otherwise holding separate (including by establishing a trust or otherwise) of any of the businesses, assets or projects of any Party, including its Affiliates and Subsidiaries, or taking any other action or commit to take any action that limits its freedom of action with respect to its ability to operate or retain any of the businesses, assets or projects of such Party, including its Affiliates and Subsidiaries; (iii) defending all lawsuits, applications or other legal, regulatory proceedings against such Party or any of its Affiliates and Subsidiaries challenging or affecting this Agreement or the consummation of the transactions contemplated hereby, including the Arrangement; or (iv) lifting or rescinding any injunction or restraining order relating to such Party or any of its Affiliates or Subsidiaries or any other order which may adversely affect the ability of the Parties to consummate the transactions contemplated hereby, including the Arrangement;
- (d) apply for and obtain all necessary Consents required to be obtained by such Party or any of its Subsidiaries (for greater certainty, in the case of the Partnership Entities being the Partnership Entity Consents, in the case of the Corporation being the Corporation Consents, and in the case of the Purchaser being the Purchaser Consents) in connection with the transactions contemplated hereby, including the Arrangement, from other parties, in the case of the Partnership, to the Partnership Material Contracts, in the case of GP, to the GP Material Contracts, in the case of the Corporation, to the Corporation Material Contracts, and in the case of the Purchaser, to the Purchaser Material Contracts, (without paying, and without committing itself or any other Party to pay any consideration or incur any liability or obligation to or in respect thereof, without the prior written consent of such other Party);
- (e) other than with respect to the Investment Canada Act Approval, effect all necessary registrations, filings and submissions of information requested by Governmental Entities required to be effected by such Party or any of its Subsidiaries in connection with the transactions contemplated hereby, including the Arrangement, and participate and appear in any proceedings of any Party before Governmental Entities;
- (f) comply with all requirements which applicable Laws may impose on such Party or any of its Subsidiaries with respect to the transactions contemplated hereby, including the Arrangement;
- (g) other than with respect to the Investment Canada Act Approval, except for non-substantive communications with third parties and communications to its legal and other advisors and as otherwise provided herein (including the redaction of confidential information to address reasonable confidentiality concerns provided that external legal counsel shall receive non-redacted versions), such Party will furnish to the other Parties: (i) a copy of each notice, report, schedule or other document delivered, filed or received after the date of this Agreement by such Party in connection with the Arrangement to or from any Governmental Entity; (ii) any filings under applicable Laws in connection with the Arrangement; and (iii) any documents related to dealings with Governmental Entity in connection with the transactions contemplated herein;
- (h) notify the other Parties of:
  - (i) any communication from any person alleging that the consent of such person (or another person) is or may be required in connection with the transactions contemplated by this Agreement (and the response thereto from such Party, its subsidiaries or its representatives); and

Table of Contents

- (ii) any lawsuits or other legal, regulatory or other proceedings threatened or commenced against or otherwise affecting such Party or any of its Subsidiaries that are related to the transactions contemplated by this Agreement, including the Arrangement;
- (i) defend all lawsuits or other legal, regulatory or other proceedings against such Party or any of its Subsidiaries challenging or affecting this Agreement or the consummation of the transactions contemplated hereby, including the Arrangement, except as stipulated in Section 4.9(c);
- (j) have lifted or rescinded any injunction or restraining order relating to such Party or any of its Subsidiaries or other order which may adversely affect the ability of the Parties to consummate the transactions contemplated hereby, including the Arrangement, except as stipulated in Section 4.9(c);
- (k) promptly advise the other Parties orally and, if then requested, in writing of any change, effect, event or occurrence which would reasonably be expected to have a Material Adverse Effect on such Party, or to materially impair or delay the consummation of the transactions contemplated by this Agreement, including the Arrangement, or the ability of such Party to perform its obligations hereunder;
- (l) with respect to the Investment Canada Act Approval and the Investment Canada Act Filing, the Partnership Entities and the Corporation shall use commercially reasonable efforts to assist the Purchaser in obtaining the Investment Canada Act Approval, including, without limiting the generality of the foregoing, promptly providing such information and assistance as may be reasonably requested by the Purchaser to assist in preparing the Investment Canada Act Filing and to satisfy, as promptly as reasonably practicable, any requests for information and documentation the Purchaser receives from any Governmental Entity in respect of the Investment Canada Act Approval. The Purchaser shall keep the Partnership Entities reasonably informed as to the status of the Investment Canada Act Approval proceedings and shall promptly advise the Partnership Entities of any material written or verbal communications the Purchaser has with the staff of the Investment Review Division of Industry Canada or the Minister of Industry or his designee relating to the Investment Canada Act Approval; and
- (m) negotiate in good faith to prepare and cause to be executed as soon as practicable (and in any event by the Effective Time) a definitive Transitional Services Agreement.

