



CAPSTONE **INFRASTRUCTURE** **CORPORATION**

Notice of 2014 Annual General Meeting
of Shareholders and Management
Information Circular



About Capstone >

Capstone's mission is to provide investors with an attractive total return from responsibly managed long-term investments in core infrastructure in Canada and internationally. The company's strategy is to develop, acquire and manage a portfolio of high quality utilities, power and transportation businesses, and public-private partnerships that operate in a regulated or contractually-defined environment and generate stable cash flow. Capstone currently has investments in utilities businesses in Europe and owns, operates and develops thermal and renewable power generation facilities in Canada with a total installed capacity of net 439 megawatts. Please visit www.capstoneinfrastructure.com for more information.

MESSAGE TO SHAREHOLDERS

Dear Fellow Shareholder:

On behalf of the Board of Directors, I am pleased to invite you to attend Capstone Infrastructure Corporation's 2014 Annual General Meeting of Shareholders, which will be held at the Fairmont Royal York Hotel, Library Room, at 100 Front Street West, Toronto, Ontario on June 17, 2014 at 10 a.m. (EDT).

The accompanying Notice of Meeting and Management Information Circular describe the formal business to be conducted at the Annual General Meeting and provide information on the company's approach to governance and executive compensation. Following the formal part of the meeting, management will make a presentation on the company's performance in 2013 and discuss our continued strategy to create value for Shareholders. You will also have an opportunity to ask questions and meet management and the Board of Directors. We value your participation in this process.

If you are unable to attend the meeting in person, you can still vote in advance by any one of the following methods: (1) telephone, (2) the internet or (3) completing and returning the enclosed Form of Proxy or Voter Information Form. Please refer to pages five to seven of the accompanying Management Information Circular for further information.

A live audio webcast of the Annual General Meeting, together with accompanying slides, will also be available at www.capstoneinfrastructure.com. Viewers of the webcast will have the ability to participate in the question and answer portion of the meeting.

As we will discuss at the meeting, over the past few years we have diversified, de-risked and repositioned our portfolio toward long life, perpetual businesses that will be operating and generating growing cash flow for years to come. In addition to delivering strong financial performance in 2013, we continued to build for tomorrow with the acquisition of Renewable Energy Developers Inc., gaining a new foothold in the wind power development arena. More recently, we signed a new 20-year non-utility generator contract with the Ontario Power Authority for our Cardinal facility and reached an agreement to renew our energy savings agreement with Ingredion Canada Inc. for another 20 years. With these two agreements, we have secured Cardinal's future and helps to support our common share dividend over the long term. Overall, the quality, diversity and growth potential of our portfolio positions us to deliver on our dividend commitment and to build the value of our company for shareholders.

Capstone's mission is to provide investors with an attractive total return from responsibly managed long-term investments in core infrastructure in Canada and internationally. I am confident we have the team, skills and portfolio to achieve this mission.

We look forward to your participation at the Annual General Meeting and appreciate your continuing support.

Sincerely,



V. JAMES SARDO

Chairman of the Board of Directors

NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS TO BE HELD ON JUNE 17, 2014

Notice is hereby given that the annual general meeting (the “**Meeting**”) of the holders (“**Shareholders**”) of common shares (“**Common Shares**”) of Capstone Infrastructure Corporation (the “**Corporation**”) will be held at the Fairmont Royal York Hotel, Library Room, 100 Front Street West, Toronto, Ontario on June 17, 2014 at 10 a.m. (EDT) for the following purposes:

- 1) to receive the audited consolidated annual financial statements of the Corporation, as at and for the years ended December 31, 2013 and 2012 and the auditor’s report thereon;
- 2) to elect the Directors of the Corporation;
- 3) to consider, and if deemed advisable, pass an ordinary resolution to approve, ratify and confirm the adoption of the Corporation’s advance notice policy relating to the nomination of Directors for election, the full text of which is included in Appendix “A” of the Management Information Circular accompanying this Notice;
- 4) to appoint the auditor of the Corporation and to authorize the Directors of the Corporation to fix such auditor’s remuneration; and
- 5) to transact such other business as may properly come before the Meeting or any adjournment thereof.

A copy of the Management Information Circular, which includes specific details of the foregoing matters, together with either a Form of Proxy or a Voting Instruction Form, depending upon the particular securities dealer or broker, bank, trust company or other intermediary through which your Common Shares are held, accompany this Notice.

Shareholders are invited to attend the Meeting. Shareholders of record at 5 p.m. (EDT) on May 7, 2014 will be entitled to vote at the Meeting.

Shareholders are requested to complete and submit either the accompanying:

- (a) Form of Proxy to Computershare Trust Company of Canada, 100 University Avenue, 8th Floor, Toronto, Ontario, M5J 2Y1, Attention: Proxy Department, at any time up to 48 hours (not including Saturdays, Sundays and holidays) prior to the Meeting or any postponement or adjournment thereof (or otherwise in accordance with the instructions printed on the Form of Proxy); or
- (b) Voting Instruction Form in accordance with the instructions printed on the Voting Instruction Form.

In accordance with National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer* (“**NI 54-101**”), Capstone is sending proxy-related materials in connection with the Meeting directly to non-objecting beneficial owners of Common Shares and indirectly, through intermediaries, to objecting beneficial owners of Common Shares (“**OBOs**”). Capstone will also pay the fees and costs of intermediaries for their services in delivering proxy-related materials to OBOs in accordance with NI 54-101.

Capstone does not use the notice-and-access delivery procedures provided under NI 54-101.

DATED the 15th day of May, 2014.

By Order of the Directors of Capstone Infrastructure Corporation



STUART M. MILLER MBA JD

Executive Vice President, General Counsel and Corporate Secretary

MANAGEMENT INFORMATION CIRCULAR

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MANAGEMENT INFORMATION CIRCULAR

MAY 15, 2014

1. GENERAL INFORMATION

This Management Information Circular is furnished in connection with the solicitation of proxies by or on behalf of the directors (the “**Directors**” or “**we**”) of Capstone Infrastructure Corporation (“**Capstone**” or the “**Corporation**”) to be used at the annual general meeting (the “**Meeting**”) of holders (“**Shareholders**”) of common shares (“**Common Shares**”) of the Corporation to be held at the Fairmont Royal York Hotel, Library Room, 100 Front Street West, Toronto, Ontario on June 17, 2014 at 10 a.m. (EDT), and at any adjournment or postponement thereof, for the purposes set forth in the accompanying notice (the “**Notice**”) of the Meeting.

1.1. Common Shares Outstanding

As at May 15, 2014, Capstone had 93,002,477 Common Shares issued and outstanding. The Common Shares trade under the symbol “CSE” on the Toronto Stock Exchange (the “**TSX**”).

1.2. Additional Equity Securities Outstanding

As at May 15, 2014, Capstone had 3,000,000 cumulative five-year rate reset preferred shares, series A (the “**Preferred Shares**”) issued and outstanding. The Preferred Shares trade under the symbol “CSE.PR.A” on the TSX.

