

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

*This prospectus supplement (the "Prospectus Supplement"), together with the accompanying short form base shelf prospectus dated November 15, 2011 to which it relates, as amended or supplemented (the "Prospectus"), and each document incorporated by reference into this Prospectus Supplement and into the Prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. See "Plan of Distribution".*

*The securities to be issued hereunder have not been, and will not be, registered under the United States Securities Act of 1933, as amended and may not be offered, sold or delivered, directly or indirectly, in the United States of America or to or for the account or benefit of U.S. persons.*

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

**PROSPECTUS SUPPLEMENT TO THE SHORT FORM BASE SHELF PROSPECTUS DATED NOVEMBER 15, 2011**

New Issue

November 23, 2011



**TRANSALTA CORPORATION**

**\$275,000,000**

**11,000,000 Cumulative Redeemable Rate Reset First Preferred Shares, Series C**

TransAlta Corporation (the "Corporation") is hereby qualifying the distribution (the "Offering") of 11,000,000 cumulative redeemable rate reset first preferred shares, Series C ("Series C Shares") of the Corporation at a price of \$25.00 per Series C Share. See "Details of the Offering" and "Plan of Distribution".

The holders of Series C Shares will be entitled to receive, as and when declared by the board of directors of the Corporation out of moneys of the Corporation properly applicable to the payment of dividends, fixed cumulative preferential cash dividends for the initial period (the "Initial Fixed Rate Period") from and including the date of issue of the Series C Shares to but excluding June 30, 2017, at an annual rate of \$1.15 per share, payable quarterly on the last day of March, June, September and December in each year (less any tax required to be deducted and withheld by the Corporation). If any such date is not a business day, the dividend will be paid on the next succeeding business day. Assuming an issue date of November 29, 2011, the first dividend, if declared, will be payable March 31, 2012 in the amount of \$0.3844 per share.

For each five-year period after the Initial Fixed Rate Period (each a "Subsequent Fixed Rate Period", as defined herein), the holders of Series C Shares shall be entitled to receive, as and when declared by the board of directors of the Corporation, fixed cumulative preferential cash dividends, payable quarterly on the last day of March, June, September and December in each year, in the amount per share determined by multiplying one-quarter of the Annual Fixed Dividend Rate (as defined herein) for such Subsequent Fixed Rate Period by \$25.00 (less any tax required to be deducted and withheld by the Corporation). The Annual Fixed Dividend Rate for the ensuing Subsequent Fixed Rate Period will be determined by the Corporation on the Fixed Rate Calculation Date (as defined herein) and will be equal to the sum of the Government of Canada Yield (as defined herein) on the Fixed Rate Calculation Date plus a spread of 3.10%. This spread will apply to both the Series C Shares and the Series D Shares described below, and will remain unchanged over the life of the Series C Shares. See "Details of the Offering".

The Series C Shares shall not be redeemable prior to June 30, 2017. On June 30, 2017, and on June 30 in every fifth year thereafter, the Corporation may, at its option, upon not less than 30 days and not more than 60 days prior written notice, redeem for cash all or any part of the outstanding Series C Shares by the payment of \$25.00 per Series C Share plus all accrued and unpaid dividends (less any tax required to be deducted and withheld by the Corporation). See "Details of the Offering".

**Option to Convert into Series D Shares**

The holders of the Series C Shares will have the right to convert all or any of their shares into cumulative redeemable floating rate first preferred shares, Series D of the Corporation (the "Series D Shares"), subject to certain conditions, on June 30, 2017 and on June 30 in every fifth year thereafter. The holders of the Series D Shares will be entitled to receive, as and when declared by the board of directors of the Corporation, quarterly floating rate cumulative preferential cash dividends payable on the last day of March, June, September and December in each year (each such quarterly dividend period is referred to as a "Quarterly Floating Rate Period", as defined herein) in the amount per share determined by multiplying the Floating Quarterly Dividend Rate (as defined herein) for such Quarterly Floating Rate Period by \$25.00 and multiplying that product by a fraction, the numerator of which is the actual number of days in such Quarterly Floating Rate Period and the denominator of which is 365 or 366, depending upon the actual number of days in the applicable year (less any tax required to be deducted and withheld by the Corporation). If any such date is not a business day, the dividend will be paid on the next succeeding business day. The Floating Quarterly Dividend Rate will be the annual rate of interest equal to the sum of the T-Bill Rate (as defined herein) on the applicable Floating Rate Calculation Date (as defined herein) plus a spread of 3.10%. See "Details of the Offering".

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

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

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	<u>Price to the Public</u>	<u>Underwriting Commission<sup>(1)</sup></u>	<u>Net Proceeds to the Corporation<sup>(2)</sup></u>
Per Series C Share	\$25.00	\$0.75	\$24.25
<b>Total</b>	<b>\$275,000,000</b>	<b>\$8,250,000</b>	<b>\$266,750,000</b>

- (1) The Underwriters' fee for the Series C Shares is \$0.25 for each share sold to certain institutions by closing of the Offering, and \$0.75 per share for all other Series C Shares purchased by the Underwriters (as defined herein). The Underwriters' fee indicated in the table assumes that no Series C Shares are sold to such institutions.
- (2) Before deducting the estimated expenses of the Offering of approximately \$400,000. The expenses of the Offering and the Underwriters' fee will be paid from the general funds of the Corporation.

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

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

It is currently anticipated that the closing date of the Offering (the "Offering Closing Date") will be on or about November 30, 2011, or such later date as the Corporation and the Underwriters may agree but in any event not later than December 7, 2011. See "Details of the Offering".

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

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

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

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

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

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

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

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## **IMPORTANT NOTICE ABOUT INFORMATION IN THIS PROSPECTUS SUPPLEMENT AND THE ACCOMPANYING PROSPECTUS**

This document is in two parts. The first part is this Prospectus Supplement, which describes the specific terms of the securities the Corporation is offering and also adds to and updates certain information contained in the Prospectus and the documents incorporated by reference therein. The second part, the Prospectus, gives more general information, some of which may not apply to the Series C Shares offered hereunder. Defined terms used in this Prospectus Supplement that are not defined herein have the meanings ascribed thereto in the Prospectus.

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

In this Prospectus Supplement, unless otherwise specified or the context otherwise requires, all dollar amounts are expressed in Canadian dollars. References to "dollars" or "\$" are to lawful currency of Canada.

Unless otherwise specified, all financial information included and incorporated by reference in this Prospectus Supplement has been prepared, for all periods prior to January 1, 2011, in accordance with Canadian generally accepted accounting principles ("**Canadian GAAP**") in effect prior to January 1, 2011 and, for all periods beginning on and after January 1, 2011, in accordance with International Financial Reporting Standards as adopted by the Canadian Accounting Standards Board ("**IFRS**").

### **DOCUMENTS INCORPORATED BY REFERENCE**

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

- (a) consolidated financial statements as at December 31, 2010 and 2009 and for each of the years in the three year period ended December 31, 2010, the notes thereto, the auditors' report thereon and the auditors' report on our internal control over financial reporting;
- (b) management's discussion and analysis of financial condition and results of operations as at and for the year ended December 31, 2010 ("**Annual MD&A**");
- (c) annual information form dated February 24, 2011 (the "**Annual Information Form**") for the year ended December 31, 2010;
- (d) management proxy circular dated March 10, 2011 prepared in connection with the Corporation's annual and special meeting of shareholders held on April 28, 2011;
- (e) unaudited consolidated interim financial statements as at and for the three and nine month periods ended September 30, 2011 and 2010 and the notes thereto;
- (f) management's interim discussion and analysis of financial condition and results of operations as at and for the three and nine month periods ended September 30, 2011; and
- (g) material change report dated and filed July 27, 2011 relating to the retirement of Stephen G. Snyder as President and Chief Executive Officer, to be effective January 1, 2012 and the announcement that Dawn Farrell, current Chief Operating Officer, will succeed Mr. Snyder as President and Chief Executive Officer on January 2, 2012.

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

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

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

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

This Prospectus Supplement, including the documents incorporated by reference herein, contains both historical and forward-looking statements. All forward-looking statements are based on our beliefs as well as assumptions based on information available at the time the assumption was made and on management's experience and perception of historical trends, current conditions and expected further developments as well as other factors deemed appropriate in the circumstance. These forward-looking statements are not facts, but only predictions and generally can be identified by the use of statements that include phrases such as "may", "will", "believe", "expect", "anticipate", "intend", "plan", "foresee", "potential", "enable", "continue" or other words or phrases of similar import. Similarly, statements that describe the Corporation's objectives, plans or goals also are forward looking statements. These forward-looking statements are subject to risks and uncertainties and other important factors that could cause actual results to differ materially from those currently anticipated. In addition to the forward-looking statements contained in the documents incorporated by reference herein, this Prospectus Supplement contains, without limitation, forward-looking statements pertaining to the following: the anticipated closing of the Offering; and certain terms of the Series C Shares and the Series D Shares.

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

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

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

## USE OF PROCEEDS

The net proceeds to the Corporation from the Offering will be approximately \$266,350,000 after deducting \$8,250,000 in underwriting commission and \$400,000 in estimated expenses of the Offering. The expenses of the Offering and the Underwriters' fee will be paid from the general funds of the Corporation.

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

## CHANGES IN CONSOLIDATED CAPITALIZATION

Other than the effect of changes in foreign currency exchange rates on United States dollar denominated loans, there have been no material changes in the share and loan capital of the Corporation on a consolidated basis from September 30, 2011 to the date of this Prospectus Supplement. After giving effect to the Offering, the shareholders' equity of the Corporation will increase by the amount of the net proceeds of the Offering and the issued and outstanding Series C Shares will increase by 11,000,000 shares. After giving effect to the Offering and the use of proceeds as discussed herein, assuming such funds are initially used to pay down short term indebtedness, the indebtedness of TransAlta under its credit facilities will be reduced by approximately \$266,350,000 (assuming no institutional sales of Series C Shares).

