

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. Information has been incorporated by reference in this prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Corporate Secretary of CU Inc. at 1400 ATCO Centre, 909 - 11th Avenue S.W., Calgary, Alberta T2R 1N6 (telephone: (403) 292-7500), and are also available electronically at www.sedar.com.

Short Form Prospectus

New Issue

March 18, 2009



\$160,000,000
(6,400,000 shares)

Cumulative Redeemable Preferred Shares Series 2

The holders of the Cumulative Redeemable Preferred Shares Series 2 (the “Series 2 Preferred Shares”) of CU Inc. (the “Corporation”) will be entitled to receive, as and when declared by the board of directors of the Corporation, fixed cumulative preferential cash dividends for the initial period (the “Initial Fixed Rate Period”) from and including the closing date of this offering to but excluding June 1, 2014, at an annual rate of \$1.675 per share, payable quarterly on the first day of March, June, September and December in each year. Assuming an issue date of March 27, 2009, the first dividend, if declared, will be payable June 1, 2009, in the amount of \$0.30288 per share.

For each five-year period after the Initial Fixed Rate Period (each a “Subsequent Fixed Rate Period”), the holders of the Series 2 Preferred Shares shall be entitled to receive, as and when declared by the board of directors of the Corporation, fixed cumulative preferential cash dividends, payable quarterly on the first day of March, June, September and December in each year, in the amount per share determined by multiplying one-quarter of the Annual Fixed Dividend Rate for such Subsequent Fixed Rate Period by \$25.00. The Annual Fixed Dividend Rate for the ensuing Subsequent Fixed Rate Period will be determined by the Corporation on the Fixed Rate Calculation Date (as defined herein) and will be equal to the sum of the Government of Canada Yield (as defined herein) on the Fixed Rate Calculation Date plus a spread of 4.81% (the “Spread”). This Spread will apply to both the Series 2 Preferred Shares and the Series 3 Preferred Shares described below, and will remain unchanged over the life of the Series 2 Preferred Shares and the Series 3 Preferred Shares. See “Details of the Offering”.

Option to Convert Into Series 3 Preferred Shares

The holders of the Series 2 Preferred Shares will have the right to convert their shares into Cumulative Redeemable Preferred Shares Series 3 of the Corporation (the “Series 3 Preferred Shares”), subject to certain conditions, on June 1, 2014, and on June 1 in every fifth year thereafter. The holders of the Series 3 Preferred Shares will be entitled to receive, as and when declared by the board of directors, quarterly floating rate cumulative preferential cash dividends payable on the first day of March, June, September and December in each year (each such quarterly dividend period is referred to as a “Quarterly Floating Rate Period”) in the amount per share determined by multiplying the Floating Quarterly Dividend Rate (as defined herein) for such Quarterly Floating Rate Period by \$25.00 and multiplying that product by a fraction, the numerator of which is the actual number of days in such Quarterly Floating Rate Period and the denominator of which is 365. The Floating Quarterly Dividend Rate will be the annual rate of interest equal to the sum of the T-Bill Rate (as defined herein) on the applicable Floating Rate Calculation Date (as defined herein) and 4.81%. See “Details of the Offering”. The Series 2 Preferred Shares and Series 3 Preferred Shares are series of shares in the same class. The conversion right entitles holders to elect periodically which of the two series they wish to hold and does not entitle holders to receive a different class or type of securities. Other than the different dividend rights attached thereto, the Series 2 Preferred Shares and Series 3 Preferred Shares are identical in all material respects.

On June 1, 2014, and on June 1 in every fifth year thereafter, the Corporation may, at its option on not less than 30 days prior notice, redeem for cash the Series 2 Preferred Shares, in whole at any time or in part from time to time, at \$25.00 per share together with all accrued and unpaid dividends to but excluding the date of redemption.

The Toronto Stock Exchange (the “TSX”) has conditionally approved the listing of the Series 2 Preferred Shares and the Series 3 Preferred Shares. Listing of the Series 2 Preferred Shares is subject to the Corporation fulfilling all of the requirements of the TSX on or before June 8, 2009, including distribution of these securities to a minimum number of public securityholders. In the opinion of counsel, subject to the provisions of any particular plan, the Series 2 Preferred Shares and the Series 3 Preferred Shares, if issued on the date hereof, generally would be qualified investments under the *Income Tax Act* (Canada) (the “Tax Act”) for certain tax-exempt trusts. See “Eligibility for Investment”. The head and registered office of the Corporation is at 1400 ATCO Centre, 909 – 11th Avenue S.W., Calgary, Alberta T2R 1N6.

Price: \$25.00 per share to yield 6.70% per annum

	Price to Public	Underwriters’ Fee (1)	Proceeds to Corporation (1)
Per Series 2 Preferred Share	\$25.00	\$0.75	\$24.25
Total.....	\$160,000,000	\$4,800,000	\$155,200,000

Note:

(1) *The Underwriters’ Fee for the Series 2 Preferred Shares is \$0.25 for each such share sold to certain institutions by closing of the offering and \$0.75 per share for all other Series 2 Preferred Shares purchased by the Underwriters. The Underwriters’ Fee indicated in the table assumes that no Series 2 Preferred Shares are sold to such institutions*

BMO Nesbitt Burns Inc., RBC Dominion Securities Inc. and TD Securities Inc. (the “Underwriters”), as principals, conditionally offer the Series 2 Preferred Shares, subject to prior sale, if, as and when issued by the Corporation and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement referred to under “Plan of Distribution” and subject to the approval of certain legal matters on behalf of the Corporation by Bennett Jones LLP and on behalf of the Underwriters by Blake, Cassels & Graydon LLP. The Underwriters may over-allot or effect transactions that stabilize or maintain the market price of the Series 2 Preferred Shares. See “Plan of Distribution”.

Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is expected that the closing of this offering will take place on or about March 27, 2009, and in any event not later than April 29, 2009. A book-entry only certificate representing the Series 2 Preferred Shares distributed hereunder will be issued in registered form only to The Canadian Depository for Securities Limited (“CDS”) or its nominee and will be deposited with CDS on the closing of this offering. The Corporation understands that a purchaser of Series 2 Preferred Shares will receive only a customer confirmation from the registered dealer who is a CDS participant and from or through whom Series 2 Preferred Shares are purchased.

The Underwriters are subsidiaries of Canadian chartered banks which have extended credit facilities to the Corporation and certain of its affiliates. Accordingly, under certain circumstances, the Corporation may be considered a “connected issuer” of the Underwriters under applicable securities legislation. See “Plan of Distribution”.