As at May 15, 2014, MPT LTC Holding LP, a subsidiary of Capstone, had 3,249,390 Class B exchangeable limited partnership units issued and outstanding (the “**Class B Exchangeable Units**”). The Class B Exchangeable Units have economic rights equivalent in all material respects to those of the Common Shares. Subject to certain conditions, the Class B Exchangeable Units are exchangeable for Common Shares on a one-for-one basis.

1.3. Record Date and Who Can Vote

Each Shareholder of record at 5 p.m. (EDT) on May 7, 2014 (the “**Record Date**”) will be entitled to vote at the Meeting either in person or by proxy. Each Common Share confers the right to one vote per Common Share on each matter voted on at the Meeting.

Holders of Preferred Shares and Class B Exchangeable Units are not entitled to vote at the Meeting.

1.4. Holders of Ten Percent or More Common Shares

The following table sets forth the only person who, as of the date of this Management Information Circular, to the knowledge of management and the Directors, beneficially owns, or controls or directs, directly or indirectly, Common Shares carrying more than ten percent of the voting rights attached to any class of outstanding shares of Capstone entitled to vote in connection with any matters being proposed for consideration at the Meeting:

Name	Number of Common Shares	Percentage of Common Shares
Kleinwort Benson Investors Dublin Ltd.	9,321,463 ⁽¹⁾	10.02%

Note:

(1) Based on public filings made under Canadian securities legislation.

1.5. Indebtedness of Directors and Others

No current, former or nominated Directors or executive officers or employees of Capstone or any of its subsidiaries, or their associates, had any indebtedness to Capstone or any of its subsidiaries or had any indebtedness which is the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by Capstone or any of our subsidiaries at any time in 2013.

1.6. Interest of Informed Persons and Others in Material Transactions

No informed person, as such term is defined in applicable securities regulations, or nominated Director or any of their respective associates or affiliates has or had a direct or indirect material interest in any transaction in 2013 or in any proposed transaction that had or will have a material effect on Capstone or any of its subsidiaries.

1.7. Additional Information

Capstone's head office is located at 155 Wellington Street West, Suite 2930, Toronto, Ontario, M5V 3H1. Its registered office is located at 595 Burrard Street, Suite 2600, Three Bentall Centre, Vancouver, British Columbia, V7X 1L3.

Financial information regarding Capstone may be found in its 2013 Annual Report, which contains Capstone's audited annual consolidated financial statements, together with the auditor's report thereon and the related management's discussion and analysis, as at and for the years ended December 31, 2013 and 2012. Copies of the 2013 Annual Report and any unaudited interim consolidated financial statements of Capstone, together with the related management's discussion and analysis, subsequent thereto, in each case filed with the applicable securities regulatory authorities, may be obtained, free of charge, upon request from Capstone's Investor Relations Department.

Investor Relations Department
Capstone Infrastructure Corporation
155 Wellington Street West
Suite 2930
Toronto, Ontario M5V 3H1
Tel: 1-855-649-1300 (toll-free
in North America)
email: info@capstoneinfra.com

Information regarding the Audit Committee (the "**Audit Committee**") of Capstone's Board of Directors (the "**Board**"), including descriptions of its members and their applicable education and experience, can be found in the Corporation's Annual Information Form (the "**AIF**") dated March 26, 2014 under the heading "Management of the Corporation – Audit Committee Information".

Additional information relating to Capstone, including the 2013 Annual Report and the AIF, is available under Capstone's profile on SEDAR at www.sedar.com and on Capstone's website at www.capstoneinfrastructure.com.

1.8. Currency

Unless otherwise specified, all dollar amounts herein are expressed in Canadian dollars.

1.9. Date of Information

Except as otherwise stated, the information contained herein is given as at May 15, 2014. In the case of references to matters relating to the period prior to January 1, 2011, the "Corporation" and "Capstone" refers to Macquarie Power & Infrastructure Income Fund (the "**Fund**"), Capstone's predecessor entity.

2. VOTING INFORMATION

2.1. Proxy Solicitation

We are soliciting proxies from Shareholders primarily by mail. Proxies may also be solicited by personal interview, telephone or other means of communication by or on our behalf by individual Directors, officers, agents or employees of Capstone, without special compensation, or by Capstone's registrar and transfer agent, Computershare Trust Company of Canada, at nominal cost. We have engaged CST Phoenix Advisors ("Phoenix") as our proxy solicitation agent to assist in the solicitation of proxies by mail and telephone for estimated fees of \$26,500. The total cost of solicitation, including fees payable to Phoenix, will be borne by Capstone.

Capstone will also reimburse banks, brokerage firms and other custodians, nominees and fiduciaries for any reasonable expenses incurred in sending proxy material to beneficial and registered Shareholders and requesting authority to execute proxies.

If you have any questions about the information contained in this Management Information Circular or require assistance in completing the Form of Proxy or Voting Instruction Form accompanying this Management Information Circular, please contact Phoenix by telephone at 1-800-229-5716 (toll-free in North America) or by email at inquiries@phoenixadvisorscst.com.

Your vote is important regardless of how many Common Shares you own. As a Shareholder, it is important that you read this Management Information Circular carefully and then vote your Common Shares.

2.2. Matters to be Voted on at the Meeting

At the Meeting, the following matters will be proposed to Shareholders entitled to vote:

- (1) The election of the Directors of the Corporation;
- (2) The approval, ratification and confirmation of the adoption of the Corporation's advance notice policy relating to the nomination of Directors for election at Shareholder meetings (the **"Advance Notice Policy"**), the full text of which is included in Appendix "A" of this Management Information Circular; and
- (3) The appointment of PricewaterhouseCoopers LLP (**"PwC"**) as the auditor of the Corporation and the authorization of the Directors to fix PwC's remuneration.

Each matter to be considered at the Meeting will be determined by a majority of votes cast at the Meeting by proxy or in person.

2.3. Quorum

Quorum for the Meeting is two persons present and holding or representing by proxy not less than ten percent of the total number of outstanding Common Shares.

2.4. Beneficial Shareholders

Capstone uses an electronic book-based registration system through which its Common Shares are held. Under this system, the only **"Registered Shareholder"** of Capstone is CDS & Co., as nominee for CDS Clearing and Depository Services Inc. (collectively, **"CDS"**). CDS acts as a clearing agent for its participants (each a **"CDS Participant"**), which include banks, trust companies, securities dealers or brokers and trustees of or administrators of self-administered registered retirement savings plans, registered retirement income funds, registered educational savings plans and similar plans.

If you hold Common Shares through a CDS Participant, you are a **"Beneficial Shareholder"** and your Common Shares can only be voted (for, against or withheld from voting on resolutions, as applicable) by CDS (the Registered Shareholder) in accordance with your instructions. See **"2.5. Proxy Voting"** below.