## TRADING PRICE AND VOLUME

Our common shares ("**Common Shares**") and our cumulative redeemable rate reset first preferred shares, Series A ("**Series A Shares**") are listed and traded on the TSX under the symbol "TA" and "TA.PR.D", respectively. The following tables set forth certain trading information for our Common Shares and Series A Shares during the periods indicated as reported by the TSX. For additional trading information relating to our Common Shares, see "*Market for Securities*" in our Annual Information Form.

<u>Period</u>	<u>Common Share Price (\$) High</u>	<u>Common Share Price (\$) Low</u>	<u>Volume</u>
<b>2010</b>			
September .....	22.05	21.20	16,199,764
October .....	22.24	30.31	11,286,417
November .....	21.61	20.12	16,691,928
December .....	21.71	20.81	16,829,986
<b>2011</b>			
January .....	22.09	20.60	10,286,275
February .....	21.25	20.31	16,826,608
March .....	20.69	19.50	14,424,192
April .....	21.08	20.02	7,455,909
May .....	21.99	20.88	12,270,440
June .....	21.51	20.42	8,642,075
July .....	21.34	20.51	6,201,288
August .....	22.09	19.44	20,005,806
September .....	23.20	21.26	14,027,245
October .....	23.42	21.74	13,101,345
November (1-22).....	22.10	20.55	8,442,044

<u>Period</u>	<u>Series A Shares Price (\$) High</u>	<u>Series A Shares Price (\$) Low</u>	<u>Volume</u>
<b>2010</b>			
December (10-31) <sup>1</sup>	26.00	24.75	1,247,242
<b>2011</b>			
January	25.50	25.00	494,424
February	25.45	24.59	240,361
March	25.34	24.50	195,505
April	25.23	24.80	225,573
May	25.40	25.00	188,339
June	25.48	24.61	361,784
July	25.35	24.80	115,272
August	25.63	24.85	168,191
September	25.79	25.00	150,821
October	25.75	24.90	226,538
November (1-22)	25.25	24.89	257,651

**Note:**

(1) The Series A Shares commenced trading on December 10, 2010.

**DETAILS OF THE OFFERING**

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

**Definition of Terms**

The following definitions are relevant to the Series C Shares and the Series D 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 3.10%.

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

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

"**Floating Quarterly Dividend Rate**" means, for any Quarterly Floating Rate Period, the annual rate of interest (expressed as a percentage rounded to the nearest one hundred-thousandth of one percent (with 0.000005% being rounded up)) equal to the sum of the T-Bill Rate on the applicable Floating Rate Calculation Date and 3.10%.

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

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

**"Initial Fixed Rate Period"** means the period from and including the date of issue of the Series C Shares to but excluding June 30, 2017.

**"Quarterly Commencement Date"** means the last day of December, March, June and September in each year, commencing June 30, 2017.

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

**"Series C Conversion Date"** means June 30, 2017, and June 30, in every fifth year thereafter.

**"Series D Conversion Date"** means June 30, 2022, and June 30, in every fifth year thereafter.

**"Subsequent Fixed Rate Period"** means, for the initial Subsequent Fixed Rate Period, the period from and including June 30, 2017 to but excluding June 30, 2022, 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 30, in the fifth year thereafter.

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

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

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

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

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

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

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

##### *Issue Price*

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



### *Dividends on Series C Shares*

During the Initial Fixed Rate Period, the holders of the Series C Shares shall be entitled to receive and the Corporation shall pay, as and when declared by the Board, out of the moneys of the Corporation properly applicable to the payment of dividends, fixed cumulative preferential cash dividends at an annual rate of \$1.15 per share, payable quarterly on each Dividend Payment Date in each year (less any tax required to be deducted and withheld by the Corporation). The first dividend, if declared, shall be payable on March 31, 2012, and, notwithstanding the foregoing, shall be in the amount per share determined by multiplying \$1.15 by the number of days in the period from and including the date of issue of the Series C Shares to but excluding March 31, 2012, and dividing that product by 365 (less any tax required to be deducted and withheld by the Corporation).

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

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

### *Redemption of Series*

#### *Series C Shares*

The Series C Shares shall not be redeemable prior to June 30, 2017. Subject to the provisions described under "Restrictions on Payments and Reductions of Capital", on June 30, 2017, and on June 30 in every fifth year thereafter, the Corporation may, at its option, redeem all or any part of the Series C Shares by the payment of an amount in cash for each share to be redeemed equal to \$25.00 plus all accrued and unpaid dividends thereon to but excluding the date fixed for redemption (less any tax required to be deducted and withheld by the Corporation). Should any such date not be a business day, the redemption date will be the next succeeding business day.

Notice of any redemption of Series C 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 C 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 or the transfer agent, if any, appointed by the Corporation in respect of such shares shall decide, or, if the Board so decides, such shares may be redeemed pro rata (disregarding fractions).

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

### *Conversion of Series C Shares into Series D Shares*

The Series C Shares shall not be convertible prior to June 30, 2017. Holders of Series C Shares shall have the right to convert on each Series C Conversion Date, subject to restrictions on conversion described below, all or any of their Series C Shares into Series D Shares on the basis of one Series D Share for each Series C Share. Notice of a holder's intention to convert Series C Shares must be received by the transfer agent and registrar for the Series C Shares at its principal office in Toronto or Calgary not earlier than the 30th day prior to, but not later than 5:00 p.m. (Toronto time) on the 15th day preceding, a Series C Conversion Date. Once received by the transfer agent and registrar on behalf of the Corporation, the election of a holder to convert is irrevocable.

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

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

1,000,000 Series C Shares, after having taken into account all Series C Shares tendered for conversion into Series D Shares and all Series D Shares tendered for conversion into Series C Shares, then all of the remaining outstanding Series C Shares shall be converted automatically into Series D Shares on the basis of one Series D Share for each Series C Share on the applicable Series C Conversion Date and the Corporation shall give notice thereof to the then registered holders of such remaining Series C Shares at least seven days prior to the Series C Conversion Date.

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

The Series C Shares and Series D Shares are series of shares in the same class. The conversion right entitles holders to elect periodically which of the two series they wish to hold and does not entitle holders to receive a different class or type of securities. Other than the different dividend rights and redemption rights attached thereto, the Series C Shares and Series D 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 C Shares at the lowest price or prices at which, in the opinion of the Board, such shares are obtainable, which price shall not exceed in any case the redemption price applicable to such Series C Shares, plus costs of purchase.

#### *Rights on Liquidation*

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

- (a) declare, pay or set apart for payment any dividends (other than stock dividends in shares of the Corporation ranking junior to the Series C Shares) on the Common Shares or any other shares of the Corporation ranking junior to the Series C Shares with respect to payment of dividends, or
- (b) call for redemption of, purchase, reduce stated capital maintained by the Corporation or otherwise pay for any shares of the Corporation ranking junior to the Series C 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 C Shares and on all other preferred shares then outstanding ranking prior to or on a parity with the Series C 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 C Shares are outstanding, the Corporation shall not, without the prior approval of the holders of the Series C Shares, create or issue any shares ranking prior to or on a parity with the Series C Shares with respect to repayment of capital or payment of dividends, provided that the Corporation may without such approval issue additional series of first preferred shares if all dividends then payable on the Series C Shares and Series D Shares shall have been paid or set apart for payment.

#### *Voting Rights*

The holders of the Series C Shares are not entitled to any voting rights or to receive notice of or to attend shareholders' meetings unless dividends on the Series C Shares are in arrears to the extent of six quarterly dividends, whether or not consecutive. Until all arrears of dividends have been paid, holders of Series C 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 C Share held on all matters in respect of which shareholders vote, and additionally, the right of all series of first preferred

shares, voting as a combined class, to elect two directors of the Corporation if the Board then consists of less than 16 directors, or three directors if the Board consists of 16 or more directors. Otherwise, except as required by law, the holders of first preferred shares shall not be entitled to vote or to receive notice of or attend any meeting of the shareholders of the Corporation.

#### *Tax Election*

The Series C 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 C Shares. The terms of the Series C 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 C Shares. See "Certain Canadian Federal Income Tax Considerations — Dividends".

#### *Modification*

The series provisions attaching to the Series C Shares may be amended with the written approval of all the holders of the Series C 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 C Shares is payable by the Corporation or on or by which any other action is required to be taken by the Corporation is not a business day, then such dividend shall be payable and such other action may be taken on or by the next succeeding day that is a business day. For the purposes hereof, "business day" shall mean a day on which banks are generally open for business in both Calgary, Alberta and Toronto, Ontario.

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

#### *Issue Price*

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

#### *Dividends on Series D Shares*

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

On each Floating Rate Calculation Date, the Corporation shall determine the Floating Quarterly Dividend Rate for the ensuing Quarterly Floating Rate Period. Each such determination shall, in the absence of manifest error, be final and binding upon the Corporation and upon all holders of Series D 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 D Shares.

#### *Redemption of Series D Shares*

Subject to the provisions described under "Restrictions on Payments and Reductions of Capital", the Corporation may redeem all or any part of the Series D Shares by the payment of an amount in cash for each share to be redeemed equal to (i) \$25.00 in the case of redemptions on any Series D Conversion Date on or after June 30, 2022, or (ii) \$25.50 in the case of redemptions on any date after June 30, 2022 that is not a Series D Conversion Date, in each case plus all accrued and unpaid dividends thereon (less any tax required to be deducted and withheld by the Corporation) to but excluding the date fixed for redemption. Should any such date not be a business day, the redemption date will be the next succeeding business day.

Notice of any redemption of Series D 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 D 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 or the transfer agent, if any, appointed by the Corporation in respect of such shares shall decide, or, if the Board so decides, such shares may be redeemed pro rata (disregarding fractions).