TABLE OF CONTENTS

	<u>Page</u>
Documents Incorporated by Reference.....	3
Business of the Corporation.....	4
Recent Developments	4
Capitalization.....	4
Use of Proceeds	4
Details of the Offering	5
Depository Services.....	12
Earnings Coverage Ratio	12
Ratings.....	12
Trading Price and Volume.....	13
Risk Factors.....	13
Certain Canadian Federal Income Tax Considerations.....	14
Plan of Distribution	16
Eligibility for Investment.....	17
Transfer Agent and Registrar.....	17
Interest of Experts.....	17
Statutory Rights of Withdrawal and Rescission	17
Certificates.....	C-1
Auditor's Consent.....	C-2

DOCUMENTS INCORPORATED BY REFERENCE

The following documents of the Corporation are specifically incorporated by reference in this short form prospectus:

- (a) annual information form dated February 17, 2009;
- (b) comparative financial statements, together with the accompanying report of the auditor, for the year ended December 31, 2008; and
- (c) management's discussion and analysis for the year ended December 31, 2008;

provided that these documents are not incorporated by reference to the extent their contents are modified or superseded by a statement contained in this short form prospectus or in any other subsequently filed document that is also incorporated by reference in this short form prospectus.

Any documents of the type described in section 11.1 of Form 44-101F1 - *Short Form Prospectus*, if filed by the Corporation after the date of this short form prospectus and before the termination of the distribution, are deemed to be incorporated by reference in this short form prospectus.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this short form prospectus to the extent that a statement contained herein, or in any other subsequently filed document which also is incorporated 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 will not be deemed an admission for any purpose that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this short form prospectus.

BUSINESS OF THE CORPORATION

The Corporation is a holding company. Its principal operating subsidiaries are engaged in regulated natural gas and electric energy operations, primarily in Alberta.

RECENT DEVELOPMENTS

On March 6, 2009, the Corporation issued \$150,000,000 of 6.50% Debentures maturing March 7, 2039, and \$120,000,000 of 6.215% Debentures maturing March 6, 2024.

CAPITALIZATION

The following table sets out the consolidated capitalization of the Corporation as at December 31, 2008, and after giving effect to this offering and the issue on March 6, 2009, of \$150,000,000 of 6.50% Debentures maturing March 7, 2039, and \$120,000,000 of 6.215% Debentures maturing March 6, 2024. The financial information set out below should be read in conjunction with the Corporation's comparative financial statements incorporated by reference in this short form prospectus.

(\$ Millions)	Outstanding at December 31, 2008	Pro Forma Outstanding at December 31, 2008
Long term debt:		
Outstanding at December 31, 2008.....	2,683.2	2,683.2
6.50% Debentures due March 7, 2039 (1)	-	150.0
6.215% Debentures due March 6, 2024 (1)	-	120.0
Total long term debt.....	2683.2	2,953.2
Preferred shares:		
Outstanding at December 31, 2008.....	245.0	245.0
Series 2 Preferred Shares	-	160.0
Total preferred shares	245.0	405.0
Class A and Class B share owner's equity	1,816.1	1,816.1
Total capitalization	4,744.3	5,174.3

Note:

(1) Issued March 6, 2009

USE OF PROCEEDS

The estimated net proceeds (after deducting the Underwriters' Fee) to be received by the Corporation from the sale of the Series 2 Preferred Shares are \$155,200,000, assuming that no Series 2 Preferred Shares are sold to institutions. The Corporation intends to use the proceeds to purchase preferred shares to be issued by its operating subsidiaries, ATCO Electric Ltd. and ATCO Gas and Pipelines Ltd. It is expected that these subsidiaries will use the proceeds to fund a portion of their 2009 capital expenditure programs, to repay existing indebtedness, and for other general corporate purposes.

DETAILS OF THE OFFERING

Definition of Terms

The following definitions are relevant to the Series 2 Preferred Shares and the Series 3 Preferred Shares.

“Annual Fixed Dividend Rate” means, for any Subsequent Fixed Rate Period, the annual rate of interest (expressed as a percentage rounded to the nearest one hundred-thousandth of one percent (with 0.000005% being rounded up)) equal to the sum of the Government of Canada Yield on the applicable Fixed Rate Calculation Date and 4.81%.

“Dividend Payment Date” means March 1, June 1, September 1 or December 1 in any year;

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

“Floating Quarterly Dividend Rate” means, for any Quarterly Floating Rate Period, the annual rate of interest (expressed as a percentage rounded to the nearest one hundred-thousandth of one percent (with 0.000005% being rounded up)) equal to the sum of the T-Bill Rate on the applicable Floating Rate Calculation Date and 4.81%.

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

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

“Initial Fixed Rate Period” means the period from and including the date of issue of the Series 2 Preferred Shares to but excluding June 1, 2014.

“Quarterly Commencement Date” means the first day of March, June, September and December in each year, commencing June 1, 2014.

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

“Series 2 Conversion Date” means June 1, 2014, and June 1 in every fifth year thereafter.

“Series 3 Conversion Date” means June 1, 2019, and June 1 in every fifth year thereafter.

“Subsequent Fixed Rate Period” means, for the initial Subsequent Fixed Rate Period, the period from and including June 1, 2014, to but excluding June 1, 2019, and for each succeeding Subsequent Fixed Rate Period means the period from and including the day immediately following the last day of the immediately preceding Subsequent Fixed Rate Period to but excluding June 1 in the fifth year thereafter.

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

Certain Provisions of the Series 2 Preferred Shares

Issue Price

The Series 2 Preferred Shares will have an issue price of \$25.00 per share.

Dividends on Series 2 Preferred Shares

During the Initial Fixed Rate Period, the holders of the Series 2 Preferred Shares shall be entitled to receive and the Corporation shall pay, as and when declared by the board of directors, out of the moneys of the Corporation properly applicable to the payment of dividends, fixed cumulative preferential cash dividends at an annual rate of \$1.675 per share, payable quarterly on each Dividend Payment Date in each year. The first dividend, if declared, shall be payable on June 1, 2009, and, notwithstanding the foregoing, shall be in the amount per share determined by multiplying \$1.675 by the number of days in the period from and including the date of issue of the Series 2 Preferred Shares to but excluding June 1, 2009, and dividing that product by 365.

During each Subsequent Fixed Rate Period, the holders of the Series 2 Preferred Shares shall be entitled to receive and the Corporation shall pay, as and when declared by the board of directors, out of the moneys of the Corporation properly applicable to the payment of dividends, fixed cumulative preferential cash dividends, payable quarterly on each Dividend Payment Date, in the amount per share determined by multiplying one-quarter of the Annual Fixed Dividend Rate for such Subsequent Fixed Rate Period by \$25.00.