Accordingly, in addition to the Notice of the Meeting accompanying this Management Information Circular, you will also receive (depending on the particular CDS Participant through which you hold your Common Shares), either:

- (1) A Form of Proxy (that has already been signed or stamped with the signature of your CDS Participant), which you must complete and return in accordance with the instructions printed thereon, or
- (2) A Voting Instruction Form, which you must complete and return in accordance with the instructions printed thereon.

It is important that you complete and return your Form of Proxy or Voting Instruction Form in advance of the Meeting in accordance with the instructions printed on the Form of Proxy or Voting Instruction Form you receive in order to ensure that your Common Shares are properly voted at the Meeting.

2.5. Proxy Voting

The person named as Proxyholder in the Form of Proxy or Voting Instruction Form accompanying this Management Information Circular must vote or withhold from voting your Common Shares according to your instructions on such form and on any ballot that may be called at the Meeting. Signing the Form of Proxy or Voting Instruction Form (and not writing in the name of another Proxyholder on the form) gives authority to Mr. V. James Sardo or, failing him, Mr. François R. Roy, each of whom is a Director of Capstone, to act as Proxyholder and vote your Common Shares in accordance with your voting instructions. In the absence of any voting instructions, your Common Shares will be voted as follows:

- (1) FOR the election as a Director of each of the individuals listed on the Form of Proxy or Voting Instruction Form provided in connection with the Meeting and as further described below;
- (2) FOR the approval, ratification and confirmation of the adoption of the Corporation's Advance Notice Policy, the full text of which is included in Appendix "A" of this Management Information Circular; and
- (3) FOR the appointment of PwC as the auditor of Capstone and the authorization of the Directors to fix PwC's remuneration.

You may appoint any person (who does not need to be a Shareholder) to act as Proxyholder and vote your Common Shares at the Meeting in accordance with your instructions by writing the name of that person in the blank space provided on the Form of Proxy or Voting Instruction Form under the heading “Appointment of Proxyholder” and returning such form in advance of the Meeting in accordance with the instructions printed thereon. If you wish to vote your Common Shares in person at the Meeting, you must enter your own name in the blank space on the Form of Proxy or Voting instruction Form under the heading “Appointment of Proxyholder” and return such form in advance of the Meeting according to the instructions printed thereon.

In order to be effective, a Form of Proxy must be received by Computershare Trust Company of Canada, 100 University Avenue, 8th Floor, Toronto, Ontario, M5J 2Y1 (Attention: Proxy Department) no later than 48 hours (not including Saturdays, Sundays and holidays) prior to the Meeting. A completed Voting Instruction Form must be returned in accordance with the instructions printed on such form. A Form of Proxy or Voting Instruction Form may also be completed and submitted over the telephone or through the Internet in accordance with the instructions printed thereon. Notwithstanding the foregoing, the Chair of the Meeting has the sole discretion to accept proxies received after such deadline but is under no obligation to do so.

2.6. How to Revoke Your Proxy

To revoke voting instructions, a Beneficial Shareholder should follow the procedures provided by the CDS Participant through which the Beneficial Shareholder holds Common Shares.

In addition to revocation in any other manner permitted by law, a Registered Shareholder may revoke a proxy by depositing an instrument in writing executed by the Registered Shareholder or the Registered Shareholder's attorney authorized in writing or, if the Registered Shareholder is a corporation, under its corporate seal or by a duly authorized officer or attorney of the corporation, with Computershare Trust Company of Canada, 100 University Avenue, 8th Floor, Toronto, Ontario, M5J 2Y1, Attention: Proxy Department, at any time up to and including 10 a.m. on June 13, 2014 or, if the Meeting is adjourned, 48 hours (excluding Saturdays, Sundays and holidays) before any reconvened meeting.

2.7. Amendments and Other Matters

The person named as Proxyholder in the Form of Proxy and Voting Instruction Form will also have discretionary authority with respect to amendments or variations to matters identified in the Notice of the Meeting and to other matters that properly come before the Meeting.

As at the date of this Management Information Circular, Capstone's management and Directors know of no such amendment, variation or other matter expected to come before the Meeting. If any other matter comes before the Meeting, the Proxyholder named in the Form of Proxy or Voting Instruction Form will vote on such matter according to his or her best judgment.

2.8. Meeting Materials and Notice-And-Access

In accordance with National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer* (“NI 54-101”), Capstone is sending proxy-related materials in connection with the Meeting directly to non-objecting beneficial owners of Common Shares and indirectly, through intermediaries, to objecting beneficial owners of Common Shares (“OBOs”). Capstone will also pay the fees and costs of intermediaries for their services in delivering proxy-related materials to OBOs in accordance with NI 54-101.

Capstone does not use the notice-and-access delivery procedures provided under NI 54-101.

3. BUSINESS OF THE MEETING

3.1. Financial Statements

The audited annual consolidated financial statements of Capstone as at and for the years ended December 31, 2013 and 2012, along with the auditor's report thereon, are included in the Corporation's 2013 Annual Report, which was previously mailed to Shareholders who requested a printed copy. These financial statements will be presented to Shareholders at the Meeting. The 2013 Annual Report is available under Capstone's profile on SEDAR at www.sedar.com and on Capstone's website at www.capstoneinfrastructure.com.

3.2. Election of Directors

The Articles of the Corporation provide that there shall be a minimum of three Directors to be elected annually by Shareholders. The Board consists of the number of Directors set by the Shareholders from time to time, with the number of Directors currently fixed at seven. The term of office of each Director currently in office expires at the close of the Meeting, unless he or she resigns or his or her office becomes vacant for any reason.

Each of the individuals (the “**Nominees**”) set out under the heading “**4.1. Biographical Information of Nominees**” below will be nominated at the Meeting for election as a Director. Each of the Nominees has received the unanimous recommendation for election as a Director from the Board and its Corporate Governance and Compensation Committee (the “**CG&C Committee**”), which previously conducted its annual Director, Board and committee assessment and performance review (see “**4.2. Nominee Skills and Experience Matrix**” and “**4.3. Director Nomination Process**”). The Board has also determined that all Nominees (other than Mr. Michael Bernstein, Capstone’s President and Chief Executive Officer (the “**CEO**”)) are “independent” of the Corporation, as such term is defined in applicable securities regulations.

The Directors and management of Capstone recommend voting FOR the election of each of the Nominees as a Director. If, prior to the Meeting, any of the Nominees become unable or unwilling to serve, the person named as your Proxyholder in the Form of Proxy or Voting Instruction Form will have the right to use his or her discretion in voting for a properly qualified substitute.

3.2.1. Majority Voting Policy

The Board has adopted a majority voting policy that provides that, in an uncontested election of Directors, if a Director receives more “withheld” votes than “for” votes, he or she is required to resign. The Board, with the assistance of the CG&C Committee, will evaluate the facts and circumstances in determining whether or not to accept or reject the resignation. Among the factors that will be considered by the Board are:

- ▶ The stated reason(s) why Shareholders withheld votes (if known);
- ▶ The length of service and qualifications of the Director; and
- ▶ The Director’s contribution to the Corporation.