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

#### *Conversion of Series D Shares into Series C Shares*

The Series D Shares shall not be convertible prior to June 30, 2022. Holders of Series D Shares shall have the right to convert on each Series D Conversion Date, subject to restrictions on conversion described below, all or any of their Series D Shares into Series C Shares on the basis of one Series C Share for each Series D Share. Notice of a holder's intention to convert Series D Shares must be received by the transfer agent and registrar for the Series D Shares at its principal office in Toronto or Calgary not earlier than the 30th day prior to, but not later than 5:00 p.m. (Toronto time) on the 15th day preceding, a Series D Conversion Date. Once received by the transfer agent and registrar on behalf of the Corporation, the election of a holder to convert is irrevocable.

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

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

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

The Series C Shares and Series D Shares are series of shares in the same class. The conversion right entitles holders to elect periodically which of the two series they wish to hold and does not entitle holders to receive a different class or type of securities. Other than the different dividend rights and redemption rights attached thereto, the Series C Shares and Series D 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 D Shares at the lowest price or prices at which, in the opinion of the Board, such shares are obtainable, which shall not exceed in any case the redemption price applicable to such Series D Shares, plus costs of purchase.

#### *Rights on Liquidation*

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

- (a) declare, pay or set apart for payment any dividends (other than stock dividends in shares of the Corporation ranking junior to the Series D Shares) on the Common Shares or any other shares of the Corporation ranking junior to the Series D Shares with respect to payment of dividends, or
- (b) call for redemption of, purchase, reduce stated capital maintained by the Corporation or otherwise pay for any shares of the Corporation ranking junior to the Series D 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 D Shares and on all other preferred shares then outstanding ranking prior to or on a parity with the Series D 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 D Shares are outstanding, the Corporation shall not, without the prior approval of the holders of the Series D Shares, create or issue any shares ranking prior to or on a parity with the Series D Shares with respect to repayment of capital or payment of dividends, provided that the Corporation may without such approval issue additional series of first preferred shares if all dividends then payable on the Series C Shares and Series D Shares shall have been paid or set apart for payment.

### *Voting Rights*

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

### *Tax Election*

The Series D 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 D Shares. The terms of the Series D 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 D Shares. See "Certain Canadian Federal Income Tax Considerations — Dividends".

### *Modification*

The series provisions attaching to the Series D Shares may be amended with the written approval of all the holders of the Series D 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 D Shares is payable by the Corporation or on or by which any other action is required to be taken by the Corporation is not a business day, then such dividend shall be payable and such other action may be taken on or by the next succeeding day that is a business day. For the purposes hereof, "business day" shall mean a day on which banks are generally open for business in both Calgary, Alberta and Toronto, Ontario.

## **DEPOSITORY SERVICES**

The Series C Shares and Series D Shares will be issued in "book entry only" form and must be purchased or transferred through a participant in the CDS depository service ("**CDS Participant**"). The Corporation will cause a global certificate or certificates representing any newly issued Series C Shares or Series D Shares to be delivered to, and registered in the name of, CDS or its nominee. All rights of holders of Series C Shares or Series D Shares must be exercised through, and all payments or other property to which such holder of Series C Shares or Series D Shares, as the case may be, is entitled, will be made or delivered by, CDS or the CDS Participant through which the

holder of Series C Shares or Series D Shares holds such shares. Each person who acquires Series C Shares or Series D Shares will receive only a customer confirmation of purchase from the registered dealer from or through which the Series C Shares or Series D Shares are acquired in accordance with the practices and procedures of that registered dealer. The practices of registered dealers may vary, but generally customer confirmations are issued promptly after execution of a customer order. CDS is responsible for establishing and maintaining book entry accounts for its CDS Participants having interests in the Series C Shares or Series D Shares.

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

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

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

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

#### **EARNINGS COVERAGE RATIOS**

The following coverage ratios have been prepared in accordance with Canadian securities law requirements and are included in this Prospectus Supplement in accordance with Canadian disclosure requirements.

The following sets forth the Corporation's earnings coverage ratios calculated for the twelve month period ended December 31, 2010, and the twelve month period ended September 30, 2011. The following ratios give pro forma effect to the issuance of the Series C Shares pursuant to this Prospectus Supplement. Adjustments for other normal course issuances and repayments of long-term debt subsequent to September 30, 2011 would not materially affect the ratios and, as a result, have not been made. The earnings coverage ratios for the twelve months ended December 31, 2010 were calculated based on Canadian GAAP and for the twelve months ended September 30, 2011 were calculated based on unaudited financial information using IFRS.

	<b>Twelve month period ended</b>	
	<b>December 31, 2010</b>	<b>September 30, 2011</b>
Earnings coverage on long term debt <sup>(1)</sup>	1.8 times	3.0 times
Earnings coverage on Preferred Shares <sup>(2)</sup>	1.8 times	2.9 times

**Note:**

- (1) Earnings coverage on long-term debt on a net earnings basis is equal to net earnings plus net interest expense and income taxes divided by net interest expense including capitalized interest. For purposes of calculating the earnings coverage ratios set forth herein, long-term debt includes the current portion of long-term debt.
- (2) Earnings coverage on Preferred Shares on a net earnings basis is equal to net earnings plus net interest expense and income taxes divided by net interest expense including capitalized interest and Preferred Shares dividends grossed up to a before tax equivalent at a rate of 28%. For purposes of calculating the earnings coverage ratios set forth herein, long-term debt includes the current portion of long-term debt.

TransAlta evaluates its performance using a variety of measures. Earnings coverage discussed above is not defined under Canadian GAAP and, therefore, should not be considered in isolation or as an alternative to, or more meaningful than, net earnings as determined in accordance with Canadian GAAP as an indicator of the Corporation's financial performance or liquidity. This measure is not necessarily comparable to a similarly titled measure of another company. Net earnings has been calculated based on Canadian GAAP for the twelve month period ended December 31, 2010 and based on unaudited IFRS financial information for the twelve month period ended September 30, 2011. The earnings coverage ratio for the twelve months ended December 31, 2010 would have been 2.2 times had it been calculated on a consistent basis as the twelve months ended September 30, 2011 using unaudited IFRS financial information. The primary differences relate to the recognition of asset impairment losses, capitalization of major inspection costs and equity accounting treatment of certain joint ventures under IFRS.

The Corporation's dividend requirements on all of its preferred shares, after giving effect to the issue of the Series C Shares to be distributed under this Prospectus Supplement, and adjusted to a before-tax equivalent using an effective income tax rate of 28%, amounted to approximately \$18 million and \$18 million for each of the 12 months ended December 31, 2010 and for the 12 months ended September 30, 2011. The Corporation's interest requirements for the 12 months ended December 31, 2010 and for the twelve months ended September 30, 2011 amounted to approximately \$245 million and \$258 million, respectively. The Corporation's earnings before interest and income tax for the 12 months ended December 31, 2010 and for the 12 months ended September 30, 2011 were approximately \$397 million and \$683 million, respectively, which is 1.6 times and 2.6 times the Corporation's aggregate dividend and interest requirements for these periods.

## CREDIT RATINGS

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

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

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

## PLAN OF DISTRIBUTION

Pursuant to an underwriting agreement (the "**Underwriting Agreement**") dated November 23, 2011 between the Corporation and the Underwriters, the Corporation has agreed to sell an aggregate of 11,000,000 Series C Shares to the Underwriters, and the Underwriters have severally (and not jointly or jointly and severally) agreed to purchase from the Corporation, as principal, such Series C Shares at a price of \$25.00 per Series C Share payable in cash against delivery on the Offering Closing Date. The Underwriting Agreement provides that, in consideration of the services of the Underwriters in connection with the Offering, the Corporation will pay the Underwriters a fee of \$0.25 per Series C Share issued and sold by the Corporation to certain institutions, and \$0.75 per Series C Share for all other Series C Shares issued and sold by the Corporation as part of the Offering, for an aggregate fee payable by the Corporation of \$8,250,000, assuming that no Series C Shares are sold to such institutions. The Underwriters' fee is payable on the Offering Closing Date.

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

The obligations of the Underwriters under the Underwriting Agreement are several (and not joint or joint and several) and may be terminated at their discretion upon the occurrence of certain stated events. If an Underwriter fails to purchase the Series C Shares which it has agreed to purchase, the other Underwriters may, but are not obligated to, purchase such Series C Shares, provided that, if the aggregate number of Series C Shares not purchased is less than or equal to 10% of the aggregate number of Series C Shares agreed to be purchased by the Underwriters, then each of the other Underwriters is obligated to purchase severally the Series C Shares not taken up, on a pro rata basis or as they may otherwise agree as between themselves. The Underwriters are, however, obligated to take up and pay for all Series C Shares if any Series C Shares are purchased under the Underwriting Agreement. The Underwriting Agreement also provides that the Corporation will indemnify the Underwriters and their respective directors, officers, shareholders, agents and employees against certain liabilities and expenses.

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

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

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

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

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

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

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

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

At September 30, 2011, we were indebted to the lenders under our credit facilities in the aggregate amount of \$700 million. We have complied with the instruments governing our credit facilities and no breach thereof has ever been waived by any of the Affiliate Lenders. Except as otherwise disclosed in this Prospectus Supplement and the Prospectus, the final position of the Corporation has not changed substantially since the indebtedness under our credit facilities was incurred. The Corporation intends to use all net proceeds from the Offering to partially fund capital projects, for other general corporate purposes and to reduce short term indebtedness of the Corporation and its affiliates, which short term indebtedness was used to fund the Corporation's capital program and for general corporate purposes and, as a consequence, net proceeds from the Offering may be paid to one or more of the Affiliate Lenders. For more information, see "Use of Proceeds" herein.