**4.10 Competition Act Approval, Investment Canada Act Approval and HSR Act Approval**

- (a) The Partnership Entities, the Corporation and the Purchaser shall: (i) as soon as reasonably practicable after the date hereof take all reasonable actions necessary to make the filings required, or which the Partnership Entities, the Corporation and the Purchaser jointly elect to make in respect of each of the Competition Act Approval and the HSR Act Approval (each, a "**Competition Filing**") and, with respect to the HSR Act Approval, shall request early termination of the waiting period in each of the pre-merger notification and report forms required to be filed under the HSR Act; and (ii) comply at the earlier of the earliest practicable date or as required by under applicable Law with any request for additional information or documentary material received by the Partnership Entities, the Corporation or the Purchaser or any of their Subsidiaries from a Governmental Entity with respect to a Competition Filing.
- (b) The Purchaser shall: (i) as soon as reasonably practicable after the date hereof prepare and file with the Investment Review Division of Industry Canada an application for review under Part IV of the Investment Canada Act (the "**Investment Canada Filing**"); and (ii) as promptly

Table of Contents

as reasonably practicable following such filing, submit to the Director of Investments under the Investment Canada Act, draft written undertakings to Her Majesty in Right of Canada on terms and conditions satisfactory to the Purchaser, acting reasonably, and shall, in a timely manner, submit executed undertakings on terms and conditions satisfactory to the Purchaser, acting reasonably.

(c)

Each of the Partnership and the Purchaser shall pay 50% of any and all application or filing fees (including applicable Taxes) with respect to any and all applications or filings in respect of each Competition Filing.

#### 4.11 Purchaser Financing

(a)

Prior to the Effective Time, the Partnership, the GP and the Corporation shall provide, and shall use their commercially reasonable efforts to cause their Agents to provide, all cooperation reasonably requested by the Purchaser in connection with:

(i)

the arrangement of the Bridge Loans contemplated by the Commitment Letter, including: (i) providing reasonable assistance with the preparation of materials for bank information memoranda and similar documents required in connection with the Bridge Loans, (ii) executing and delivering guarantee, pledge and security documents and related officer certificates or other documents as may be reasonably requested by the Bank (including certificates with respect to solvency and other customary matters for use in reports in any materials relating to the Bridge Loans) and otherwise reasonably facilitating the guaranteeing of obligations and the pledging of collateral, (iii) furnishing the Purchaser and its financing sources as promptly as reasonably practicable with available financial and other pertinent available information regarding the Corporation, the Partnership Entities and the Partnership Subsidiaries as may be reasonably requested by the Purchaser or its financing sources, including information related to the Corporation, the Partnership Entities or the Partnership Subsidiaries required by regulatory authorities including under applicable "know your client" and anti-money laundering rules and regulations and other cooperation and assistance as may be reasonably requested by the Purchaser, (iv) permitting the prospective lenders involved in such financing to evaluate and appraise the Corporation's, the Partnership's and the Partnership Subsidiaries' current assets and liabilities, cash management and accounting systems, policies and procedures relating thereto for the purpose of establishing collateral arrangements; and (v) causing the taking of actions by the Corporation, the Partnership Entities and the Partnership Subsidiaries reasonably necessary to permit the completion of the Bridge Financing; and