On each Fixed Rate Calculation Date, the Corporation shall determine the Annual Fixed Dividend Rate for the ensuing Subsequent Fixed Rate Period. Each such determination shall, in the absence of manifest error, be final and binding upon the Corporation and upon all holders of Series 2 Preferred Shares. The Corporation shall, on each Fixed Rate Calculation Date, give written notice of the Annual Fixed Dividend Rate for the ensuing Subsequent Fixed Rate Period to the registered holders of the then outstanding Series 2 Preferred Shares.

Redemption of Series 2 Preferred Shares

The Series 2 Preferred Shares shall not be redeemable prior to June 1, 2014. Subject to the provisions described under "Restrictions on Payments and Reductions of Capital", on June 1, 2014, and on June 1 in every fifth year thereafter, the Corporation, may redeem all or any part of the Series 2 Preferred Shares by the payment of an amount in cash for each share to be redeemed equal to \$25.00 plus all accrued and unpaid dividends thereon to but excluding the date fixed for redemption.

Notice of any redemption of Series 2 Preferred Shares will be given by the Corporation not more than 60 days and not less than 30 days prior to the date fixed for redemption. If less than all of the outstanding Series 2 Preferred Shares are at any time to be redeemed, the shares so to be redeemed shall be selected by lot in such manner as the board of directors of the Corporation or the transfer agent, if any, appointed by the Corporation in respect of such shares shall decide, or, if the board of directors of the Corporation so decides, such shares may be redeemed *pro rata* (disregarding fractions).

Conversion of Series 2 Preferred Shares into Series 3 Preferred Shares

The Series 2 Preferred Shares shall not be convertible prior to June 1, 2014. Holders of Series 2 Preferred Shares shall have the right to convert on each Series 2 Conversion Date, subject to restrictions on conversion described below and the payment or delivery to the Corporation of evidence of payment of any tax payable, all or any of their Series 2 Preferred Shares into Series 3 Preferred Shares on the basis of one Series 3 Preferred Share for each Series 2 Preferred Share. Notice of a holder's intention to convert Series 2 Preferred Shares must be received by the transfer agent and registrar for the Series 2 Preferred Shares at its principal office in Toronto not earlier than the 30th day prior to, but not later than 5:00 p.m. (Toronto time) on the 15th day preceding, a Series 2 Conversion Date.

The Corporation shall, not more than 60 days and not less than 30 days prior to the applicable Series 2 Conversion Date, give notice to the then registered holders of the Series 2 Preferred Shares of the conversion right. On the 30th

day prior to each Series 2 Conversion Date, the Corporation shall give notice to the then registered holders of the Series 2 Preferred Shares of the Annual Fixed Dividend Rate for the Series 2 Preferred Shares for the next succeeding Subsequent Fixed Rate Period and the Floating Quarterly Dividend Rate for the Series 3 Preferred Shares for the next succeeding Quarterly Floating Rate Period.

Holders of Series 2 Preferred Shares shall not be entitled to convert their shares into Series 3 Preferred Shares if the Corporation determines that there would remain outstanding on a Series 2 Conversion Date less than 1,000,000 Series 3 Preferred Shares, after having taken into account all Series 2 Preferred Shares tendered for conversion into Series 3 Preferred Shares and all Series 3 Preferred Shares tendered for conversion into Series 2 Preferred Shares. The Corporation shall give notice thereof to all affected registered holders of the Series 2 Preferred Shares at least seven days prior to the applicable Series 2 Conversion Date. Furthermore, if the Corporation determines that there would remain outstanding on a Series 2 Conversion Date less than 1,000,000 Series 2 Preferred Shares, after having taken into account all Series 2 Preferred Shares tendered for conversion into Series 3 Preferred Shares and all Series 3 Preferred Shares tendered for conversion into Series 2 Preferred Shares, then all of the remaining outstanding Series 2 Preferred Shares shall be converted automatically into Series 3 Preferred Shares on the basis of one Series 3 Preferred Share for each Series 2 Preferred Share on the applicable Series 2 Conversion Date and the Corporation shall give notice thereof to the then registered holders of such remaining Series 2 Preferred Shares at least seven days prior to the Series 2 Conversion Date.

The Corporation reserves the right not to deliver Series 3 Preferred Shares to any person that the Corporation or its transfer agent has reason to believe is a person whose address is in, or that the Corporation or its transfer agent has reason to believe is a resident of, any jurisdiction outside Canada if such delivery would require the Corporation to take any action to comply with the securities laws of such jurisdiction.

If the Corporation gives notice to the holders of the Series 2 Preferred Shares of the redemption of all of the Series 2 Preferred Shares, the right of a holder of Series 2 Preferred Shares to convert such Series 2 Preferred Shares shall terminate and the Corporation shall not be required to give notice to the registered holders of the Series 2 Preferred Shares of an Annual Fixed Dividend Rate, a Floating Quarterly Dividend Rate or the conversion right of holders of Series 2 Preferred Shares.

The Series 2 Preferred Shares and Series 3 Preferred Shares are series of shares in the same class. The conversion right entitles holders to elect periodically which of the two series they wish to hold and does not entitle holders to receive a different class or type of securities. Other than the different dividend rights attached thereto, the Series 2 Preferred Shares and Series 3 Preferred Shares are identical in all material respects.

Purchase for Cancellation

Subject to the provisions described under “Restrictions on Payments and Reductions of Capital”, the Corporation may at any time or times purchase for cancellation all or any part of the Series 2 Preferred Shares at the lowest price or prices at which, in the opinion of the board of directors of the Corporation, such shares are obtainable.

Rights on Liquidation

In the event of the liquidation, dissolution or winding-up of the Corporation or any other distribution of assets of the Corporation among its shareholders for the purpose of winding up its affairs, the holders of the Series 2 Preferred Shares shall be entitled to receive \$25.00 per Series 2 Preferred Share plus all accrued and unpaid dividends thereon before any amount shall be paid or any property or assets of the Corporation shall be distributed to the holders of the Class A non-voting shares or Class B common shares or to the holders of any other shares ranking junior to the Series 2 Preferred Shares in any respect. After payment to the holders of the Series 2 Preferred Shares of the amount so payable to them, they shall not, as such, be entitled to share in any further distribution of the property or assets of the Corporation.