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

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

In the opinion of McCarthy Tétrault LLP, tax counsel to the Corporation, and Blake, Cassels & Graydon LLP, counsel to the Underwriters, the following summary, as of the date hereof, describes the principal Canadian federal income tax considerations generally applicable under the provisions of the Tax Act to a prospective purchaser of Series C Shares pursuant to this Prospectus Supplement (a "**Holder**") who, at all relevant times, for the purposes of the Tax Act, is (or is deemed to be) resident in Canada, holds the Series C Shares and will hold the Series D Shares, as applicable, as capital property, deals at arm's length with the Corporation and is not affiliated with the Corporation. Generally, the Series C Shares or Series D 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 C Shares or Series D Shares as capital property may, in certain circumstances, be entitled to have them and all other "Canadian



securities" (as defined in the Tax Act) owned by them treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act. Holders who will not hold their Series C Shares or their Series D Shares, as applicable, as capital property should consult their own tax advisers with respect to their own particular circumstances.

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

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

**This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular Holder of Series C Shares or Series D 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 C Shares or the Series D 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 C Shares or the Series D Shares, as the case may be, by an individual (other than certain trusts) will be included in the individual's income and will be subject to the gross-up and dividend tax credit rules normally applicable to taxable dividends received from taxable Canadian corporations. Individuals are entitled to an enhanced gross-up and dividend tax credit in respect of "eligible dividends" received from taxable Canadian corporations, such as the Corporation, if such dividends have been designated as eligible dividends by the Corporation at or before the time of payment. By notice in writing on the Corporation's website, the Corporation has designated all dividends paid by the Corporation in 2006, 2007, 2008, 2009, 2010 and 2011 to be "eligible dividends" within the meaning of the Tax Act unless otherwise notified.

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

Dividends (including deemed dividends) received on the Series C Shares or the Series D 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 $\frac{1}{3}$ % refundable tax under Part IV of the Tax Act on dividends received (or deemed to be received) on the Series C Shares or the Series D Shares, as the case may be, to the extent such dividends are deductible in computing its taxable income.

The Series C Shares and the Series D Shares will be "taxable preferred shares" as defined in the Tax Act. The terms of the Series C Shares and the Series D 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 C Shares or the Series D Shares.

#### *Dispositions*

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

Generally, one-half of any capital gain will be included in computing the Holder's income in the year of disposition as a taxable capital gain and one-half of any capital loss (an "allowable capital loss") must be deducted from the Holder's taxable capital gains in the year of disposition. Allowable capital losses in excess of taxable capital gains for a taxation year generally may be carried back up to three taxation years or carried forward indefinitely and deducted against net taxable capital gains in those other taxation years. Capital gains realized by an individual may give rise to a liability for alternative minimum tax. Taxable capital gains of a "Canadian-controlled private corporation", as defined in the Tax Act, may be subject to an additional refundable tax at a rate of 6 $\frac{2}{3}$ %.

#### *Redemption*

If the Corporation redeems Series C Shares or Series D Shares, or otherwise acquires or cancels Series C Shares or Series D Shares (other than by a purchase by the Corporation of the shares in the open market in the manner in which shares are normally purchased by any member of the public in the open market), the Holder will be deemed to have received a dividend equal to the amount, if any, paid by the Corporation in excess of the paid-up capital (as determined for purposes of the Tax Act) of such shares at such time. In the case where the Corporation redeems Series D Shares after June 30, 2022 on a date that is not a Series D Conversion Date, it is likely that a deemed dividend of \$0.50 per Series D Share will result. Generally, any excess of the amount paid over the amount of the deemed dividend will be treated as proceeds of disposition for purposes of computing the capital gain or capital loss arising on the disposition of such shares. See "— Dispositions" above. In the case of a corporate holder, it is possible that in certain circumstances all or part of any such deemed dividend may be treated as proceeds of disposition and not as a dividend.

#### *Conversion*

The conversion of Series C Shares into Series D Shares and the conversion of Series D Shares into Series C 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 D Shares or Series C Shares, as the case may be, received on the conversion will, subject to the cost averaging rules contained in the Tax Act for identical properties, be deemed to be equal to the Holder's adjusted cost base of the converted Series C Shares or Series D Shares, as the case may be, immediately before the conversion.

### **ELIGIBILITY FOR INVESTMENT**

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

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

### **RISK FACTORS**

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

#### **Market for Securities**

There is currently no market through which the Series C Shares may be sold and purchasers of Series C Shares may not be able to resell the Series C Shares purchased under this Prospectus Supplement. The price offered to the public for the Series C Shares and the number of Series C Shares to be issued have been determined by negotiations among the Corporation and the Underwriters. The price paid for each Series C Share may bear no relationship to the price at which the Series C Shares will trade in the public market subsequent to this Offering. The Corporation cannot predict at what price the Series C Shares will trade and there can be no assurance that an active trading

market will develop for the Series C Shares or, if developed, that such market will be sustained. The Corporation has applied to list and post for trading the Series C Shares and Series D Shares on the TSX. Listing will be subject to the Corporation fulfilling all the listing requirements of the TSX. There can be no assurance that the Series C Shares and Series D Shares will be accepted for listing on the TSX.

### **Market Price**

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

Prevailing yields on similar securities will affect the market value of the Series C Shares and Series D Shares. Assuming all other factors remain unchanged, the market value of the Series C Shares and Series D Shares would be expected to decline as prevailing yields for similar securities rise and would be expected to increase as prevailing yields for similar securities decline. Spreads over the Government of Canada Yield, T-Bill Rate and comparable benchmark rates of interest for similar securities will also affect the market value of the Series C Shares and the Series D Shares in an analogous manner.

### **Dividends**

Provisions of various trust indentures and credit arrangements to which the Corporation is a party restrict the Corporation's ability to declare and pay dividends under certain circumstances and, if such restrictions apply, they may, in turn, have an impact on the Corporation's ability to declare and pay dividends on the Series C Shares and Series D Shares. The dividend rate in respect of the Series C Shares will reset on June 30, 2017 and every five years thereafter. The dividend rate in respect of the Series D Shares will reset quarterly. In each case, the new dividend rate is unlikely to be the same as, and may be lower than, the dividend rate for the applicable preceding dividend period.

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

### **Credit Ratings**

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

### **Insolvency or Winding-Up**

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

### **Automatic Conversion**

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

circumstances. See "Details of the Offering – Conversion of Series C Shares into Series D Shares" and "Details of the Offering – Conversion of Series D Shares into Series C Shares".

### **No Fixed Maturity**

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

### **Redeemable**

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

## **LEGAL MATTERS**

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

## **INTERESTS OF EXPERTS**

As at the date of this Prospectus Supplement, the partners and associates of Macleod Dixon LLP, as a group, the partners and associates of McCarthy Tétrault LLP, as a group, and the partners and associates of Blake, Cassels & Graydon LLP, as a group, beneficially own, directly or indirectly, less than 1% of any class of securities of the Corporation. In connection with the audit of the Corporation's annual financial statements for the year ended December 31, 2010, Ernst & Young LLP confirmed that they are independent within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta.

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

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

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

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

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

## AUDITORS' CONSENT

We have read the prospectus supplement of TransAlta Corporation (the "**Corporation**") dated November 23, 2011 to the short form base shelf prospectus dated November 15, 2011 relating to the issue and sale of 11,000,000 cumulative redeemable rate reset first preferred shares, Series C ("**Series C Shares**") at a price of \$25.00 per Series C Share, of the Corporation (the "**Prospectus**"). We have complied with Canadian generally accepted accounting standards for an auditor's involvement with offering documents.

We consent to the use, through incorporation by reference in the above-mentioned Prospectus of our report to the Shareholders of the Corporation on the consolidated balance sheets of the Corporation as at December 31, 2010 and 2009 and the consolidated statements of earnings and retained earnings, comprehensive income and cash flows for each of the years in the three year period ended December 31, 2010 and our report on the effectiveness of internal control over financial reporting as of December 31, 2010. Our reports are dated February 23, 2011.

We also consent to the reference to our firm under the caption Interests of Experts in the Prospectus and in the Annual Information Form dated February 24, 2011 which is incorporated by reference in the Prospectus.

Calgary, Canada  
November 23, 2011

(Signed) "Ernst & Young LLP"  
Chartered Accountants

## CERTIFICATE OF THE UNDERWRITERS

Dated: November 23, 2011

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

**CIBC WORLD MARKETS INC.**

By: (Signed) "Kelsen Vallee"

**RBC DOMINION SECURITIES INC.**

By: (Signed) "Robert Nicholson"

**SCOTIA CAPITAL INC.**

By: (Signed) "Thomas I. Kurfurst"

**BMO NESBITT BURNS INC.**

By: (Signed) "Aaron M. Engen"

**NATIONAL BANK FINANCIAL INC.**

By: (Signed) "Iain Watson"

**TD SECURITIES INC.**

By: (Signed) "Harold R. Holloway"

**HSBC SECURITIES (CANADA) INC.**

By: (Signed) "Greg Gannett"

**CANACCORD GENUITY CORP.**

By: (Signed) "Karl B. Staddon"

## Base Shelf Prospectus

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

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

*This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. Unless otherwise specified in the applicable prospectus supplement, the securities offered hereunder have not been and will not be registered under the United States Securities Act of 1933, as amended, or any state securities laws, and may not be offered, sold or delivered in the United States. Unless otherwise specified in the applicable prospectus supplement, this short form prospectus does not constitute an offer to sell or the solicitation of an offer to buy any of the securities offered hereby within the United States. See "Plan of Distribution".*

*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 Vice-President and Corporate Secretary of TransAlta Corporation at P.O. Box 1900, Station "M", 110-12<sup>th</sup> Avenue S. W., Calgary, Alberta, T2P 2M1 (telephone (403) 267-7110) and are also available electronically at [www.sedar.com](http://www.sedar.com).*

## SHORT FORM BASE SHELF PROSPECTUS

New Issue

November 15, 2011



**TRANSALTA CORPORATION**  
**\$2,000,000,000**

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

We may from time to time offer and issue (i) common shares ("**Common Shares**"), (ii) first preferred shares ("**First Preferred Shares**"), (iii) warrants to purchase Common Shares, First Preferred Shares or other securities ("**Warrants**"), (iv) subscription receipts, each of which, once purchased, entitle the holder to receive upon satisfaction of certain release conditions, and for no additional consideration, one Common Share ("**Subscription Receipts**"), or (v) debt securities ("**debt securities**"), (the Common Shares, First Preferred Shares, Warrants, Subscription Receipts and debt securities are collectively referred to herein as the "**Securities**") up to an aggregate initial offering price of \$2,000,000,000 (or its equivalent in U.S. dollars or any other currency or currency unit used to denominate the Securities) during the 25 month period that this short form base shelf prospectus (the "**Prospectus**"), including any amendments hereto, remains valid.