(ii)

the proposed public and/or private offerings by the Purchaser of approximately \$423 million of debt and approximately \$200 million of equity to enable the Purchaser to pay the cash consideration payable to the Partnership Unitholders and the Corporation Shareholders pursuant to the Plan of Arrangement, as an alternative to or to repay the Bridge Loans (the "**Securities Offerings**"), including: (i) furnishing the Purchaser as promptly as reasonably practicable with available financial and other pertinent available information regarding the Corporation, the Partnership Entities and the Partnership Subsidiaries and other cooperation and assistance as may be reasonably requested by the Purchaser, including, the relevant financial information required under applicable Securities Laws for a prospectus offering in Canada and the United States or reasonably requested by the proposed underwriters for due diligence purposes; (ii) participating in a reasonable number of roadshow meetings, presentations, due diligence sessions, drafting sessions and sessions with prospective underwriters, investors and rating agencies in connection with the Securities Offerings; (iii) assisting with the preparation of materials for rating agency presentations, information memoranda, and other documents required

Table of Contents

in connection with the Securities Offerings (including requesting any consents of accountants for use of their reports in prospectuses or in any other materials relating thereto and the delivery of customary comfort letters for prospectus offerings in Canada and the United States); and (iv) causing the taking of actions by the Corporation, the Partnership Entities and the Partnership Subsidiaries reasonably necessary to permit the completion of the Securities Offerings;

provided, however, that nothing in this Section 4.11(a) shall require (i) any cooperation to the extent that it would materially and unreasonably interfere in any material respect with the business or operations of the Corporation, the Partnership Entities or the Partnership Subsidiaries; (ii) the Partnership Entities or the Corporation to make any expenditures or incur any costs unless they have first received an appropriate indemnity from the Purchaser indemnifying them for and agreeing to reimburse them for any such expenditures or costs; and (iii) the Partnership Entities or the Corporation to enter into, execute or deliver any guarantee, pledge, security document or other agreement unless such guarantee, pledge, security document or other agreement by its terms and conditions does not become effective until on or after the Effective Time.

- (b) The Corporation, the Partnership Entities and the Partnership Subsidiaries hereby consent to the reasonable use of their logos in connection with any of the financings contemplated hereby, provided that such logos are used in a manner that is not intended to harm or disparage such entities or their marks.
- (c) The Purchaser will use commercially reasonable efforts to fulfill and comply with all of its obligations under the Commitment Letter and to satisfy or cause the satisfaction of all of the conditions precedent to the funding of the Bridge Loans on or before the Effective Date (or such earlier date required by the Commitment Letter). The Purchaser will notify the Partnership Entities and the Corporation promptly upon becoming aware of any breach or default by the Purchaser under the Commitment Letter or the failure or reasonably likely failure of any condition in the Commitment Letter to be satisfied. The Purchaser will not terminate or amend the Commitment Letter without the prior written consent of the Partnership Entities and the Corporation.
- (d) In the event that the credit facility available to the Partnership that forms part of the Bridge Loans is drawn in whole or in part by the Partnership, the Purchaser covenants and agrees to provide a subordinated guarantee (subordinated to the Bridge Loan and any and all other existing or future indebtedness of the Purchaser) of the 5.87% Senior Notes due August 15, 2017 and 5.97% Senior Notes due August 15, 2019 issued by CPI Power (US) GP, the 5.9% Senior Notes due July 15, 2014 issued by Curtis Palmer LLC and the 5.95% medium term notes due June 23, 2036 issued by the Partnership, effective as at the Effective Time and in form and substance satisfactory to the Partnership, acting reasonably.
- (e) If the Purchaser determines, in its sole discretion, that any draw is required to be made by the Partnership under the Bridge Loans in order to complete the Arrangement:
  - (i) the Partnership shall make such draw prior to the Effective Time;
  - (ii) the Plan of Arrangement shall be amended in accordance with its terms as is contemplated in Section 4.1(e) of the Plan of Arrangement; and
  - (iii) the Purchaser shall cause the Partnership to loan the amount so drawn to the Purchaser immediately following the acquisition of Partnership Units by the Purchaser pursuant to the Plan of Arrangement and prior to the completion of the Arrangement.