Restrictions on Payments and Reductions of Capital

So long as any Series 2 Preferred Shares are outstanding, the Corporation shall not

- (a) call for redemption, purchase, reduce or otherwise pay off less than all the Series 2 Preferred Shares and all other preferred shares then outstanding ranking prior to or on a parity with the Series 2 Preferred Shares with respect to payment of dividends,
- (b) declare, pay or set apart for payment any dividends (other than stock dividends in shares of the Corporation ranking junior to the Series 2 Preferred Shares) on the Class A non-voting shares or Class B common shares or any other shares of the Corporation ranking junior to the Series 2 Preferred Shares with respect to payment of dividends, or
- (c) call for redemption, purchase, reduce or otherwise pay off any shares of the Corporation ranking junior to the Series 2 Preferred Shares with respect to repayment of capital or with respect to payment of dividends

unless all dividends up to and including the dividends payable on the last preceding dividend payment dates on the Series 2 Preferred Shares and on all other preferred shares then outstanding ranking prior to or on a parity with the Series 2 Preferred Shares with respect to payment of dividends shall have been declared and paid or set apart for payment at the date of any such action.

Creation or Issue of Additional Shares

So long as any Series 2 Preferred Shares are outstanding, the Corporation shall not, without the prior approval of the holders of the Series 2 Preferred Shares, create or issue any shares ranking prior to or on a parity with the Series 2 Preferred Shares with respect to repayment of capital or payment of dividends, provided that the Corporation may without such approval issue additional series of Preferred Shares if all dividends then payable on the Series 2 Preferred Shares shall have been paid or set apart for payment.

Voting Rights

The holders of the Series 2 Preferred Shares are not entitled to any voting rights or to receive notice of or to attend shareholders' meetings unless dividends on the Preferred Shares of any series are in arrears to the extent of eight quarterly dividends or four half-yearly dividends, as the case may be, whether or not consecutive. Until all arrears of dividends have been paid, holders of Series 2 Preferred Shares will be entitled to receive notice of and to attend all shareholders' meetings at which directors are to be elected (other than separate meetings of holders of another class or series of shares) and to one vote in respect of each Series 2 Preferred Share held.

Tax Election

The Series 2 Preferred Shares will be "taxable preferred shares" as defined in the Tax Act for purposes of the tax under Part IV.1 of the Tax Act applicable to certain corporate holders of the Series 2 Preferred Shares. The terms of the Series 2 Preferred Shares require the Corporation to make the necessary election under Part VI.1 of the Tax Act so that such corporate holders will not be subject to the tax under Part IV.1 of the Tax Act on dividends received (or deemed to be received) on the Series 2 Preferred Shares. See "Certain Canadian Federal Income Tax Considerations - Dividends".

Modification

The series provisions attaching to the Series 2 Preferred Shares may be amended with the written approval of all the holders of the Series 2 Preferred Shares outstanding or by at least two-thirds of the votes cast at a meeting of the holders of such shares duly called for that purpose and at which a quorum is present.

Business Day

If any day on which any dividend on the Series 2 Preferred Shares is payable by the Corporation or on or by which any other action is required to be taken by the Corporation is not a business day, then such dividend shall be payable and such other action may be taken on or by the next succeeding day that is a business day.

Certain Provisions of the Series 3 Preferred Shares

Issue Price

The Series 3 Preferred Shares will be issuable only upon conversion of Series 2 Preferred Shares and will have an ascribed issue price of \$25.00 per share.

Dividends on Series 3 Preferred Shares

During each Quarterly Floating Rate Period, the holders of the Series 3 Preferred Shares shall be entitled to receive and the Corporation shall pay, as and when declared by the board of directors, out of the moneys of the Corporation properly applicable to the payment of dividends, cumulative preferential cash dividends, payable on each Dividend Payment Date, in the amount per share determined by multiplying the Floating Quarterly Dividend Rate for such Quarterly Floating Rate Period by \$25.00 and multiplying that product by a fraction, the numerator of which is the actual number of days in such Quarterly Floating Rate Period and the denominator of which is 365.

On each Floating Rate Calculation Date, the Corporation shall determine the Floating Quarterly Dividend Rate for the ensuing Quarterly Floating Rate Period. Each such determination shall, in the absence of manifest error, be final and binding upon the Corporation and upon all holders of Series 3 Preferred Shares. The Corporation shall, on each Floating Rate Calculation Date, give written notice of the Floating Quarterly Dividend Rate for the ensuing Quarterly Floating Rate Period to the registered holders of the then outstanding Series 3 Preferred Shares.

Redemption of Series 3 Preferred Shares

The Series 3 Preferred Shares shall not be redeemable prior to June 1, 2014. Subject to the provisions described under "Restrictions on Payments and Reductions of Capital", the Corporation may redeem all or any part of the Series 3 Preferred Shares by the payment of an amount in cash for each share to be redeemed equal to

- (a) \$25.00 in the case of a redemption on a Series 3 Conversion Date or
- (b) \$25.50 in the case of a redemption on any other date

plus all accrued and unpaid dividends thereon to but excluding the date fixed for redemption.

Notice of any redemption of Series 3 Preferred Shares will be given by the Corporation not more than 60 days and not less than 30 days prior to the date fixed for redemption. If less than all of the outstanding Series 3 Preferred Shares are at any time to be redeemed, the shares so to be redeemed shall be selected by lot in such manner as the board of directors of the Corporation or the transfer agent, if any, appointed by the Corporation in respect of such shares shall decide, or, if the board of directors of the Corporation so decides, such shares may be redeemed *pro rata* (disregarding fractions).

Conversion of Series 3 Preferred Shares into Series 2 Preferred Shares

The Series 3 Preferred Shares shall not be convertible prior to June 1, 2019. Holders of Series 3 Preferred Shares shall have the right to convert on each Series 3 Conversion Date, subject to restrictions on conversion described below and the payment or delivery to the Corporation of evidence of payment of any tax payable, all or any of their Series 3 Preferred Shares into Series 2 Preferred Shares on the basis of one Series 2 Preferred Share for each Series 3 Preferred Share. Notice of a holder's intention to convert Series 3 Preferred Shares must be received by the

transfer agent and registrar for the Series 3 Preferred Shares at its principal office in Toronto not earlier than the 30th day prior to, but not later than 5:00 p.m. (Toronto time) on the 15th day preceding, a Series 3 Conversion Date.

The Corporation shall, not more than 60 days and not less than 30 days prior to the applicable Series 3 Conversion Date, give notice to the then registered holders of the Series 3 Preferred Shares of the conversion right. On the 30th day prior to each Series 3 Conversion Date, the Corporation shall give notice to the then registered holders of the Series 3 Preferred Shares of the Annual Fixed Dividend Rate for the Series 2 Preferred Shares for the next succeeding Subsequent Fixed Rate Period and the Floating Quarterly Dividend Rate for the Series 3 Preferred Shares for the next succeeding Quarterly Floating Rate Period.