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

The specific terms of any offering of Securities will be set forth in a prospectus supplement or supplements (each, a "**Prospectus Supplement**") including, where applicable: (i) in the case of Common Shares, the number of Common Shares offered and the offering price; (ii) in the case of First Preferred Shares, the designation of the particular series, the number of First Preferred Shares offered, the offering price, any voting rights, any rights to receive dividends, any terms of redemption, any conversion or exchange rights and any other specific terms of the First Preferred Shares; (iii) in the case of Warrants, the designation, number and terms of the Common Shares, First Preferred Shares or other securities purchasable upon exercise of the Warrants, and any procedures that will result in the adjustment of those numbers, the exercise price, the dates and periods of exercise, the currency or currency unit in which the Warrants are issued and any other specific terms of the Warrants; (iv) in the case of the Subscription Receipts, the number of Subscription Receipts offered, the offering price, the terms, conditions and procedures for the conversion of such Subscription Receipts into Common Shares and any other specific terms of the Subscription Receipts; and (v) in the case of debt securities, the specific

(continued on next page)

designation of the debt securities, any limit on the aggregate principal amount of the debt securities, the currency or currency unit, the maturity, the offering price, whether payment on the debt securities will be senior or subordinated to our other liabilities and obligations, whether the debt securities will bear interest, the interest rate or method of determining the interest rate, any interest rate, any terms of redemption, any conversion or exchange rights and any other specific terms of the debt securities. We reserve the right to include in a Prospectus Supplement specific terms pertaining to the Securities that are not within the options and parameters set forth in this Prospectus. You should read this Prospectus and any applicable Prospectus Supplement before you invest in any Securities.

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

Our Common Shares are listed on the Toronto Stock Exchange ("TSX") under the symbol "TA" and on the New York Stock Exchange ("NYSE") under the symbol "TAC". Our Cumulative Rate Reset First Preferred Shares, Series A (the "**Series A Shares**") are listed on the TSX under the symbol "TA.PR.D". On November 14, 2011, the closing price of the Common Shares and the Series A Shares on the TSX was \$21.55 and \$25.20, respectively, and on the NYSE the closing price for the Common Shares was US\$21.19. **There is currently no market through which additional series of First Preferred Shares, Warrants, Subscription Receipts or debt securities may be sold and purchasers may not be able to resell such Securities purchased under this Prospectus. This may affect the pricing of such Securities in the secondary market, the transparency and availability of trading prices, the liquidity of the Securities, and the extent of issuer regulation. Investing in the Securities involves risks. See "Risk Factors" in this Prospectus and in any applicable Prospectus Supplement.**

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

Unless otherwise specified in the applicable Prospectus Supplement, each series or issue of Securities (other than Common Shares) will be a new issue of Securities with no established trading market. The Securities may be sold from time to time in one or more transactions at a fixed price or prices or at non-fixed prices. If offered on a non-fixed price basis, the Securities may be offered at market prices prevailing at the time of sale, at prices related to such prevailing market prices or at prices to be negotiated with purchasers, in which case the compensation payable to an underwriter, dealer or agent in connection with any such sale will be the amount, if any, by which the aggregate price paid for the Securities by the purchasers exceeds the gross proceeds paid by the underwriter, dealer or agent to us and the price at which the Securities will be offered and sold may vary as between purchasers during the distribution period.

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

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



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## ABOUT THIS PROSPECTUS

In this Prospectus and in any Prospectus Supplement, unless otherwise specified or the context otherwise requires, all dollar amounts are expressed in Canadian dollars. "U.S. dollars" or "US\$" means lawful currency of the United States. Unless the context otherwise requires, all references in this Prospectus and any Prospectus Supplement to "TransAlta", the "Corporation", "we", "us" and "our" mean TransAlta Corporation and its consolidated subsidiaries including any consolidated partnerships of which the Corporation or any of its subsidiaries are partners.

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

Unless otherwise specified, all financial information included and incorporated by reference in this prospectus has been prepared, for all periods prior to January 1, 2011, in accordance with Canadian generally accepted accounting principles ("**Canadian GAAP**") in effect prior to January 1, 2011 and, for all periods beginning on and after January 1, 2011, in accordance with International Financial Reporting Standards ("**IFRS**") as adopted by the Canadian Accounting Standards Board.

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

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

## DOCUMENTS INCORPORATED BY REFERENCE

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

- (a) consolidated financial statements as at December 31, 2010 and 2009 and for each of the years in the three year period ended December 31, 2010, the notes thereto, the auditors' report thereon and the auditors' report on our internal control over financial reporting;
- (b) management's discussion and analysis of financial condition and results of operations as at and for the year ended December 31, 2010 ("**Annual MD&A**");
- (c) annual information form dated February 24, 2011 (the "**Annual Information Form**") for the year ended December 31, 2010;
- (d) management proxy circular dated March 10, 2011 prepared in connection with the Corporation's annual meeting of shareholders held on April 28, 2011;
- (e) unaudited consolidated interim financial statements as at and for the three and nine month periods ended September 30, 2011 and 2010 and the notes thereto;
- (f) management's interim discussion and analysis of the financial condition and results of operations as at and for the three and nine month periods ended September 30, 2011; and
- (g) material change report dated and filed July 27, 2011 relating to the retirement of Stephen G. Snyder as President and Chief Executive Officer, to be effective January 1, 2012 and the announcement that Dawn Farrell, current Chief Operating Officer, will succeed Mr. Snyder as President and Chief Executive Officer on January 2, 2012.

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

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

**Upon a new annual information form and related annual audited comparative consolidated financial statements and accompanying management's discussion and analysis being filed by the Corporation with, and where required, accepted by, the applicable securities regulatory authorities during the term of this Prospectus, the previous annual information form, the previous annual audited financial statements and accompanying management's discussion and analysis, all interim financial statements and accompanying management's discussion and analysis, all material change reports and all business acquisition reports filed by the Corporation prior to the commencement of the financial year of the Corporation in which the new annual information form and related annual audited comparative consolidated financial statements and accompanying management's**

**discussion and analysis are filed shall be deemed no longer to be incorporated by reference into this Prospectus for purposes of future offers and sales of Securities hereunder. Upon interim financial statements and accompanying management's discussion and analysis being filed by the Corporation with the applicable securities regulatory authorities during the term of this Prospectus, all interim financial statements and accompanying management's discussion and analysis filed prior to the new interim consolidated financial statements shall be deemed no longer to be incorporated into this Prospectus for purposes of future offers and sales of Securities hereunder.**

**Updated earnings coverage ratios will be filed quarterly with the applicable securities regulatory authorities either as Prospectus Supplements or as exhibits to the Corporation's interim unaudited comparative consolidated financial statements and annual audited comparative consolidated financial statements and will be deemed to be incorporated by reference in this Prospectus for the purposes of the offering of the Securities.**

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

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

**Prospective investors should rely only on the information contained in or incorporated by reference in this Prospectus or any applicable Prospectus Supplement of which this Prospectus forms a part. The Corporation has not authorized anyone to provide prospective investors with different or additional information. The Corporation is not making an offer of these Securities in any jurisdiction where the offer is not permitted by law. Prospective investors should not assume that the information contained in or incorporated by reference in this Prospectus or any applicable Prospectus Supplement is accurate as of any date other than the date on the front of the applicable Prospectus Supplement.**

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

This Prospectus, including the documents incorporated by reference herein, contains both historical and forward-looking statements. All forward-looking statements are based on our beliefs as well as assumptions based on information available at the time the assumption was made and on management's experience and perception of historical trends, current conditions and expected further developments as well as other factors deemed appropriate in the circumstances. These forward-looking statements are not facts, but only predictions and generally can be identified by the use of statements that include phrases such as "may", "will", "believe," "expect," "anticipate," "intend," "plan," "foresee", "potential", "enable", "continue" or other words or phrases of similar import. Similarly, statements that describe the Corporation's objectives, plans or goals also are forward-looking statements. These forward-looking statements are subject to risks, uncertainties and other important factors that could cause actual results to differ materially from those currently anticipated. In addition to the forward-looking statements contained in the documents incorporated by reference herein, this Prospectus contains, without limitation, forward-looking statements pertaining to the following: anticipated capacities of electricity generating facilities under construction; and certain terms of the Securities and any offering made under this Prospectus.

With respect to forward-looking statements contained in this Prospectus, we have made assumptions regarding, among other things: our ability to complete current construction projects according to planned specifications; our current construction projects when complete will operate as expected; our ability to maintain our existing operations; our ability to obtain financing on acceptable terms; and that terms of future offerings will be on the terms and conditions consistent with the current industry standards.