Table of Contents

**4.12 FPA Section 203 Approval**

The Partnership Entities, the Partnership Subsidiaries, the Corporation and the Purchaser shall: (i) as soon as reasonably practicable take all reasonable actions necessary to file or cause to be filed with FERC an application under Section 203 of the FPA and the rules and regulations promulgated thereunder, seeking a FERC order approving the Arrangement ("**FPA Section 203 Filing**"); and (ii) comply at the earliest practicable date with any request for additional information or documentary material received by the Partnership Entities, the Partnership Subsidiaries, the Corporation or the Purchaser or any of their Subsidiaries from FERC with respect to the FPA Section 203 Filing.

**4.13 Covenants of the Partnership Entities Regarding Non-Solicitation**

- (a)
  - On and after the date of this Agreement and until this Agreement is terminated in accordance with its terms, except as otherwise provided in this Agreement or as contemplated by the Partnership Reorganization Agreements, the Partnership Entities shall not, directly or indirectly, through any officer, director, employee, representative (including for greater certainty any financial or other advisors) agent, Subsidiaries or otherwise:
    - (i) knowingly make, solicit, assist, initiate, encourage or otherwise facilitate any inquiries, proposals or offers regarding any Partnership Acquisition Proposal;
    - (ii) engage in any discussions or negotiations regarding, or provide any information with respect to, or otherwise co-operate in any way with, or assist or participate in, facilitate or knowingly encourage, any effort or attempt by any other Person to make or complete any Partnership Acquisition Proposal (provided that, for greater certainty, the Partnership Entities may advise any Person making an unsolicited Partnership Acquisition Proposal that such Partnership Acquisition Proposal does not constitute a Superior Proposal when the GP Board has so determined);
    - (iii) withdraw, modify or qualify (or publicly propose to or publicly state that it intends to withdraw, modify or qualify) in any manner adverse to the Purchaser the approval or recommendation of the GP Board (or any committee thereof) of this Agreement or the Arrangement;
    - (iv) approve, recommend or remain neutral with respect to, or propose publicly to approve, recommend or remain neutral with respect to, any Partnership Acquisition Proposal; or
    - (v) accept or enter into, or publicly propose to accept or enter into, any letter of intent, agreement in principle, agreement, understanding, arrangement or undertaking related to any Partnership Acquisition Proposal (other than a confidentiality agreement permitted by and in compliance with Section 4.13(d)).
- (b)
 

From and after the date of this Agreement and until this Agreement is terminated in accordance with its terms, except as contemplated by the Partnership Reorganization Agreements, the Partnership Entities will immediately cease and cause to be terminated any existing solicitation, activity, discussion or negotiation with any Person (other than the Purchaser) by the Partnership Entities or any of their officers, directors, employees, representatives, agents or Subsidiaries with respect to any Partnership Acquisition Proposal, whether or not initiated by the Partnership Entities, and, in connection therewith, the Partnership Entities will discontinue access to any confidential information (including, without limitation, through data rooms (virtual or otherwise) previously provided to any such Person) and will request (and exercise all rights it has to require) the return or destruction of all confidential information regarding the Partnership Entities and the Partnership Subsidiaries previously provided to any such Person. The Partnership Entities shall not terminate, waive, amend or modify any provision of any existing confidentiality agreement relating to a

Table of Contents

Partnership Acquisition Proposal and shall not release any third party from any confidentiality, non-solicitation or standstill agreement to which it is a party (it being understood that the automatic termination of the standstill provisions of any such agreements in accordance with their terms shall not be a violation of this Section 4.13(b)). The Partnership Entities undertake to enforce, or cause the Partnership Subsidiaries to enforce, all standstill, non-disclosure, non-disturbance, non-solicitation and similar covenants that they or any of their Subsidiaries have entered into prior to the date hereof or enter into after the date hereof.