Holders of Series 3 Preferred Shares shall not be entitled to convert their shares into Series 2 Preferred Shares if the Corporation determines that there would remain outstanding on a Series 3 Conversion Date less than 1,000,000 Series 2 Preferred Shares, after having taken into account all Series 2 Preferred Shares tendered for conversion into Series 3 Preferred Shares and all Series 3 Preferred Shares tendered for conversion into Series 2 Preferred Shares. The Corporation shall give notice thereof to all affected registered holders of the Series 3 Preferred Shares at least seven days prior to the applicable Series 3 Conversion Date. Furthermore, if the Corporation determines that there would remain outstanding on a Series 3 Conversion Date less than 1,000,000 Series 3 Preferred Shares, after having taken into account all Series 2 Preferred Shares tendered for conversion into Series 3 Preferred Shares and all Series 3 Preferred Shares tendered for conversion into Series 2 Preferred Shares, then all of the remaining outstanding Series 3 Preferred Shares shall be converted automatically into Series 2 Preferred Shares on the basis of one Series 2 Preferred Share for each Series 3 Preferred Share on the applicable Series 3 Conversion Date and the Corporation shall give notice thereof to the then registered holders of such remaining Series 3 Preferred Shares at least seven days prior to the Series 3 Conversion Date.

The Corporation reserves the right not to deliver Series 2 Preferred Shares to any person that the Corporation or its transfer agent has reason to believe is a person whose address is in, or that the Corporation or its transfer agent has reason to believe is a resident of, any jurisdiction outside Canada if such delivery would require the Corporation to take any action to comply with the securities laws of such jurisdiction.

If the Corporation gives notice to the holders of the Series 3 Preferred Shares of the redemption of all of the Series 3 Preferred Shares, the right of a holder of Series 3 Preferred Shares to convert such Series 3 Preferred Shares shall terminate and the Corporation shall not be required to give notice to the registered holders of the Series 3 Preferred Shares of an Annual Fixed Dividend Rate, a Floating Quarterly Dividend Rate or the conversion right of holders of Series 3 Preferred Shares.

The Series 2 Preferred Shares and Series 3 Preferred Shares are series of shares in the same class. The conversion right entitles holders to elect periodically which of the two series they wish to hold and does not entitle holders to receive a different class or type of securities. Other than the different dividend rights attached thereto, the Series 2 Preferred Shares and Series 3 Preferred Shares are identical in all material respects.

Purchase for Cancellation

Subject to the provisions described under “Restrictions on Payments and Reductions of Capital”, the Corporation may at any time or times purchase for cancellation all or any part of the Series 3 Preferred Shares at the lowest price or prices at which, in the opinion of the board of directors of the Corporation, such shares are obtainable.

Rights on Liquidation

In the event of the liquidation, dissolution or winding-up of the Corporation or any other distribution of assets of the Corporation among its shareholders for the purpose of winding up its affairs, the holders of the Series 3 Preferred Shares shall be entitled to receive \$25.00 per Series 3 Preferred Share plus all accrued and unpaid dividends thereon before any amount shall be paid or any property or assets of the Corporation shall be distributed to the holders of the Class A non-voting shares or Class B common shares or to the holders of any other shares ranking junior to the Series 3 Preferred Shares in any respect. After payment to the holders of the Series 3 Preferred Shares of the

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

Restrictions on Payments and Reductions of Capital

So long as any Series 3 Preferred Shares are outstanding, the Corporation shall not

- (a) call for redemption, purchase, reduce or otherwise pay off less than all the Series 3 Preferred Shares and all other preferred shares then outstanding ranking prior to or on a parity with the Series 3 Preferred Shares with respect to payment of dividends,
- (b) declare, pay or set apart for payment any dividends (other than stock dividends in shares of the Corporation ranking junior to the Series 3 Preferred Shares) on the Class A non-voting shares or Class B common shares or any other shares of the Corporation ranking junior to the Series 3 Preferred Shares with respect to payment of dividends, or
- (c) call for redemption, purchase, reduce or otherwise pay off any shares of the Corporation ranking junior to the Series 3 Preferred Shares with respect to repayment of capital or with respect to payment of dividends

unless all dividends up to and including the dividends payable on the last preceding dividend payment dates on the Series 3 Preferred Shares and on all other preferred shares then outstanding ranking prior to or on a parity with the Series 3 Preferred Shares with respect to payment of dividends shall have been declared and paid or set apart for payment at the date of any such action.

Creation or Issue of Additional Shares

So long as any Series 3 Preferred Shares are outstanding, the Corporation shall not, without the prior approval of the holders of the Series 3 Preferred Shares, create or issue any shares ranking prior to or on a parity with the Series 3 Preferred Shares with respect to repayment of capital or payment of dividends, provided that the Corporation may without such approval issue additional series of Preferred Shares if all dividends then payable on the Series 3 Preferred Shares shall have been paid or set apart for payment.

Voting Rights

The holders of the Series 3 Preferred Shares are not entitled to any voting rights or to receive notice of or to attend shareholders' meetings unless dividends on the Preferred Shares of any series are in arrears to the extent of eight quarterly dividends or four half-yearly dividends, as the case may be, whether or not consecutive. Until all arrears of dividends have been paid, holders of Series 3 Preferred Shares will be entitled to receive notice of and to attend all shareholders' meetings at which directors are to be elected (other than separate meetings of holders of another class or series of shares) and to one vote in respect of each Series 3 Preferred Share held.

Tax Election

The Series 3 Preferred Shares will be "taxable preferred shares" as defined in the Tax Act for purposes of the tax under Part IV.1 of the Tax Act applicable to certain corporate holders of the Series 2 Preferred Shares. The terms of the Series 3 Preferred Shares require the Corporation to make the necessary election under Part VI.1 of the Tax Act so that such corporate holders will not be subject to the tax under Part IV.1 of the Tax Act on dividends received (or deemed to be received) on the Series 3 Preferred Shares. See "Certain Canadian Federal Income Tax Considerations - Dividends".

Modification

The series provisions attaching to the Series 3 Preferred Shares may be amended with the written approval of all the holders of the Series 3 Preferred Shares outstanding or by at least two-thirds of the votes cast at a meeting of the holders of such shares duly called for that purpose and at which a quorum is present.

Business Day

If any day on which any dividend on the Series 3 Preferred Shares is payable by the Corporation or on or by which any other action is required to be taken by the Corporation is not a business day, then such dividend shall be payable and such other action may be taken on or by the next succeeding day that is a business day.