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

Factors that may adversely impact the Corporation's forward-looking statements include risks relating to: fluctuations in market prices and availability of fuel supplies required to generate electricity and in the price of electricity; operational risks involving

the Corporation's facilities, including unplanned outages at such facilities; the regulatory and political environments in the jurisdictions in which the Corporation operates; environmental requirements and changes in, or liabilities under, these requirements; changes in general economic conditions including interest rates; execution and capital cost risks relating to the Corporation's development and construction projects; disruptions in the transmission and distribution of electricity; effects of weather; disruptions in the source of fuels, water or wind required to operate the Corporation's facilities; natural disasters; equipment failure; energy trading risks; industry risk and competition; fluctuations in the value of foreign currencies and foreign political risks; need for additional financing; liquidity risk; structural subordination of securities; counterparty credit risk; insurance coverage; the Corporation's provision for income taxes; legal and contractual proceedings involving the Corporation; reliance on key personnel; labour relations matters; development projects and acquisitions; and absence of a public market for certain of the Securities offered under this Prospectus. The foregoing risk factors, among others, are described in further detail under the heading "*Risk Factors*" in this Prospectus and in the documents incorporated by reference in this Prospectus, including the Annual MD&A and the Annual Information Form.

## TRANSALTA CORPORATION

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

TransAlta and its predecessors have been engaged in the production and sale of electric energy since 1909. The Corporation is among Canada's largest non-regulated electric generation and energy marketing companies with an aggregate net ownership interest of approximately 8,250 megawatts ("MW") of generating capacity operating in facilities having approximately 10,129 MW of aggregate generating capacity<sup>(1)</sup>. In addition, the Corporation has facilities under construction with a net and aggregate ownership interest of 127 MW of generating capacity in facilities for total net ownership of approximately 8,377 MW of generating capacity in facilities that have or will have aggregate capacity of 10,256 MW. The Corporation is focused on generating electricity in Canada, the United States and Australia through its diversified portfolio of facilities fuelled by coal, natural gas, hydroelectric, wind and geothermal resources.

In Canada, excluding assets under development, the Corporation holds a net ownership interest of approximately 5,971 MW of electrical generating capacity in thermal, natural gas-fired, wind-powered and hydroelectric facilities, including 4,707 MW in Western Canada, 1,040 MW in Ontario, 99 MW in Québec and 125 MW in New Brunswick.

In the United States, the Corporation's principal facilities include a 1,340 MW thermal facility and a 248 MW natural gas fired facility, both located in Centralia, Washington, which supply electricity to the Pacific Northwest. The Corporation also holds a 50% interest in CE Generation, LLC ("**CE Generation**"), through which it has an aggregate net ownership interest of approximately 385 MW of generating capacity in geothermal facilities in California and gas fired facilities in Texas, Arizona and New York. In addition, the Corporation has 6 MW of electrical generating capacity through hydroelectric facilities located in Washington and Hawaii.

In Australia, the Corporation has 300 MW of net electrical generating capacity from natural gas-fired generation facilities.

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

The Corporation is organized into three business segments, Generation, Energy Trading and Corporate. The Generation group is responsible for constructing, operating and maintaining our electricity generation facilities. The Energy Trading group is responsible for the wholesale trading of electricity and other energy-related commodities and derivatives. It is also responsible for the management of available generating capacity as well as the fuel and transmission needs of the Generation business. Both segments are supported by a Corporate group that provides finance, tax, treasury, legal, regulatory, environmental, health and safety, sustainable development, corporate communications, investor and government relations, information technology, human resources, internal audit, and other administrative support.

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

## USE OF PROCEEDS

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

## CHANGES IN CONSOLIDATED CAPITALIZATION

Other than the effect of changes in foreign currency exchange rates on U.S. dollar denominated loans, there have been no material changes in our consolidated share or debt capitalization during the period from September 30, 2011 through the date of this Prospectus.

The following table sets forth the consolidated capitalization of the Corporation as at December 31, 2010 and September 30, 2011, in each case, prepared in accordance with IFRS and indicates increases or decreases in applicable amounts between those two dates. The information in the table dated as at September 30, 2011 should be read in conjunction with the unaudited consolidated interim financial statements of the Corporation as at and for the three and nine month periods ended September 30, 2011, all of which have been incorporated by reference herein.

	As at December 31, 2010	As at September 30, 2011	Increase/Decrease
	(in millions, except Common Share amounts)		
Current Portion of Long-Term Debt <sup>(1)</sup>	\$237	\$320	\$83
Less: Cash and Cash Equivalents	35	66	31
	202	254	52
Long-Term Debt			
Recourse	3,451	3,572	121
Non-Recourse <sup>(2)</sup>	372	374	2
Equity			
Common Shares	2,204	2,256	52
	(220.3 Common Shares)	(222.9 Common Shares)	(2.6 Common Shares)
Preferred Shares	293	293	0
Contributed Surplus	7	8	1
Retained Earnings	431	567	136
Accumulated Other Comprehensive Income	185	(70)	(255)
Non-Controlling Interest <sup>(3)</sup>	431	380	(51)
Total Equity	3,551	3,434	(117)
Total Capitalization	7,576	7,634	58

**Notes:**

- (1) Includes a \$225 million maturity in June 2011.
- (2) Includes all the debt of Canadian Hydro Developers, Inc., which is non-recourse to the Corporation
- (3) TransAlta Generation Partnership, a wholly-owned subsidiary of the Corporation, holds a direct 50.00% interest in TransAlta Cogeneration, L.P. TransAlta Cogeneration Ltd., which is a wholly-owned subsidiary of the Corporation and the general partner of TransAlta Cogeneration, L.P., hold a 0.01% interest in TransAlta Cogeneration, L.P. and the remaining 49.99% interest is held by Stanley Power Inc. CE Generation holds a 75% interest in the 240 MW Saranac gas-fired plant in Plattsburg, New York, and the Corporation holds an indirect 50% interest in CE Generation.

## EARNINGS COVERAGE RATIOS

The following coverage ratios have been prepared in accordance with Canadian securities law requirements and are included in this Prospectus in accordance with Canadian disclosure requirements.

The following sets forth the Corporation's earnings coverage ratios calculated for the twelve month period ended December 31, 2010, and the twelve month period ended September 30, 2011. The earnings coverage ratios set forth below: (i) do not give effect to the issue of any Securities pursuant to this Prospectus; and (ii) do not purport to be indicative of earnings coverage ratios for any future periods. The earnings coverage ratios for the twelve months ended December 31, 2010 were calculated based on Canadian GAAP and for the twelve months ended September 30, 2011 were calculated based on unaudited financial information using IFRS.

	<b>Twelve month period ended</b>	
	<b>December 31, 2010</b>	<b>September 30, 2011</b>
Earnings coverage on long-term debt <sup>(1)</sup>	1.8 times	3.0 times
Earnings coverage on Series A Shares <sup>(2)</sup>	1.8 times	2.9 times

**Notes:**

- (1) Earnings coverage on long-term debt on a net earnings basis is equal to net earnings plus net interest expense and income taxes divided by net interest expense including capitalized interest. For purposes of calculating the earnings coverage ratios set forth herein, long-term debt includes the current portion of long-term debt and does not include any amounts with respect to securities that may be issued under this Prospectus.
- (2) Earnings coverage on Series A Shares on a net earnings basis is equal to net earnings plus net interest expense and income taxes divided by net interest expense including capitalized interest and Series A Shares dividends grossed up to a before tax equivalent at a rate of 28%. For purposes of calculating the earnings coverage ratios set forth herein, long-term debt includes the current portion of long-term debt and does not include any amounts with respect to securities that may be issued under this Prospectus.

TransAlta evaluates its performance using a variety of measures. Earnings coverage discussed above is not defined under Canadian GAAP and therefore should not be considered in isolation or as an alternative to, or more meaningful than, net earnings as determined in accordance with Canadian GAAP as an indicator of the Corporation's financial performance or liquidity. This measure is not necessarily comparable to a similarly titled measure of another company. Net earnings has been calculated based on Canadian GAAP for the twelve month period ended December 31, 2010 and based on unaudited IFRS financial information for the twelve month period ended September 30, 2011. The earnings coverage ratio for the twelve months ended December 31, 2010 would have been 2.2 times had it been calculated on a consistent basis as the twelve months ended September 30, 2011 using unaudited IFRS financial information. The primary differences relate to the recognition of asset impairment losses, capitalization of major inspection costs and equity accounting treatment of certain joint ventures under IFRS.

## **DESCRIPTION OF SHARE CAPITAL**

### **General**

As of the date of this Prospectus, the Corporation's authorized share capital consists of an unlimited number of Common Shares and an unlimited number of First Preferred Shares, issuable in series. As at November 14, 2011, 223,629,125 Common Shares were outstanding and 12,000,000 Cumulative Rate Reset First Preferred Shares, Series A, were outstanding.

### **Common Shares**

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

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

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

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

### **First Preferred Shares**

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

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

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

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

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

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

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

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

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

The articles of the Corporation contain provisions restricting the ability of the Corporation to enter into a "**Specified Transaction**" with a "**Major Shareholder**". A Specified Transaction requires the approval of a majority of the votes cast by holders

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

### **Shareholder Rights Plan**

The Corporation implemented a shareholder rights plan (the "**Rights Plan**") pursuant to a Shareholder Bid Approval Plan Agreement (the "**Rights Plan Agreement**") dated as of October 13, 1992 between the Corporation and CIBC Mellon Trust Company. The holders of Common Shares reconfirmed the Rights Plan and approved the amendment and restatement, as of April 29, 2010, of the Rights Plan Agreement at the annual and special meeting of shareholders of the Corporation held on April 29, 2010. For further particulars, reference should be made to the Rights Plan Agreement, as amended and restated. A copy of the Rights Plan Agreement may be obtained by contacting the Vice President and Corporate Secretary, TransAlta Corporation, 110 - 12th Avenue S.W., Calgary, Alberta T2P 0G7; telephone: (403) 267-7110; fax (403) 267-2590; or by email: [investorrelations@transalta.com](mailto:investorrelations@transalta.com). A copy of the Rights Plan Agreement can also be accessed on SEDAR at [www.sedar.com](http://www.sedar.com) and on the SEC's website at [www.sec.gov](http://www.sec.gov).