A Director who tenders a resignation under the Majority Voting Policy may not participate in any meeting of the Board or Board committees at which the resignation is considered.

Absent exceptional circumstances, the Board will accept the resignation of the Director. The Board will promptly (and in any event, within 90 days) publicly disclose its final decision in respect of such resignation and, if applicable, provide full reasons for a decision not to accept such resignation.

3.2.2. Term Limits

The Board has fixed a term limit of 12 years for Directors that are not members of Capstone’s management team. We believe that such a policy ensures Directors do not lose their ability to exercise independent judgment and allows for some turnover in Board membership to provide different perspectives.

3.2.3. Board Interlocks and Overboarding

We expect Directors to devote sufficient time and attention to Capstone’s business and affairs so that they can perform their duties as Directors effectively. Our policy is that Directors generally should not serve on more than four other boards of directors that take up a significant amount of time in addition to serving on Capstone’s Board. Moreover, no more than one public company “**interlock**” is permitted, where “interlock” means having two or more Directors of Capstone also serving as directors of another company. Should the CEO serve on Capstone’s Board, he or she is not permitted to serve on more than one other public company board.

3.3. Advance Notice Policy

On May 12, 2014, the Board adopted the Advance Notice Policy with immediate effect, the full text of which is included in Appendix “A” of this Management Information Circular. The Advance Notice Policy is consistent with developments in market practice whereby advance notice policies or by-laws have become more prevalent for Canadian companies. In order for the Advance Notice Policy to remain in effect following the conclusion of the Meeting, it must be approved, ratified and confirmed by the Shareholders at the Meeting.

3.3.1. Purpose of the Advance Notice Policy

The purpose of the Advance Notice Policy is to provide Shareholders, Directors and management of the Corporation with direction on the procedure for the nomination of Directors. The Advance Notice Policy is the framework by which the Corporation seeks to fix a deadline by which holders of record of Common Shares must submit Director nominations to the Corporation prior to any annual or special meeting of Shareholders and sets forth the information that a Shareholder must include in such notice.

3.3.2. Effect of the Advance Notice Policy

The following is a summary of the material provisions of the Advance Notice Policy, which does not purport to be complete. It is recommended that Shareholders review the complete terms of the Advance Notice Policy attached to this Management Information Circular at Appendix "A". Briefly, the Advance Notice Policy:

- ▶ provides, subject only to the *Business Corporations Act* (British Columbia) (the "**Act**") and the Articles of the Corporation, that only persons who are nominated (a) by or at the direction of the Board, including pursuant to a notice of meeting; (b) by or at the direction or request of one or more Shareholders of the Corporation pursuant to a valid proposal made in accordance with the provisions of the Act, or a requisition of meeting of the Shareholders of the Corporation made in accordance with the provisions of the Act; or (c) by any person who, at the close of business on the notice date and on the record date for notice of such meeting, is entered in the securities register as a Shareholder and who complies with the notice procedures set forth in the Advance Notice Policy, shall be eligible for election as Directors of the Corporation;
- ▶ fixes a deadline by which a registered Shareholder may submit Director nominations to the Corporation prior to any annual or special general meeting and sets out the specific information that must be included in the written notice to the Corporation for an effective nomination to occur;
- ▶ provides that in the case of an annual meeting of Shareholders (which may also be an annual and special meeting of Shareholders), notice to the Corporation must be given not less than thirty (30) days nor more than sixty five (65) days prior to the date of the annual meeting of Shareholders;
- ▶ provides that in the case of a special meeting of Shareholders (which is not also an annual meeting) at which Directors are to be elected, notice to the Corporation must be provided no later than the close of business on the fifteenth (15th) day following the day on which the first public announcement of the date of the special meeting of Shareholders was made; and
- ▶ provides that the Board, in its sole discretion, may waive any requirement of the Advance Notice Policy.

3.3.3. Shareholder Approval

If the Advance Notice Policy is approved, ratified and confirmed by the Shareholders at the Meeting, it will be subject to an annual review, which will update the Advance Notice Policy to reflect any changes required by securities regulatory authorities or stock exchanges, so as to meet industry standards from time to time, or as otherwise determined to be in the best interests of the Corporation and its Shareholders. If the Advance Notice Policy is not ratified and approved at the Meeting, it will no longer be in effect after the conclusion of the Meeting.

At the Meeting, Shareholders will be asked to approve the following ordinary resolution:

"BE IT RESOLVED THAT:

1. The Corporation's Advance Notice Policy (the "**Advance Notice Policy**"), a copy of which is attached as Appendix "A" to the Management Information Circular of the Corporation dated May 15, 2014, be and is hereby approved, ratified and confirmed;
2. The board of directors of the Corporation be and is hereby authorized in its absolute discretion to administer the Advance Notice Policy and to amend or modify the Advance Notice Policy in accordance with its terms and conditions to the extent needed to reflect any changes required by securities regulatory authorities or stock exchanges, so as to meet industry standards from time to time, or as otherwise determined to be in the best interests of the Corporation and its Shareholders; and
3. Any one director or officer of the Corporation be and is hereby authorized and directed to do all such acts and things and to execute and deliver all such documents, instruments and assurances as in the opinion of such director or officer may be necessary or desirable to give effect to the foregoing resolutions."

3.3.4. Recommendation of the Board

The Board has determined that the Advance Notice Policy is in the best interests of the Corporation and its Shareholders and unanimously recommends that Shareholders vote in favour of the resolution approving, ratifying and confirming the Advance Notice Policy.

3.4. Appointment of Auditor

PwC will be nominated at the Meeting for appointment as the auditor of the Corporation and it will be proposed that the Directors be authorized to fix PwC's remuneration. The Board, upon the recommendation of the Audit Committee, recommends the appointment of PwC as auditor of the Corporation and the authorization of the Directors to fix PwC's remuneration.

The Directors and management recommend voting FOR the appointment of PwC as the auditor of Capstone and that the Directors be authorized to fix PwC's remuneration.

3.4.1. Auditor's Fees

The following table outlines the fees billed to the Corporation by PwC, for each of the Corporation's last two fiscal years, categorized by audit fees, audit-related fees, tax fees, and all other fees and includes a description of the nature of services comprising such non-audit fees:

	January 1, 2013 to December 31, 2013	January 1, 2012 to December 31, 2012
Audit Fees	\$ 212,500	\$ 268,434
Audit-Related Fees ⁽¹⁾	\$ 512,363	\$ 172,185
Tax Fees ⁽²⁾	\$ 0	\$ 44,745
All Other Fees ⁽³⁾	\$ 0	\$ 43,094
Total	\$ 724,863	\$ 528,457

Notes:

- (1) The Corporation's audit-related fees include fees paid to PwC for statutory audits, attestation services, quarterly reviews, services provided in 2013 connection with Capstone's acquisition of Renewable Energy Developers Inc. and for 2013 a full year of audit services provided to Bristol Water.
- (2) Tax Fees relate to services performed by PwC's tax division except those tax services related to the audit. These services include fees for tax compliance, tax planning and tax advice.
- (3) All Other Fees relates to fees for all other services provided by PwC, including the French translation of financial statements and management's discussion and analysis in connection with the Corporation's securities regulatory filings.