DEPOSITORY SERVICES

Except as otherwise provided below, the Series 2 Preferred Shares and the Series 3 Preferred Shares will be issued in “book-entry only” form and must be purchased, transferred, converted or redeemed through participants (“Participants”) in the depository service of CDS or its nominee. Each of the Underwriters is a Participant. On the closing of this offering, the Corporation will cause a global certificate or certificates representing the Series 2 Preferred Shares to be delivered to, and registered in the name of, CDS or its nominee. Except as described below, no purchaser of Series 2 Preferred Shares or Series 3 Preferred Shares, as applicable, will be entitled to a certificate or other instrument from the Corporation or CDS evidencing that purchaser’s ownership thereof, and no purchaser will be shown on the records maintained by CDS except through a book-entry account of a Participant acting on behalf of such purchaser. The Corporation understands that each purchaser of Series 2 Preferred Shares or Series 3 Preferred Shares, as applicable, will receive a customer confirmation of purchase from the registered dealer from or through which the Series 2 Preferred Shares or Series 3 Preferred Shares, as applicable, are purchased in accordance with the practices and procedures of that registered dealer. The practices of registered dealers may vary, but generally customer confirmations are issued promptly after execution of a customer order. CDS will be responsible for establishing and maintaining book-entry accounts for its Participants having interests in the Series 2 Preferred Shares or Series 3 Preferred Shares, as applicable. Reference in this short form prospectus to a holder of Series 2 Preferred Shares or Series 3 Preferred Shares, as applicable, means, unless the context otherwise requires, the owner of the beneficial interest in the Series 2 Preferred Shares or Series 3 Preferred Shares, as applicable.

If the Corporation determines, or CDS notifies the Corporation in writing, that CDS is no longer willing or able to discharge properly its responsibilities as depository with respect to the Series 2 Preferred Shares or Series 3 Preferred Shares, as applicable, and the Corporation is unable to locate a qualified successor, or if the Corporation at its option elects, or is required by law, to terminate the book-entry system, then Series 2 Preferred Shares or Series 3 Preferred Shares, as applicable, will be issued in fully registered form to the owners of the beneficial interests in such Series 2 Preferred Shares or Series 3 Preferred Shares, as applicable, or their nominees.

EARNINGS COVERAGE RATIO

The Corporation’s dividend requirements on all of its preferred shares, after giving effect to the issue of the Series 2 Preferred Shares and adjusted to a before-tax equivalent using an effective income tax rate of 13.4%, amounted to \$25.4 million for the 12 months ended December 31, 2008. The Corporation’s interest requirements for the 12 months then ended, after giving effect to the issue on March 6, 2009, of \$150,000,000 of 6.50% Debentures due March 7, 2039, and \$120,000,000 of 6.215% Debentures due March 6, 2024, amounted to \$198.7 million. The Corporation’s earnings before interest, income taxes and preferred share dividends for the 12 months ended December 31, 2008, were \$425.8 million, which was 1.90 times the Corporation’s aggregate dividend and interest requirements for this period.

RATINGS

The Series 2 Preferred Shares of the Corporation are rated Pfd-2 (high) with a stable trend by DBRS Limited (“DBRS”) and P-2 (high) with a stable outlook by Standard & Poor’s, a division of The McGraw-Hill Companies, Inc. (“S&P”).

A Pfd-2 rating by DBRS is the second highest of six categories granted by DBRS. Preferred shares rated Pfd-2 are of satisfactory credit quality. Protection of dividends and principal is substantial, but earnings, the balance sheet,

and coverage ratios are not as strong as higher rated companies. Each rating category is denoted by the subcategories “high” and “low”. The absence of either a “high” or “low” designation indicates the rating is in the “middle” of the category.

A P-2 rating by S&P is the second highest of eight categories S&P uses in its Canadian preferred share rating scale. An obligation rated P-2 exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation. A plus (+) or minus (-) sign shows relative standing within a rating category.

A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the rating organization.

TRADING PRICE AND VOLUME

The Corporation’s 4,600,000 4.60% Cumulative Redeemable Preferred Shares Series 1 are listed on the TSX. The following table sets out the high and low prices and the volume of shares traded on the TSX (as reported by TSX Historical Data Access) for the 12-month period before the date of this short form prospectus.

Month	High (\$)	Low (\$)	Trading Volume
2008			
March	21.60	20.00	46,650
April	21.80	20.50	54,300
May	21.01	19.30	52,398
June	21.20	19.54	66,525
July	20.00	18.55	42,705
August	19.59	19.00	60,835
September	19.70	18.75	74,025
October	19.40	16.25	57,085
November	16.72	13.75	83,000
December	14.75	13.00	290,990
2009			
January	17.49	14.98	167,670
February	17.00	16.40	79,524
March (to March 17)	17.04	15.49	68,980

RISK FACTORS

A prospective purchaser of Series 2 Preferred Shares should carefully consider the following investment considerations before making a decision to purchase Series 2 Preferred Shares, as well as the other information contained in this short form prospectus and the documents incorporated by reference herein, including, in particular, the information described under the heading “Business Risks” in the Corporation’s management’s discussion and analysis for the year ended December 31, 2008.

Prevailing yields on similar securities will affect the market values of the Series 2 Preferred Shares and the Series 3 Preferred Shares. Assuming all other factors remain unchanged, the market values of the Series 2 Preferred Shares and the Series 3 Preferred Shares will decline as prevailing yields for similar securities rise, and will increase as prevailing yields for similar securities decline. Real or anticipated changes in credit ratings on the Series 2 Preferred Shares or the Series 3 Preferred Shares may affect the market value of the Series 2 Preferred Shares and the Series 3 Preferred Shares.

The Series 2 Preferred Shares and the Series 3 Preferred Shares are equity capital of the Corporation which rank equally with other Preferred Shares of the Corporation in the event of an insolvency or winding-up of the Corporation. If the Corporation becomes insolvent or is wound up, the Corporation's assets must be used to pay liabilities and other debt before payments may be made on the Series 2 Preferred Shares, the Series 3 Preferred Shares and other Preferred Shares.

An investment in the Series 2 Preferred Shares may become an investment in Series 3 Preferred Shares without the consent of the holder in the event of an automatic conversion of the Series 2 Preferred Shares into Series 3 Preferred Shares. Upon such automatic conversion, the dividend rate on the Series 3 Preferred Shares will be a floating rate that is adjusted quarterly by reference to the T-Bill Rate which may vary from time to time. In addition, holders may be prevented from converting their Series 2 Preferred Shares into Series 3 Preferred Shares in certain circumstances. See "Details of the Offering – Certain Provisions of the Series 2 Preferred Shares".