## **DESCRIPTION OF WARRANTS**

### **General**

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

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

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

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



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

### **Modifications**

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

### **Enforceability**

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

## **DESCRIPTION OF SUBSCRIPTION RECEIPTS**

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

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

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

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

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

## DESCRIPTION OF DEBT SECURITIES

The following description of debt securities sets forth certain general terms and provisions of debt securities that may be offered under this Prospectus and in respect of which a Prospectus Supplement may be filed. The specific terms and provisions of any debt securities offered under this Prospectus, and the extent to which the general terms and provisions described below may apply thereto, will be described in the applicable Prospectus Supplement filed in respect of such offering.

Debt securities may be offered separately or in combination with one or more other Securities. The Corporation may also, from time to time, issue debt securities and incur additional indebtedness other than pursuant to debt securities issued under this Prospectus.

Debt securities will be issued under one or more indentures (each, a "**Debt Indenture**"), in each case between the Corporation and an appropriately qualified financial institution authorized to carry on business as a trustee (each, a "**Trustee**").

The following description sets forth certain general terms and provisions of debt securities. The description is not, however, exhaustive and is subject to, and qualified in its entirety by reference to, the detailed provisions of the applicable Debt Indenture. Accordingly, reference should also be made to the applicable Debt Indenture, a copy of which has been or will be filed by the Corporation with applicable provincial securities commissions or similar regulatory authorities in Canada after it has been entered into and before the issue of any debt securities thereunder, and is or will be available electronically on SEDAR at [www.sedar.com](http://www.sedar.com).

### General

Debt securities may be issued from time to time in one or more series. The Corporation may specify a maximum aggregate principal amount for the debt securities of any series and, unless otherwise provided in the applicable Prospectus Supplement, a series of debt securities may be reopened for issuance of additional debt securities of that series.

The particular terms and provisions of each issue of debt securities will be described in the applicable Prospectus Supplement. This description will include, as applicable:

- the designation, aggregate principal amount and authorized denominations of the debt securities;
- any limit upon the aggregate principal amount of the debt securities;
- the currency or currency units for which the debt securities may be purchased and in which the principal and any premium or interest is payable (in either case, if other than Canadian dollars);
- the offering price (at par, at a discount or at a premium) of the debt securities;
- the date(s) on which the debt securities will be issued and delivered;
- the date(s) on which the debt securities will mature, including any provision for the extension of a maturity date, or the method of determining such date(s);
- the rate(s) per annum (either fixed or floating) at which the debt securities will bear interest (if any) and, if floating, the method of determining such rate(s);
- the date(s) from which any interest obligation will accrue and on which interest will be payable, and the record date(s) for the payment of interest or the method of determining such date(s);
- if applicable, the provisions for subordination of the debt securities to other indebtedness of the Corporation;
- the identity of the Trustee under the applicable Debt Indenture pursuant to which the debt securities are to be issued;
- any redemption terms, or terms under which the debt securities may be defeased prior to maturity;
- any repayment or sinking fund provisions;
- any events of default applicable to the debt securities;
- whether the debt securities are to be issued in registered form or in the form of temporary or permanent global securities, and the basis of exchange, transfer and ownership thereof;
- whether the debt securities may be converted or exchanged for other securities of the Corporation or any other entity;

- if applicable, the ability of the Corporation to satisfy all or a portion of any redemption of the debt securities, payment of any premium or interest thereon, or repayment of the principal owing upon the maturity through the issuance of securities of the Corporation or of any other entity, and any restrictions on the persons to whom such securities may be issued;
- provisions applicable to amendment of the Debt Indenture; and
- any other material terms, conditions or other provisions (including covenants) applicable to the debt securities.

The Corporation reserves the right to include in a Prospectus Supplement specific terms and provisions pertaining to the debt securities in respect of which the Prospectus Supplement is filed that are not within the variables and parameters set forth in this Prospectus. To the extent that any terms or provisions or other information pertaining to the debt securities described in a Prospectus Supplement differ from any of the terms or provisions or other information described in this Prospectus, the description set forth in this Prospectus shall be deemed to have been superseded by the description set forth in the Prospectus Supplement with respect to those debt securities.

## **Ranking**

The debt securities will be direct unsecured obligations of the Corporation, and will constitute senior or subordinated indebtedness of the Corporation as described in the applicable Prospectus Supplement. If the debt securities are senior indebtedness, they will rank equally and rateably with all other unsecured indebtedness of the Corporation from time to time issued and outstanding which is not subordinated. If the debt securities are subordinated indebtedness, they will be subordinated to senior indebtedness of the Corporation as described in the applicable Prospectus Supplement and their ranking with respect to other subordinated indebtedness of the Corporation from time to time outstanding will be as described in the applicable Prospectus Supplement. The Corporation reserves the right to specify in a Prospectus Supplement whether a particular series of subordinated debt securities is subordinated to any other series of subordinated debt securities.

## **Registration of Debt Securities**

### *Debt Securities in Book Entry Form*

Debt securities of any series may be issued, in whole or in part, in the form of one or more global securities ("**Global Securities**") registered in the name of a designated clearing agency (a "**Depository**") or its nominee and held by or on behalf of the Depository in accordance with the terms of the applicable Debt Indenture. The specific terms of the depository arrangement with respect to any portion of a series of debt securities to be represented by a Global Security will, to the extent not described herein, be described in the Prospectus Supplement relating to the series.

A Global Security may not be transferred, except as a whole between the Depository and a nominee of the Depository or as between nominees of the Depository, or to a successor Depository or nominee thereof, until it is wholly exchanged for debt securities in certificated non-book-entry form in accordance with the terms of the applicable Debt Indenture. So long as the Depository for a Global Security, or its nominee, is the registered owner of the Global Security, such Depository or nominee, as the case may be, will be considered the sole owner or holder of the debt securities represented by such Global Security for all purposes under the applicable Debt Indenture, and payments of principal, premium and interest, if any, on the debt securities represented by a Global Security will be made by the Corporation to the Depository or its nominee.

Owners of beneficial interests in a Global Security will not be entitled to have the debt securities represented by the Global Security registered in their names, will not receive or be entitled to receive physical delivery of the debt securities in certificated non-book-entry form, will not be considered the owners or holders thereof under the applicable Debt Indenture, and will be unable to pledge debt securities as security.

No Global Security may be exchanged, in whole or in part, for debt securities registered in the name of, and no transfer of a Global Security, in whole or in part, may be registered in the name of, any person other than the Depository for such Global Security or its nominee unless:

- there is a requirement to do so under applicable law;
- the book-entry system ceases to exist;
- the Corporation or the Depository advise the Trustee that the Depository is no longer willing or able to properly discharge its responsibilities as depository with respect to the debt securities, and the Corporation is unable to locate a qualified successor;

- the Corporation decides, at its option, to terminate the book-entry system through the Depositary; or
- if provided for in the Debt Indenture, after the occurrence of an event of default thereunder (provided the Trustee has not waived the event of default in accordance with the terms of the Debt Indenture), participants acting on behalf of beneficial holders representing, in aggregate, a threshold percentage of the aggregate principal amount of the debt securities then outstanding advise the Depositary in writing that the continuation of a book-entry system through the Depositary is no longer in their interest,

whereupon such Global Security shall be exchanged for certificated non-book-entry debt securities of the same series in an aggregate principal amount equal to the principal amount of such Global Security and registered in such names and denominations as the Depositary may direct.

Principal and interest payments, if any, on the debt securities represented by a Global Security registered in the name of a Depositary or its nominee will be made to the Depositary or its nominee, as the case may be, as the registered owner of the Global Security. Neither the Corporation, the Trustee nor any paying agent for the debt securities will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in such Global Security or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

The Corporation, any underwriters, dealers or agents and any Trustee identified in a Prospectus Supplement, as applicable, will not have any liability or responsibility for any of the following (i) records maintained by the Depositary relating to beneficial ownership interests in the debt securities held by the Depositary or the book-entry accounts maintained by the Depositary, (ii) maintaining, supervising or reviewing any records relating to any such beneficial ownership interests, and (iii) any advice or representation made by or with respect to the Depositary and contained in this Prospectus or in any Prospectus Supplement, or the applicable Debt Indenture, with respect to the rules and regulations of the Depositary, or at the direction of Depositary participants.

Unless otherwise stated in the applicable Prospectus Supplement, CDS Clearing and Depository Services Inc. or its successor will act as Depositary for any debt securities represented by a Global Security.

#### *Debt Securities in Certificated Form*

Debt securities of any series may be issued, in whole or in part, in registered form as provided in the applicable Debt Indenture.

In the event that the debt securities are issued in certificated non-book-entry form, principal and interest, if any, will be payable, the transfer of the debt securities will be registerable and the debt securities will be exchangeable for debt securities in other denominations of a like aggregate principal amount at the office or agency maintained by the Trustee. Payment of principal and interest, if any, on debt securities in certificated, non-book-entry form may be made by cheque or bank draft mailed to the address of the holders entitled thereto.

#### *Transfers and Exchanges of Debt Securities*

Subject to the foregoing limitations, debt securities of any authorized form or denomination issued under the applicable Debt Indenture may be transferred or exchanged for debt securities of any other authorized form or denomination, with any such transfer or exchange to be for an equivalent aggregate principal amount of debt securities of the same series, carrying the same rate of interest and same redemption and other provisions as the debt securities so transferred or exchanged. Exchanges of debt securities of any series may be made at the offices of the applicable Trustee and at such other places as the Corporation may from time to time designate with the approval of the applicable Trustee and may be specified in the applicable Prospectus Supplement. Unless otherwise specified in the applicable Prospectus Supplement, the applicable Trustee will be the registrar and transfer agent for the debt securities issued under the applicable Debt Indenture.