4. NOMINEES FOR ELECTION

4.1. Biographical Information of Nominees

The following highlights the specific experience, attributes and qualifications for each Nominee including his or her name, age, present principal occupation and principal occupations during the past five years, the date the Nominee was first elected as a Director (if applicable); the number of Common Shares, Preferred Shares and deferred share units or restricted share units beneficially owned, or controlled or directed, directly or indirectly, by each Nominee, and the other public entities of which each Nominee currently serves as a director or in a similar capacity.



Michael Bernstein

Ontario, Canada

Age: 46

Director since: June 18, 2013

Mr. Bernstein was appointed President and Chief Executive Officer of the Corporation effective July 6, 2009, after serving in those roles on an interim basis since April 2009. From April 2009 to April 15, 2011, the date of the Internalization Transaction (see “**5.1.1. Internalization Transaction**”), Mr. Bernstein's principal occupation was Senior Managing Director of the Macquarie Group and President of Macquarie Infrastructure and Real Assets Canada Ltd. From 2005 to 2009, Mr. Bernstein served as head of the infrastructure and utilities advisory practice for Macquarie Capital Markets Canada Ltd. Previously, Mr. Bernstein was a senior member of the Power & Utilities Group at CIBC World Markets. Mr. Bernstein is a Chartered Financial Analyst and holds a Bachelor of Arts degree in Economics and Philosophy from Dartmouth College and a Master of Business Administration degree from the Richard Ivey School of Business. Mr. Bernstein is a member of the Institute of Corporate Directors and holds the ICD.D designation.

Principal Areas of Expertise/Experience⁽¹⁾

- ▶ Finance and capital markets
- ▶ Government, policy and regulatory affairs
- ▶ Management experience
- ▶ Mergers and acquisitions

Capstone Committee Memberships

N/A

Other Current Public Entity Directorships

None

Past Public Entity Directorships

- ▶ 407 International Inc., Director
- ▶ AltaLink L.P, Director of general partner, AltaLink Management Ltd.

Securities Held⁽²⁾

- ▶ Common Shares⁽³⁾: 25,000
- ▶ Preferred Shares⁽⁴⁾: NIL
- ▶ Restricted Share Units⁽⁵⁾: 519,390

2013 Attendance

- ▶ Board of Directors Meetings: 9 of 9

Notes:

(1) For a description of each area of expertise/experience, see “**4.2. Nominee Skills and Experience Matrix**”.

(2) In addition, Mr. Bernstein holds 174,043 Performance Share Units as at May 15, 2014. See “**5.1.6.3. Long-Term Incentive Plan**”.

(3) The number of Common Shares beneficially owned or over which the individual exercises control or direction as at May 15, 2014.

(4) The number of Preferred Shares beneficially owned or over which the individual exercises control or direction as at May 15, 2014.

(5) The number of Restricted Share Units held as at May 15, 2014. See “**5.1.6.3. Long-Term Incentive Plan**”.



Richard Knowles

Ontario, Canada

Age: 64

Director Since: June 18, 2013

Mr. Knowles is currently on the Investment Advisory Committee of the Canada Post Pension Fund and is a member of the Davis Rea Wealth Management Investment Review Committee. From 2000 to 2008, Mr. Knowles served as President and Chief Executive Officer and as a board director of Sceptre Investment Counsel Ltd. Mr. Knowles was previously President and Chief Executive Officer of Jones Heward Investment Management and Executive Vice President of Nesbitt Burns Inc. He is also past Chairman of the Portfolio Management Association of Canada and former Treasurer of North York General Hospital. Mr. Knowles is a Chartered Financial Analyst and holds an Honors Bachelor of Business degree from the Richard Ivey School of Business and an Honorary Doctorate of Laws from Assumption University (Windsor).

Principal Areas of Expertise/Experience⁽¹⁾

- ▶ Investment management
- ▶ Management experience
- ▶ Operations and strategy
- ▶ Risk management

Securities Held

- ▶ Common Shares⁽²⁾: 6,600
- ▶ Preferred Shares⁽³⁾: NIL
- ▶ Deferred Share Units⁽⁴⁾: 5,316

Capstone Committee Memberships

- ▶ CG&C Committee

2013 Attendance

- ▶ Board of Directors Meetings: 9 of 9
- ▶ CG&C Committee Meetings: 3 of 3⁽⁵⁾

Other Current Public Entity Directorships

None

Past Public Entity Directorships

- ▶ Legacy Hotels Real Estate Investment Trust, Trustee
- ▶ Sceptre Investment Counsel Ltd., Director

Notes:

(1) For a description of each area of expertise/experience, see “**4.2. Nominee Skills and Experience Matrix**”.

(2) The number of Common Shares beneficially owned or over which the individual exercises control or direction as at May 15, 2014.

(3) The number of Preferred Shares beneficially owned or over which the individual exercises control or direction as at May 15, 2014.

(4) The number of Deferred Share Units owned as at May 15, 2014. See “**4.5. Director Compensation**”.

(5) Mr. Knowles became a member of the CG&C Committee effective June 18, 2013.



Goran Mornhed

New York, United States

Age: 55

Director Since: June 5, 2012

Mr. Mornhed is a principal of Ariston Research LLC, a company engaged in the development and application of quantitative investment strategies. From 2004 to 2007, Mr. Mornhed was the Chief Executive Officer of Countryside Ventures, the Manager of Countryside Power Income Fund. Previously, Mr. Mornhed was the President and Chief Executive Officer of U.S. Energy Systems Inc. and the Chief Executive Officer of Trigen-Cinergy Solutions LLC. He has extensive experience with companies involved in developing, operating and owning power assets and he began his career in engineering consulting, where he specialized in energy, power generation (including renewable power) and district energy projects. Mr. Mornhed earned his Master of Business Administration degree from New York University and his Master of Science, Engineering degree from the University of Lund, Sweden Institute of Technology.

Principal Areas of Expertise/Experience⁽¹⁾

- ▶ Investment management
- ▶ Management experience
- ▶ Operations and strategy
- ▶ Related industry experience

Securities Held

- ▶ Common Shares⁽²⁾: 5,000
- ▶ Preferred Shares⁽³⁾: NIL
- ▶ Deferred Share Units⁽⁴⁾: 9,260

Capstone Committee Memberships

- ▶ Audit Committee

2013 Attendance

- ▶ Board of Directors Meetings: 11 of 11
- ▶ Audit Committee Meetings: 4 of 4
- ▶ CG&C Committee Meetings: 3 of 3⁽⁵⁾

Other Current Public Entity Directorships

None

Notes:

(1) For a description of each area of expertise/experience, see “**4.2. Nominee Skills and Experience Matrix**”.