(c)

From and after the date of this Agreement and until this Agreement is terminated in accordance with its terms, the Partnership Entities shall as soon as reasonably practicable (and in any event within 24 hours) notify the Purchaser, at first orally and then in writing, of any proposal, inquiry, offer, expression of interest or request relating to or constituting a Partnership Acquisition Proposal, any request for discussions or negotiations, and any request for non-public information relating to the Partnership Entities or the Partnership Subsidiaries received by the Partnership Entities' directors, officers, representatives or agents, or any material amendments to the foregoing. Such notice shall include a copy of any written proposal, inquiry, offer, expression of interest or request and if the proposal is not in written form, a description of the material terms and conditions of, and the identity of the Person making, any proposal, inquiry, offer, expression of interest or request (or any amendment to any of the foregoing). The Partnership Entities shall keep the Purchaser promptly and fully informed of the status of any such proposal, inquiry, offer, expression of interest or request and shall respond promptly to all inquiries of the Purchaser with respect thereto.

(d)

Notwithstanding Section 4.13(a) and any other provision of this Agreement, if on or after the date hereof and prior to obtaining the approval of Partnership Unitholders of the Arrangement Resolution at the Partnership Meeting, any of the Partnership Entities receive a *bona fide* written Partnership Acquisition Proposal that was not solicited by the Partnership Entities after the date hereof in contravention of Section 4.13(a) and provided that the Partnership Entities are in compliance with Sections 4.13(a) and 4.13(b), the Partnership Entities shall be permitted to engage in discussions or negotiations, provide information and otherwise cooperate with and assist the Person making such Partnership Acquisition Proposal, if:

(i)

the Partnership Entities have provided the Purchaser with the notice required by Section 4.13(c) in respect of such Partnership Acquisition Proposal;

(ii)

the GP Board determines in good faith, after consultation with its outside legal and financial advisors, that such Partnership Acquisition Proposal constitutes, or would reasonably be expected to lead to, a Superior Proposal and that, based on the advice of outside counsel, the failure to take such action would be inconsistent with its fiduciary duties under applicable Laws and the Partnership Agreement;

(iii)

prior to providing any information or data in respect of any of the Partnership Entities or the Partnership Subsidiaries, the Partnership receives from the Person making the Partnership Acquisition Proposal an executed confidentiality agreement that contains provisions that are not less favourable to the Partnership than those contained in the Confidentiality Agreement including a standstill provision and the Partnership Entities promptly and in any event not less than 24 hours after its execution send a copy of any such confidentiality agreement to the Purchaser; and

(iv)

the Purchaser is provided with a list of, or in the case of information on or after the date hereof that was not previously made available to the Purchaser, copies of, any information provided to the Person making the Partnership Acquisition Proposal.

Table of Contents

(e)

The Partnership Entities agree that they will not accept, approve or enter into any agreement (a "**Proposed Agreement**"), other than a confidentiality agreement as contemplated by Section 4.13(d), with any Person providing for or to facilitate any Partnership Acquisition Proposal, unless:

(i)

the Partnership Meeting has not occurred;

(ii)

the GP Board determines in good faith, after consultation with its outside legal and financial advisors, that such Partnership Acquisition Proposal constitutes a Superior Proposal and that the failure to take such action would be inconsistent with its fiduciary duties under applicable Laws and the Partnership Agreement;

(iii)

the Partnership Entities have complied with Sections 4.13(a) through 4.13(d) inclusive;

(iv)

the Partnership Entities have provided the Purchaser with a written notice that there is a Superior Proposal together with all documentation related to and detailing the Superior Proposal, including a copy of any Proposed Agreement relating to such Superior Proposal, and a written notice from the GP Board regarding the value in financial terms that the GP Board has in consultation with its financial advisors determined should be ascribed to any non-cash consideration offered under the Superior Proposal, such documents to be so provided to the Purchaser not less than five Business Days prior to the proposed acceptance, approval, recommendation or execution of the Proposed Agreement by Partnership Entities;

(v)

five Business Days shall have elapsed from the date the Purchaser received the notice and documentation required by Section 4.13(e)(iv) and, if the Purchaser has proposed to amend the terms of the Arrangement in accordance with Section 4.13(f), the GP Board shall have determined, in good faith, after consultation with its financial advisors and outside legal counsel, that the Partnership Acquisition Proposal continues to be a Superior Proposal compared to the proposed amendment to the terms of the Arrangement by the Purchaser;