### **PRIOR SALES**

We issued the following Securities during the 12 month period prior to the date of this Prospectus:

1. on December 10, 2010, we issued 12,000,000 Cumulative Rate Reset First Preferred Shares, Series A for aggregate consideration of approximately \$300 million;

2. from November 1, 2010 up to and including November 14, 2011, we issued an aggregate of 50,605 Common Shares pursuant to our share option plan at prices between \$17.11 (US\$13.09) and \$21.60 (US\$20.75);
3. on January 1, 2011, we issued an aggregate of 827,816 Common Shares at a price of \$20.54 per Common Share pursuant to our dividend reinvestment and share purchase plan;
4. on April 1, 2011, we issued an aggregate of 812,794 Common Shares at a price of \$19.89 per Common Share pursuant to our dividend reinvestment and share purchase plan;
5. on July 1, 2011, we issued an aggregate of 847,424 Common Shares at a price of \$19.93 per Common Share pursuant to our dividend reinvestment and share purchase plan; and
6. on October 1, 2011, we issued an aggregate of 755,028 Common Shares at a price of \$21.78 per Common Share pursuant to our dividend reinvestment and share purchase plan.

For additional information on previously issued Securities, see our consolidated financial statements as at and for the year ended December 31, 2010 and our unaudited consolidated financial statements as at and for the three and nine month periods ended September 30, 2011, all of which have been incorporated by reference herein.

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

### MARKET FOR COMMON SHARES

Our Common Shares and Series A Shares are listed and traded on the TSX under the symbol "TA" and "TA.PR.D" respectively. The following tables set forth certain trading information for our Common Shares and Series A Shares during the periods indicated as reported by the TSX. For additional trading information relating to our Common Shares, see "Market for Securities" in our Annual Information Form.

<u>Period</u>	<u>Common Share Price (\$) High</u>	<u>Common Share Price (\$) Low</u>	<u>Volume</u>
<b>2010</b>			
September .....	22.05	21.20	16,199,764
October .....	22.24	20.31	11,286,417
November .....	21.61	20.12	16,691,928
December .....	21.71	20.81	16,829,986
<b>2011</b>			
January .....	22.09	20.60	10,286,275
February .....	21.25	20.31	16,826,608
March .....	20.69	19.50	14,424,192
April .....	21.08	20.02	7,455,909
May .....	21.99	20.88	12,270,440
June .....	21.51	20.42	8,642,075
July .....	21.34	20.51	6,201,288
August .....	22.09	19.44	20,005,806
September .....	23.20	21.26	14,027,245
October .....	23.42	21.74	13,101,345
November (1-14) .....	22.10	21.47	5,306,987
<b>Series A</b>			
<u>Period</u>	<u>Shares (\$) High</u>	<u>Shares (\$) Low</u>	<u>Volume</u>
<b>2010</b>			
December (10 - 31) <sup>1</sup> .....	26.00	24.75	1,247,242
<b>2011</b>			
January .....	25.50	25.00	494,424
February .....	25.45	24.59	240,361
March .....	25.34	24.50	195,505
April .....	25.23	24.80	225,573

May.....	25.40	25.00	188,339
June.....	25.48	24.61	361,784
July .....	25.35	24.80	115,272
August .....	25.63	24.85	168,191
September .....	25.79	25.00	150,821
October .....	25.75	24.90	226,538
November (1-14) .....	25.23	25.00	200,293

**Note:**

(1) The Series A Shares commenced trading on December 10, 2010.

### **CERTAIN INCOME TAX CONSIDERATIONS**

The applicable Prospectus Supplement may describe certain Canadian federal income tax consequences to an investor who is a resident of Canada with respect to the acquisition, ownership and disposition of any Securities offered thereunder. In addition, the applicable Prospectus Supplement will describe certain Canadian federal income tax consequences to an investor who is a non-resident of Canada and who acquires any Securities offered thereunder, including whether the payments of dividends on Common Shares or First Preferred Shares or payments of principal, premium, if any, and interest on debt securities will be subject to Canadian non-resident withholding tax.

### **PLAN OF DISTRIBUTION**

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

The distribution of the Securities of any series may be effected from time to time in one or more transactions at a fixed price or prices or at non-fixed prices. If offered on a non-fixed price basis the Securities may be offered at market prices prevailing at the time of sale, at prices related to such prevailing market prices or at prices to be negotiated with purchasers, in which case the compensation payable to an underwriter, dealer or agent in connection with any such sale will be the amount, if any, by which the aggregate price paid for the Securities by the purchasers exceeds the gross proceeds paid by the underwriter, dealer or agent to us and the price at which the Securities will be offered and sold may vary as between purchasers during the distribution period.

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

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

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

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

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

This short form prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Securities in the United States. Unless otherwise specified in the applicable Prospectus Supplement, the Securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**U.S. Securities Act**"), or any state securities laws, and may not be

offered, sold or delivered in the United States, except in transactions exempt from the registration requirements of the U.S. Securities Act and applicable state securities laws. Each underwriter, dealer and agent will agree that it will not offer, sell or deliver Securities within the United States, except in transactions exempt from the registration requirements of the U.S. Securities Act and applicable state securities laws.

## **RISK FACTORS**

Prospective purchasers of the Securities should consider carefully the risk factors and the other information contained and incorporated by reference in this Prospectus and the applicable Prospectus Supplement before purchasing the Securities offered hereby. Information regarding the risks affecting the Corporation and its business is provided in the documents incorporated by reference in this Prospectus, including the Annual MD&A under the heading "*Risk Factors*" and "*Risk Management*", the Annual Information Form under the heading "*Risk Factors*" and the management's discussion and analysis of financial conditions and results of operations as at and for the three and nine month periods ended September 30, 2011 under the heading "*2011 Outlook*". See "*Documents Incorporated by Reference*".

## **LEGAL MATTERS**

Unless otherwise specified in the Prospectus Supplement relating to the Securities, certain legal matters in connection with the offering of Securities will be passed upon for the Corporation by Macleod Dixon LLP, Calgary, Alberta, Canada. In addition, certain legal matters in connection with any offering of Securities will be passed upon for any underwriters, dealers or agents by counsel to be designated at the time of the offering by such underwriters, dealers or agents.

## **EXPERTS**

The audited comparative consolidated financial statements of the Corporation as at December 31, 2010 and 2009 and for each of the years in the three year period ended December 31, 2010, the notes thereto, and the auditor's report on management's assessment of the effectiveness of internal control over financial reporting as of December 31, 2010 have been incorporated by reference herein, in reliance upon the reports of Ernst & Young LLP, Chartered Accountants, incorporated by reference herein, and upon the authority of said firm as experts in accounting and auditing.

## **INTEREST OF EXPERTS**

The partners and associates of Macleod Dixon LLP as a group beneficially own, directly or indirectly, less than 1% of any class of securities of the Corporation.

## **PURCHASER'S STATUTORY RIGHTS**

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, 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 advisor.

## **CONTRACTUAL RIGHTS OF RESCISSION**

Original purchasers of Subscription Receipts and of debt securities which are convertible into other securities of the Corporation or of Warrants offered separately will have a contractual right of rescission against the Corporation in respect of the conversion, exchange or exercise of such a Subscription Receipt, debt security or Warrant. The contractual right of rescission will entitle such original purchasers to receive the amount paid upon conversion, exchange or exercise, upon surrender of the underlying securities gained thereby, in the event that this Prospectus (as supplemented or amended) contains a misrepresentation, provided that: (i) the conversion, exchange or exercise takes place within 180 days of the date of the purchase of the convertible, exchangeable or exercisable security under this Prospectus; and (ii) the right of rescission is exercised within 180 days of the date of the purchase of the convertible, exchangeable or exercisable security under this Prospectus. This contractual right of rescission will be consistent with the statutory right of rescission described under section 203 of the Securities Act (Alberta), and is in addition to any other right or remedy available to original purchasers under section 203 the Securities Act (Alberta) or otherwise at law. Original purchasers are further

advised that in certain provinces the statutory right of action for damages in connection with a prospectus misrepresentation is limited to the amount paid for the convertible, exchangeable or exercisable security that was purchased under a prospectus, and therefore a further payment at the time of conversion, exchange or exercise may not be recoverable in a statutory action for damages. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights, or consult with a legal advisor.



## CONSENT OF ERNST & YOUNG LLP

We have read the short form base shelf prospectus of TransAlta Corporation (the "**Corporation**") dated November 15, 2011, relating to the issue and sale of (i) common shares, (ii) first preferred shares, (iii) warrants to purchase common shares, first preferred shares or other securities of the Corporation, (iv) subscription receipts, each of which entitle the holder to receive upon satisfaction of certain release conditions, and for no additional consideration, one common share, or (v) debt securities up to an aggregate initial offering price of \$2,000,000,000 (the "**Prospectus**"). We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use, through incorporation by reference, in the above mentioned Prospectus of our reports to the Shareholders of the Corporation on the consolidated balance sheets of the Corporation as at December 31, 2010 and 2009 and the consolidated statements of earnings and retained earnings, comprehensive income and cash flows for each of the years in the three year period ended December 31, 2010 and our report on the effectiveness of internal control over financial reporting as of December 31, 2010. Our reports are dated February 23, 2011.

We also consent to the reference to our firm under the caption "Experts" in the Prospectus.

We also consent to the reference to our firm under the caption *Interests of Experts* in the Annual Information Form dated February 24, 2011 which is incorporated by reference in the Prospectus.

November 15, 2011  
Calgary, Canada

(Signed) ERNST & YOUNG LLP

Chartered Accountants

## CERTIFICATE OF THE CORPORATION

DATED: November 15, 2011

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

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

**(Signed)** BRETT GELLNER  
Chief Financial Officer

On behalf of the Board of Directors

**(Signed)** WILLIAM D. ANDERSON  
Director

**(Signed)** GORDON D. GIFFIN  
Director