(2) The number of Common Shares beneficially owned or over which the individual exercises control or direction as at May 15, 2014.

(3) The number of Preferred Shares beneficially owned or over which the individual exercises control or direction as at May 15, 2014.

(4) The number of Deferred Share Units owned as at May 15, 2014. See “**4.5. Director Compensation**”.

(5) Mr. Mornhed ceased to be a member of the CG&C Committee effective June 18, 2013.



Jerry Patava

Ontario, Canada

Age: 60

Director Since: June 5, 2012

Mr. Patava is the Chief Executive Officer of the Great Gulf Group of Companies, a position he has held since 2007. Mr. Patava was the Executive Vice President and Chief Financial Officer of Fairmont Hotels & Resorts Inc., a position he held from 1998 to 2005. Previously, he was Vice President and Treasurer of Canadian Pacific Limited from 1990 to 1997 and served as Vice President and Director of RBC Dominion Securities Inc. from 1986 to 1990. Mr. Patava holds a Bachelor of Arts degree from the University of Toronto and a Master of Business Administration degree from York University.

Principal Areas of Expertise/Experience⁽¹⁾

- ▶ Executive compensation/human resources
- ▶ Finance and capital markets
- ▶ Governance
- ▶ Mergers and acquisitions

Capstone Committee Memberships

- ▶ CG&C Committee (Chairman)
- ▶ Nomination Sub-Committee of CG&C Committee (Chairman)

Other Current Public Entity Directorships

- ▶ EnerCare Inc., Director, Chairman of Governance Committee and member of Audit Committee
- ▶ Trimac Transportation Ltd. (formerly Trimac Income Fund), Lead Director and member of Governance and Compensation Committee

Past Public Entity Directorships

- ▶ Osprey Media Income Fund, Trustee
- ▶ TransAlta Power, L.P., Director

Securities Held

- ▶ Common Shares⁽²⁾: 20,000
- ▶ Preferred Shares⁽³⁾: NIL
- ▶ Deferred Share Units⁽⁴⁾: 9,260

2013 Attendance

- ▶ Board of Directors Meetings: 11 of 11
- ▶ Audit Committee Meetings: 2 of 2⁽⁵⁾
- ▶ CG&C Committee Meetings: 6 of 6
- ▶ Nomination Sub-Committee Meetings : 5 of 5

Notes:

(1) For a description of each area of expertise/experience, see “**4.2. Nominee Skills and Experience Matrix**”.

(2) The number of Common Shares beneficially owned or over which the individual exercises control or direction as at May 15, 2014.

(3) The number of Preferred Shares beneficially owned or over which the individual exercises control or direction as at May 15, 2014.

(4) The number of Deferred Share Units owned as at May 15, 2014. See “**4.5. Director Compensation**”.

(5) Mr. Patava ceased to be a member of the Audit Committee effective June 18, 2013.



François R. Roy⁽¹⁾

Québec, Canada

Age: 58

Director Since: March 15, 2004

Mr. Roy is a corporate director. He was the Vice Principal (Administration and Finance) of McGill University from 2007 to 2010 and, in that capacity, he was McGill's Chief Financial Officer and Chief Administration Officer. Mr. Roy was the Chief Financial Officer of Telemedia Corporation between 2000 and 2003. Mr. Roy earned his Bachelor of Arts and Master of Business Administration degrees from the University of Toronto.

Principal Areas of Expertise/Experience⁽²⁾

- ▶ Executive compensation/human resources
- ▶ Finance and capital markets
- ▶ Governance
- ▶ Risk management

Securities Held

- ▶ Common Shares⁽³⁾: 10,100
- ▶ Preferred Shares⁽⁴⁾: 600
- ▶ Deferred Share Units⁽⁵⁾: 14,046

Capstone Committee Memberships

- ▶ Audit Committee (Chairman)

2013 Attendance

- ▶ Board of Directors Meetings: 11 of 11
- ▶ Audit Committee Meetings: 4 of 4
- ▶ CG&C Committee Meetings: 3 of 3⁽⁶⁾

Other Current Public Entity Directorships

- ▶ Noranda Income Fund, Trustee and member of Audit Committee, Governance and HR Committee, and Vice Chair of the Independent Committee
- ▶ Transcontinental Inc., Director and member of Audit Committee

Past Public Entity Directorships

- ▶ La Mancha Resources Inc., Director and member of the Audit Committee, and Governance and Human Resources Committee
- ▶ Fibrek Inc., Director and member of Audit Committee

Notes:

- (1) Mr. Roy was a director of Pixman Nomadic Media Inc. from May 2006 to November 2009. Between November 2009 and February 2010, the Alberta Securities Commission, British Columbia Securities Commission, the Ontario Securities Commission and the Autorité des marchés financiers issued cease trade orders in respect of Pixman Nomadic Media Inc. in connection with its failure to file annual audited financial statements for the year ended June 30, 2009 and interim unaudited financial statements for the period ended September 30, 2009, as well as related continuous disclosure documents, which are still in effect. On February 2, 2010, Pixman Nomadic Media Inc. filed a notice of intention to make a proposal to creditors under the *Bankruptcy and Insolvency Act* (Canada). Mr. Roy was also a director of Komunik Corporation from February 2007 to April 2008. Komunik Corporation filed for protection under the *Companies' Creditors Arrangement Act* (Canada) in the fall of 2008.
- (2) For a description of each area of expertise/experience, see "4.2. Nominee Skills and Experience Matrix".
- (3) The number of Common Shares beneficially owned or over which the individual exercises control or direction as at May 15, 2014.
- (4) The number of Preferred Shares beneficially owned or over which the individual exercises control or direction as at May 15, 2014.
- (5) The number of Deferred Share Units owned as at May 15, 2014. See "4.5. Director Compensation".
- (6) Mr. Roy ceased to be a member of the CG&C Committee effective June 18, 2013.



V. James Sardo⁽¹⁾

Ontario, Canada

Age: 70

Director since: November 4, 2009

Mr. Sardo is a corporate director with significant operational and corporate governance expertise. Mr. Sardo served as interim Chief Executive Officer of Royal Group Technologies Limited from 2004 to 2005, President of the Canadian operations of Moore Corporation Limited, a business forms and communications company, from 1999 to 2001, and President and Chief Executive Officer of SMK Speedy International Inc., an international automotive repair company, from 1997 to 1999. Mr. Sardo was Chief Executive Officer of Amre Inc., a Dallas-based marketer of home improvement products, from 1994 to 1995 and Chief Executive Officer of SNE Inc., a manufacturer and marketer of windows and doors, from 1991 to 1994. Previously, he was Chairman and Chief Executive Officer of Firestone Canada Inc. Mr. Sardo earned his Bachelor of Arts degree at the University of Western Ontario and his Master of Business Administration degree at McMaster University. Mr. Sardo is a member of the Institute of Corporate Directors and holds the ICD.D designation.