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Bennett Jones LLP, counsel to the Corporation, and Blake, Cassels & Graydon LLP, counsel to the Underwriters, (collectively "Counsel") the following summary, as of the date hereof, describes the principal Canadian federal income tax considerations generally applicable under the provisions of the Tax Act to a prospective purchaser of Series 2 Preferred Shares pursuant to the Prospectus (a "Holder") who, at all relevant times, for the purposes of the Tax Act, is (or is deemed to be) resident in Canada, holds the Series 2 Preferred Shares or Series 3 Preferred Shares, as applicable, as capital property, and deals at arm's length with the Corporation and is not affiliated with the Corporation. Generally, the Series 2 Preferred Shares or Series 3 Preferred Shares will be considered to be capital property to a Holder provided the Holder does not hold the shares in the course of carrying on a business of trading or dealing in securities and has not acquired them in one or more transactions considered to be an adventure in the nature of trade. Certain Holders who might not otherwise be considered to hold their Series 2 Preferred Shares or Series 3 Preferred Shares as capital property may, in certain circumstances, be entitled to have them treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act. Holders who do not hold their Series 2 Preferred Shares or Series 3 Preferred Shares, as applicable, as capital property should consult their own tax advisers with respect to their own particular circumstances. This summary assumes that the Series 2 Preferred Shares and the Series 3 Preferred Shares will be listed on a designated stock exchange in Canada under the Tax Act (which currently includes the TSX) at all relevant times.

This summary is not applicable to: (i) a Holder that is a "financial institution", as defined in the Tax Act for the purpose of the "mark-to-market" rules; (ii) a Holder an interest in which would be a "tax shelter investment", as defined in the Tax Act; (iii) a Holder that is a "specified financial institution" or a "restricted financial institution", each as defined in the Tax Act; or (iv) a Holder which has made a "functional currency" election under the Tax Act to determine its Canadian tax results in a currency other than Canadian currency. Any such Holder should consult its own tax advisors with respect to an investment in the Series 2 Preferred Shares or Series 3 Preferred Shares.

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

This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular Holder of Series 2 Preferred Shares or Series 3 Preferred Shares. No representations are made with respect to the income tax consequences to any particular Holder. Consequently, prospective Holders should consult their own tax advisers with respect to their particular circumstances for advice with respect to the tax consequences to them of acquiring, holding and disposing of

the Series 2 Preferred Shares or the Series 3 Preferred Shares, including the application and effect of the income and other tax laws of any country, province, state or local tax authority.

Dividends

Dividends (including deemed dividends) received (or deemed to be received) on the Series 2 Preferred Shares or the Series 3 Preferred Shares, as the case may be, by an individual (other than certain trusts) will be included in the individual's income and will be subject to the gross-up and dividend tax credit rules normally applicable to taxable dividends received from taxable Canadian corporations. Individuals are entitled to an enhanced gross-up and dividend tax credit in respect of "eligible dividends" received from taxable Canadian corporations, such as the Corporation, if such dividends have been designated as eligible dividends by the Corporation. By notice in writing on the Corporation's website, the Corporation has designated that all taxable dividends paid on its shares on or after January 1, 2006 will be "eligible dividends" within the meaning of the Tax Act unless otherwise stated. Management of the Corporation has advised counsel that the Corporation anticipates that it will designate the dividends paid to holders of the Series 2 Preferred Shares and the Series 3 Preferred Shares as eligible dividends.

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

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

The Series 2 Preferred Shares and the Series 3 Preferred Shares will be "taxable preferred shares" as defined in the Tax Act. The terms of the Series 2 Preferred Shares and the Series 3 Preferred Shares require the Corporation to make the necessary election under Part VI.1 of the Tax Act so that corporate Holders will not be subject to tax under Part IV.1 of the Tax Act on dividends received (or deemed to be received) on the Series 2 Preferred Shares or the Series 3 Preferred Shares.

Dispositions

A Holder who disposes of or is deemed to dispose of Series 2 Preferred Shares or Series 3 Preferred Shares (on the redemption of such shares or otherwise but not including on a conversion) will generally realize a capital gain (or sustain a capital loss) to the extent that the Holder's proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of such shares to the Holder. The amount of any deemed dividend arising on the redemption, acquisition or cancellation by the Corporation of Series 2 Preferred Shares or Series 3 Preferred Shares, as the case may be, will generally not be included in computing the Holder's proceeds of disposition for purposes of computing the capital gain (or capital loss) arising on the disposition of such Series 2 Preferred Shares or Series 3 Preferred Shares, as the case may be. See "Redemption" below. If the Holder is a corporation, any capital loss arising on a disposition of a Series 2 Preferred Share or a Series 3 Preferred Share, as the case may be, may, in certain circumstances, be reduced by the amount of any dividends, including deemed dividends, which have been received on the Series 2 Preferred Share or Series 3 Preferred Share or any share which was converted into such share. Analogous rules apply to a partnership or trust of which a corporation, partnership or trust is a member or beneficiary.

Generally, one-half of any such capital gain will be included in computing the Holder's income as a taxable capital gain and one-half of any such capital loss may be deducted from the Holder's taxable capital gains in accordance with the rules contained in the Tax Act. Capital gains realized by an individual may give rise to a liability for alternative minimum tax. Taxable capital gains of a "Canadian-controlled private corporation", as defined in the Tax Act, may be subject to an additional refundable tax at a rate of 6 2/3%.

Redemption

If the Corporation redeems Series 2 Preferred Shares or the Series 3 Preferred Shares, or otherwise acquires or cancels Series 2 Preferred Shares or the Series 3 Preferred Shares (other than by a purchase by the Corporation of the shares in the open market in the manner in which shares are normally purchased by any member of the public in the open market), the Holder will be deemed to have received a dividend equal to the amount, if any, paid by the Corporation in excess of the paid-up capital (as determined for purposes of the Tax Act) of such shares at such time. Generally, the difference between the amount paid and the amount of the deemed dividend will be treated as proceeds of disposition for purposes of computing the capital gain or capital loss arising on the disposition of such shares. See “Dispositions” above. In the case of a corporate holder, it is possible that in certain circumstances all or part of any such deemed dividend may be treated as proceeds of disposition and not as a dividend.

