



## **“WE ARE WORKING TO PROVIDE OUR SHAREHOLDERS WITH AN ATTRACTIVE TOTAL RETURN ON THEIR INVESTMENT.”**

**Michael Bernstein**, President and Chief Executive Officer

### **We made steady progress toward achieving a new PPA for Cardinal but did not cross the finish line**

We were unsuccessful in finalizing a new power purchase agreement (PPA) for Cardinal in 2013, although steady progress was made. We anticipate securing a new 20-year PPA for the facility, and are working to bring the process to a conclusion in advance of the December 31, 2014 expiry of Cardinal's current PPA. In the meantime, we are doing what we can to ready the plant and team for the work that lies ahead to convert the facility and prepare it for dispatchable operations. Cardinal is an exceptionally high quality facility that delivers significant value to Ontario and to ratepayers — today, tomorrow and for years to come.

### **Building for Tomorrow**

As a shareholder myself, I recognize that the lack of clarity surrounding Cardinal's future has been frustrating for our investors. Understandably, concern about this facility has overshadowed the overall high quality of our portfolio and affected our share price detrimentally.

Yet the journey we began in 2009 to broaden Capstone's scope, diversify our portfolio and build for tomorrow has effectively transformed our business and multiplied the opportunities

available to us. Over the past three years, we have deliberately re-focused our portfolio to reduce risk, extend our cash flow profile and establish a solid platform for the future. In particular, our investments in Bristol Water and Värmevärdan have fundamentally changed Capstone's risk profile by offering perpetual, increasing cash flow and the potential for considerable organic growth. And the establishment of a new power development platform positions us to deliver greater returns to our shareholders.

Combined, I believe these initiatives represent an inflection point for our company. Ten years after our debut as an income fund, and through years of transition and some challenge, Capstone today is poised to be a Canadian leader in owning and operating diversified infrastructure businesses that benefit the communities we serve, the people we employ, and our investors. As a result of the investment decisions made over the past few years, our portfolio in 2014 has greater growth potential than it did as recently as a few years ago, is significantly more diversified than the single asset we started with in 2004, and will increase in value as our new wind projects move into commercial operations and as Bristol Water's regulated capital value grows.

## **Perform**

Improve performance by entering infrastructure segments that diversify Capstone's portfolio.

## **Deliver**

Maximize Capstone shareholders' risk-adjusted return.

## **Sustain**

Operate infrastructure businesses in a responsible and sustainable manner.