Principal Areas of Expertise/Experience⁽²⁾

- ▶ Executive compensation/human resources
- ▶ Governance
- ▶ Management experience
- ▶ Operations and strategy

Securities Held

- ▶ Common Shares⁽³⁾: 20,000
- ▶ Preferred Shares⁽⁴⁾: NIL
- ▶ Deferred Share Units⁽⁵⁾: 23,301

Capstone Board/Committee Memberships

- ▶ Chairman of Board of Directors
- ▶ CG&C Committee
- ▶ Nomination Sub-Committee

2013 Attendance

- ▶ Board of Directors Meetings: 11 of 11
- ▶ Audit Committee Meetings: 2 of 2⁽⁶⁾
- ▶ CG&C Committee Meetings: 6 of 6
- ▶ Nomination Sub-Committee Meetings: 5 of 5

Other Current Public Entity Directorships

- ▶ Currency Exchange International Corporation, Director and Chair of Corporate Governance and Compensation Committee
- ▶ Cline Mining Corporation, Director, Chair of Audit Committee and Chair of Corporate Governance and Compensation Committee
- ▶ New Flyer Industries Inc., Director and Chair of Corporate Governance and Compensation Committee

Past Public Entity Directorships

- ▶ Consolidated Thompson Iron Mines Limited, Director
- ▶ Hydrogenics Corporation, Director
- ▶ SonnenEnergy Corp., Director
- ▶ Royal Group Technologies Limited, Director
- ▶ Northstar Healthcare Inc., Director
- ▶ Countryside Power Income Fund, Trustee and Chairman
- ▶ UE Waterheater Income Fund, Trustee
- ▶ Custom Direct Income Fund, Trustee

Notes:

- (1) Between April 2006 and May 2006 Mr. Sardo, who was then a director of Royal Group Technologies Limited, was prohibited from trading in securities of Royal Group Technologies Limited pursuant to a management cease trade order issued by the Ontario Securities Commission in connection with the delay in filing of certain of Royal Group Technologies Limited's financial statements, which is no longer in effect.
- (2) For a description of each area of expertise/experience, see "4.2. Nominee Skills and Experience Matrix".
- (3) The number of Common Shares beneficially owned or over which the individual exercises control or direction as at May 15, 2014.
- (4) The number of Preferred Shares beneficially owned or over which the individual exercises control or direction as at May 15, 2014.
- (5) The number of Deferred Share Units owned as at May 15, 2014. See "4.5. Director Compensation".
- (6) Mr. Sardo ceased to be a member of the Audit Committee effective June 18, 2013.



Janet Woodruff

British Columbia, Canada

Age: 57

Director Since: June 18, 2013

Ms. Woodruff is a consultant and corporate director. Currently, she serves as the Chief Executive Officer (Acting) of Transportation Investment Corporation, a B.C. Crown Corporation, and from 2010 to 2011, Ms. Woodruff was Vice President and Special Advisor at B.C. Hydro. Prior to this, Ms. Woodruff served B.C. Transmission Corporation as interim President (2009-10) and Vice President and Chief Financial Officer (2007-08). Ms. Woodruff also served as an executive for a number of operating subsidiaries and at the corporate head office of Westcoast Energy Group from 1988 to 2002. She serves on the board of the Mutual Fund Dealers Association of Canada and is a member of the Directors Advisory Group of CPA Canada. Ms. Woodruff is a member of the Institute of Corporate Directors, holding the ICD.D designation, and is a Fellow Chartered Accountant of British Columbia. She earned her Master of Business Administration degree from York University.

Principal Areas of Expertise/Experience⁽¹⁾

- ▶ Finance and capital markets
- ▶ Government, policy and regulatory affairs
- ▶ Operations and strategy
- ▶ Related industry experience

Securities Held

- ▶ Common Shares⁽²⁾: 3,700
- ▶ Preferred Shares⁽³⁾: NIL
- ▶ Deferred Share Units⁽⁴⁾: 5,316

Capstone Committee Memberships

- ▶ Audit Committee

2013 Attendance

- ▶ Board of Directors Meetings: 9 of 9
- ▶ Audit Committee Meetings: 2 of 2⁽⁵⁾

Other Current Public Entity Directorships

- ▶ Nordion Inc., Director, Chair of Finance and Audit Committee and member of the Human Resources and Compensation Committee
- ▶ FortisBC Inc., FortisBC Holdings Inc. and FortisBC Energy Inc. (each a subsidiary of Fortis Inc.), Director and member of the Audit Committee

Past Public Entity Directorships

- ▶ Pacific Northern Gas Ltd., Director, Chair of Audit Committee and member of the Health and Safety Committee

Notes:

(1) For a description of each area of expertise/experience, see "4.2. Nominee Skills and Experience Matrix".

(2) The number of Common Shares beneficially owned or over which the individual exercises control or direction as at May 15, 2014.

(3) The number of Preferred Shares beneficially owned or over which the individual exercises control or direction as at May 15, 2014.

(4) The number of Deferred Share Units owned as at May 15, 2014. See "4.5. Director Compensation".

(5) Ms. Woodruff became a member of the Audit Committee effective June 18, 2013.

4.2. Nominee Skills and Experience Matrix

As part of its annual Director, Board and committee assessment and performance review, the CG&C Committee evaluated the skills and experience of each Nominee. The matrix presented below identifies the primary skills and experience that the CG&C Committee believes are important for Directors and ranks each Nominee on his or her top four competencies. See also “4.3. Director Nomination Process” and “6.4. Board and Committee Assessment and Director Performance Evaluation”.

Competencies	M. Bernstein	R. Knowles	G. Mornhed	J. Patava	F. Roy	V.J. Sardo	J. Woodruff
1. Executive compensation/human resources				●	●	●	
2. Finance and capital markets	●			●	●		●
3. Governance				●	●	●	
4. Government, policy and regulatory affairs	●						●
5. Investment management		●	●				
6. Management experience	●	●	●			●	
7. Mergers and acquisitions	●			●			
8. Operations and strategy		●	●			●	●
9. Related industry experience			●				●
10. Risk management		●			●		

Definitions:

1. Executive compensation/human resources – Experience in designing or implementing market-based executive compensation plans.
2. Finance and capital markets – Senior executive experience, including as a chief executive officer or chief financial officer, in finance, accounting, financial reporting, corporate finance and capital markets.
3. Governance – Expertise in public company governance practices and policies.
4. Government, policy and regulatory affairs – Experience working with governments, including an ability to contribute relationships or knowledge that may advance a favourable public policy environment for Capstone’s business.
5. Investment management – Senior executive experience in managing financial assets or investment portfolios.
6. Management experience – Experience working as a CEO or senior executive of a publicly-listed company or large organization.
7. Mergers and acquisitions – Experience, in major transactions involving publicly-listed and/or private companies.
8. Operations and strategy – Experience operating a company or division of a company with responsibility for strategic direction and leadership.
9. Related industry experience – Senior executive experience, as an officer or director, in power and utilities or in other categories of infrastructure targeted by Capstone.
10. Risk management – Experience in assessing risks and enterprise risk management.