(vi)

the Partnership Entities concurrently terminate this Agreement pursuant to Section 6.3(d)(iii); and

(vii)

the Partnership has previously, or concurrently will have, paid to the Purchaser the Purchaser Termination Fee,

and the Partnership Entities further agree that they and the GP Board will not withdraw, modify or qualify (or propose to withdraw, modify or qualify) in any manner adverse to the Purchaser the approval or recommendation of the Arrangement, nor accept, approve or recommend any Partnership Acquisition Proposal unless the requirements of Sections 4.13(e)(i) through 4.13(e)(vii) have been satisfied.

(f)

The Partnership Entities acknowledge and agree that, during the five Business Day periods referred to in Sections 4.13(e)(i) through 4.13(e)(vii) or such longer period as the Partnership Entities may approve for such purpose, the Purchaser shall have the opportunity, but not the obligation, to propose to amend the terms of this Agreement and the Arrangement and the Partnership Entities shall co-operate with the Purchaser with respect thereto, including negotiating in good faith with the Purchaser to enable the Purchaser to make such adjustments to the terms and conditions of this Agreement and the Arrangement as the Purchaser deems appropriate and as would enable the Purchaser to proceed with the Arrangement and any related transactions on such adjusted terms. The GP Board will review any written definitive proposal by the Purchaser to amend the terms of the Arrangement in order to determine, in good faith in the exercise of its fiduciary duties and consistent with

Table of Contents

Section 4.13(a), whether the Purchaser's written definitive proposal to amend the Arrangement would result in the Partnership Acquisition Proposal not being a Superior Proposal compared to the proposed amendment to the terms of the Arrangement. If the GP Board determines that a Partnership Acquisition Proposal is not a Superior Proposal as compared to the proposed written definitive amendment to the terms of the Arrangement, it will promptly enter into the proposed written definitive amendment to the Arrangement.

(g)

The GP Board shall promptly reaffirm its recommendation of the Arrangement by press release after: (x) any Partnership Acquisition Proposal which the GP Board determines not to be a Superior Proposal is publicly announced or made; or (y) the GP Board determines that a proposed amendment to the terms of the Arrangement would result in the Partnership Acquisition Proposal which has been publicly announced or made not being a Superior Proposal, and the Purchaser has so amended the terms of the Arrangement. The Purchaser and its counsel shall be given a reasonable opportunity to review and comment on the form and content of any such press release, recognizing that whether or not such comments are appropriate will be determined by the GP Board, acting reasonably.

(h)

Nothing in this Agreement shall prevent the GP Board from responding through a directors' circular or otherwise as required by applicable Securities Laws to a Partnership Acquisition Proposal that it determines is not a Superior Proposal. The Purchaser and its counsel shall be given a reasonable opportunity to review and comment on the form and content of any such disclosure, recognizing that whether or not such comments are appropriate will be determined by the GP Board, acting reasonably.

(i)

Each of the Partnership Entities and the Purchaser agree that all information that may be provided to it by the other with respect to any Partnership Acquisition Proposal pursuant to this Section 4.13 shall be treated as "Evaluation Material" as that term is defined in the Confidentiality Agreement, and shall not be disclosed or used except in accordance with the provisions of the Confidentiality Agreement or in order to enforce its rights under this Agreement in legal proceedings.

(j)

Each of the Partnership Entities shall ensure that its officers, directors and key employees and any financial advisors or other advisors, representatives or agents retained by it are aware of the provisions of this Section 4.13, and shall be responsible for any breach of this Section 4.13 by such officers, directors, key employees, financial advisors or other advisors, representatives or agents.

(k)

The Partnership Entities acknowledge and agree that each successive modification of any Partnership Acquisition Proposal shall constitute a new Partnership Acquisition Proposal for purposes of this Section 4.13, and, for greater certainty, of the requirement of Sections 4.1