Conversion

The conversion of the Series 2 Preferred Shares into Series 3 Preferred Shares and the conversion of the Series 3 Preferred Shares into Series 2 Preferred Shares will not constitute a disposition of property for purposes of the Tax Act and, accordingly, will not give rise to a capital gain or capital loss. The cost to a Holder of the Series 3 Preferred Shares or Series 2 Preferred Shares, as the case may be, received on the conversion will, subject to the averaging rules contained in the Tax Act, be deemed to be equal to the Holder’s adjusted cost base of the converted Series 2 Preferred Shares or Series 3 Preferred Shares, as the case may be, immediately before the conversion.

PLAN OF DISTRIBUTION

Under an underwriting agreement dated March 10, 2009, between the Corporation and the Underwriters (the “Underwriting Agreement”), the Corporation has agreed to sell and the Underwriters have severally agreed to purchase on March 27, 2009, or on such later date as may be agreed upon, but not later than April 29, 2009, subject to the terms and conditions stated therein, all but not less than all of the Series 2 Preferred Shares at a price of \$25.00 per share payable in cash to the Corporation against delivery of such Series 2 Preferred Shares. The obligations of the Underwriters under the Underwriting Agreement may be terminated at their discretion on the basis of their assessment of the state of the financial markets and may also be terminated upon the occurrence of certain stated events. The Underwriters are, however, obligated to take up and pay for all of the Series 2 Preferred Shares if any Series 2 Preferred Shares are purchased under the Underwriting Agreement. The Underwriters have agreed not to offer, sell or deliver any Series 2 Preferred Shares in the United States or to U.S. persons.

The Underwriters may not, throughout the period of distribution, bid for or purchase Series 2 Preferred Shares. The foregoing restriction is subject to certain exceptions, on the condition that the bid or purchase not be engaged in for the purpose of creating actual or apparent active trading in or raising the price of the Series 2 Preferred Shares. These exceptions include a bid or purchase permitted under the Universal Market Integrity Rules administered by the Investment Industry Regulatory Organization of Canada relating to market stabilization and passive market-making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution. The Corporation has been advised that, in connection with this offering and subject to the foregoing, the Underwriters may overallocate or effect transactions which stabilize or maintain the market price of the Series 2 Preferred Shares at a level above that which might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time.

The Underwriters are subsidiaries of Canadian chartered banks which have extended credit facilities to the Corporation and certain of its affiliates. Accordingly, under certain circumstances, the Corporation may be considered to be a “connected issuer” of the Underwriters under applicable Canadian securities legislation. The aggregate amount of such credit facilities available to the Corporation and its affiliates is approximately \$1.3 billion, of which approximately \$208.6 million was drawn as of December 31, 2008. These facilities include non-recourse debt of the Corporation’s affiliates for which the lender’s recourse in the event of default is limited to the business and assets of the project in question and to the affiliates’ equity therein. The Corporation and its affiliates are in compliance with the terms of these credit facilities. At December 31, 2008, the Corporation had available credit facilities of \$329.1 million. Of this amount, \$300 million is a term facility established in 1999. This facility is used as a backstop for the Corporation’s commercial paper program and for occasional issues of letters of credit. The

remaining \$29.1 million are demand operating facilities of the Corporation's subsidiaries. At December 31, 2008, \$55.0 million was outstanding under these facilities, and has subsequently declined to \$31.0 million. The decision of each Underwriter to participate in this offering was made independently of its bank parent. None of the proceeds of this offering will be applied for the benefit of the Underwriters or any of their related issuers.

The TSX has conditionally approved the listing of the Series 2 Preferred Shares and the Series 3 Preferred Shares. Listing of the Series 2 Preferred Shares is subject to the Corporation fulfilling all of the requirements of the TSX on or before June 8, 2009, including distribution of these securities to a minimum number of public securityholders.

ELIGIBILITY FOR INVESTMENT

In the opinion of Bennett Jones LLP, counsel to the Corporation, and Blake, Cassels & Graydon LLP, counsel to the Underwriters, subject to the provisions of any particular plan, the Series 2 Preferred Shares offered hereby and the Series 3 Preferred Shares, if issued on the date hereof, generally would be qualified investments under the Tax Act and the Regulations for a trust governed by a registered retirement savings plan, a registered retirement income fund, a registered education savings plan, a registered disability savings plan, a deferred profit sharing plan, or a tax-free savings account (provided that, in the case of a trust governed by a tax-free savings account, the holder thereof does not have a significant interest, within the meaning of the Tax Act, in the Corporation or in any person that does not deal at arm's length, within the meaning of the Tax Act, with the Corporation).

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Series 2 Preferred Shares is CIBC Mellon Trust Company at its principal offices in Toronto and Calgary.

INTEREST OF EXPERTS

Certain legal matters relating to the offering will be passed upon by Bennett Jones LLP for the Corporation and by Blake, Cassels & Graydon LLP for the Underwriters. As at March 17, 2009, partners and associates of Bennett Jones LLP and of Blake, Cassels & Graydon LLP, as a group, beneficially owned, directly or indirectly, less than 1% of any class of securities of the Corporation. R.T. Booth, a partner of Bennett Jones LLP, is a director of Canadian Utilities Limited and of ATCO Ltd., both of which are publicly traded affiliates of the Corporation.

STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

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

CERTIFICATES

Dated: March 18, 2009

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

"N.C. Southern"
(Signed) N.C. SOUTHERN
President & Chief Executive Officer

"K.M. Watson"
(Signed) K.M. WATSON
Senior Vice President & Chief Financial Officer

On behalf of the Board of Directors

"L.M. Charlton"
(Signed) L.M. CHARLTON
Director

"J.W. Simpson"
(Signed) J.W. SIMPSON
Director

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

BMO NESBITT BURNS INC.

RBC DOMINION SECURITIES INC.

"Aaron M. Engen"
By: (Signed) AARON M. ENGEN

"William G. Sembo"
By: (Signed) WILLIAM G. SEMBO

TD SECURITIES INC.

"Alec W.G. Clark"
By: (Signed) ALEC W. G. CLARK

AUDITOR'S CONSENT

We have read the short form prospectus of CU Inc. (the "Corporation") dated March 18, 2009, relating to the issuance of 6,400,000 Cumulative Redeemable Preferred Shares Series 2 of the Corporation. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use, through incorporation by reference in the above-mentioned prospectus, of our report to the shareholders of the Corporation on the consolidated balance sheets of the Corporation as at December 31, 2008 and 2007 and the consolidated statements of earnings and retained earnings, cash flows, and comprehensive income for each of the years in the two-year period ended December 31, 2008. Our report is dated February 17, 2009.

Calgary, Alberta

"PricewaterhouseCoopers LLP"
(Signed) PRICEWATERHOUSECOOPERS LLP

March 18, 2009

Chartered Accountants