

(D) Warrants and Warrant Reserve

On October 1, 2013, the date ReD was acquired, ReD warrant holders received 1,356,892 of replacement warrants from Capstone which have an exercise price of \$5.19 dollars and expire March 6, 2014. The Corporation determined the fair value of the replacement warrants reserve on October 1, 2013 to be \$Nil.

	Number of Warrants ⁽¹⁾	Amount
Business acquisition	1,356,892	—
Expiry of warrants during period	—	—
	1,356,892	—

(1) Number of individual warrants are not in thousands.

(E) Options and Share Option Reserve

On October 1, 2013, the date ReD was acquired, ReD option holders received 301,811 of replacement options from Capstone. The Corporation's share option reserve at December 31, 2013 is \$144. The number and weighted average exercise prices of stock options are as follows:

	Number of Options ⁽¹⁾	Weighted average exercise price
Business acquisition	301,811	\$3.99
Exercised during the year	(19,518)	\$2.94
Expired during the year	(99,284)	\$4.11
Outstanding at December 31, 2013	183,009	\$4.04
Exercisable at December 31, 2013	115,657	\$4.02

The following options were outstanding and exercisable as at December 31, 2013:

Expiry date	Options outstanding ⁽¹⁾	Options exercisable ⁽¹⁾	Exercise price
September 29, 2015	39,039	39,039	\$3.85
April 12, 2016	65,064	43,376	\$4.54
December 15, 2016	20,820	13,880	\$2.81
May 15, 2017	58,086	19,362	\$4.04
	183,009	115,657	\$4.02

(1) Number of individual options are not in thousands.

The grant-date fair value of the share options is measured based on the Black-Scholes formula. Expected volatility is estimated by considering historic average share price volatility. The following assumptions were used to estimate the fair value of the options issued to grantees:

Risk-free interest rate	1.2%
Expected annual dividend	\$0.30 dollars
Expected life of options	3 years
Expected volatility	27%

(F) Dividends

The dividends declared were as follows:

	For the year ended	
	Dec 31, 2013	Dec 31, 2012
Common shares	23,358	32,302
Class B exchangeable units	975	1,462
	24,333	33,764
Preferred shares (includes \$173 of deferred income taxes)	3,923	4,575

Capstone has included \$7,208 of accrued common dividends and \$625 of accrued preferred dividends as declared on November 12, 2013 (December 31, 2012 – \$5,677 was accrued for common shares and \$625 for preferred shares).

Capstone paid \$0.300 per common share and \$1.250 per preferred share during the year ended December 31, 2013 (December 31, 2012 – \$0.450 per common share and \$1.250 per preferred share).