4.3. Director Nomination Process

The CG&C Committee is responsible for identifying and recommending to the Board qualified nominees for election at the annual meeting of Shareholders or to fill any vacancies on the Board. The Board strives to achieve the best mix of skills and experience to provide for the overall stewardship of Capstone. The Board also endeavours to take into account the desirability of maintaining a reasonable diversity of personal characteristics such as age, gender, geographic residence and origin.

While the Board is committed to promoting diversity, including gender diversity, key criteria for Directors include:

- ▶ Highest personal and professional ethics, integrity and values;
- ▶ A commitment to representing the long-term interests of Capstone’s Shareholders;

- ▶ An inquisitive and objective perspective;
- ▶ Practical wisdom and mature judgment;
- ▶ Outstanding ability in their individual fields of expertise; and
- ▶ A willingness to devote necessary time to Board matters.

A nomination sub-committee of the CG&C Committee (the “**Nomination Sub-Committee**”), comprising the Chairman of the Board and the Chairman of the CG&C Committee (who also acts as Chairman of the Nomination Sub-Committee), maintains a list of potential candidates for future consideration for nomination for election as Directors. This list comprises individuals that the Nomination Sub-Committee feels would be appropriate to join the Board. When a vacancy on the Board arises, the Nomination Sub-Committee reviews the list of potential candidates against the skill set of incumbent Directors and the range of experience and expertise necessary for the Board and makes its recommendation to the CG&C Committee.

During the first half of 2013, the Nomination Sub-Committee identified several potential candidates to be nominated for election as Directors at the annual general meeting of the holders of Common Shares on June 18, 2013 and, upon the recommendation of the Nomination Sub-Committee and the CG&C Committee, Mr. Bernstein, Mr. Knowles and Ms. Woodruff were unanimously selected by the Board as nominees for election at that meeting and subsequently elected as Directors.

4.4. Attendance at Board and Committee Meetings

The Board, the Audit Committee and the CG&C Committee each meet at least once each quarter to review Capstone's business operations, financial results and other matters, as applicable, with additional Board and committee meetings scheduled as necessary. These meetings include the participation of senior management of the Corporation to review and discuss specific aspects of Capstone's operations. The Nomination Sub-Committee meets as determined by its members. Directors are expected to attend a minimum of 75% of all regularly scheduled meetings of the Board and the committees on which they serve.

At each quarterly Board meeting and periodically during the year at other meetings, the Directors that are “independent” of the Corporation (the “**Independent Directors**”), as such term is defined in applicable securities regulations, hold in-camera meetings at which non-Independent Directors and management are not in attendance. During 2013, there were five in-camera sessions held at various Board meetings and 4 in-camera sessions held at various Audit Committee meetings. The following table summarizes the attendance of each Nominee who was previously a Director at the Board, committee and the Nomination Sub-Committee meetings held between January 1, 2013 and December 31, 2013:

Director	Board of Directors		Audit Committee ⁽⁴⁾		CG&C Committee ⁽⁴⁾		Nomination Sub-Committee		Attendance
	Attended	Held	Attended	Held	Attended	Held	Attended	Held	
Michael Bernstein ⁽¹⁾	9	9	–	–	–	–	–	–	9/9 = 100%
Derek Brown ⁽²⁾	N/A	N/A	N/A	N/A	N/A	N/A	–	–	N/A
Patrick Lavelle ⁽³⁾	2	2	2	2	2	2	–	–	6/6 = 100%
Richard Knowles ⁽¹⁾	9	9	–	–	3	3	–	–	12/12 = 100%
Goran Mornhed	11	11	4	4	3	3	–	–	18/18 = 100%
Jerry Patava	11	11	2	2	6	6	5	5	24/24 = 100%
François R. Roy	11	11	4	4	3	3	–	–	18/18 = 100%
V. James Sardo	11	11	2	2	6	6	5	5	24/24 = 100%
Janet Woodruff ⁽¹⁾	9	9	2	2	–	–	–	–	11/11 = 100%

Notes:

(1) Mr. Bernstein, Mr. Knowles and Ms. Woodruff were elected as Directors at the Corporation's annual general meeting on June 18, 2013 and so their attendance figures reflect only those meetings that occurred following their election.

(2) Mr. Brown resigned as a Director on February 28, 2013.

(3) Mr. Lavelle was a Director until June 18, 2013 and did not stand for re-election at the annual general meeting of the holders of Common Shares on June 18, 2013.

(4) Prior to June 18, 2013, each of Mr. Lavelle, Mr. Mornhed, Mr. Patava, Mr. Roy, Mr. Sardo and Mr. Brown (until February 28, 2013) were members of both of the Audit Committee and the CG&C Committee (with Mr. Roy the chairman of the Audit Committee and Mr. Lavelle the chairman of the CG&C Committee). On June 18, 2013, the members of the Audit Committee became Mr. Mornhed, Mr. Roy (chairman) and Ms. Woodruff and the members of the CG&C Committee became Mr. Knowles, Mr. Patava (chairman) and Mr. Sardo.

4.5. Director Compensation

The Board has determined that the Directors should be compensated in a form and amount which is appropriate and which is customary for comparable organizations, having regard for such matters as time commitment, responsibility and trends in director compensation. Accordingly, on an annual basis, the CG&C Committee reviews, and if applicable, recommends to the Board changes to the terms for the compensation of Directors. The CG&C Committee may retain the services of a compensation consultant to evaluate and make recommendations with respect to Director compensation.

In 2013, the CG&C Committee decided to undertake a comprehensive review of Capstone's Director and senior management compensation practices and Hugessen Consulting Inc. ("**Hugessen**") was engaged by the CG&C Committee to provide such advice. See "**5.1.2.3. External Compensation Consultants**". Effective January 1, 2014, the Board adopted a flat fee structure for Director compensation. The Board believes that the flat fee structure aligns better with the role of a Director. A Director's duty is to be available to assist and represent Capstone 365 days a year. While attendance at meetings is an important part of that duty, providing advice outside of meetings, identifying opportunities for Capstone and generally being attentive to the best interests of Capstone at all times are also important elements of acting as a Director.

Director compensation is comprised of the following components:

Annual Retainer:	Each Director who is not a member of management of the Corporation (each a " Non-Management Director ") is entitled to receive an annual cash retainer equal to \$35,000 per year (effective January 1, 2014, this annual cash retainer was increased to \$45,000 per year). The Chairman of the Board, the Chairman of the Audit Committee and the Chairman of the CG&C Committee are each entitled to receive additional annual cash retainers equal to \$35,000, \$15,000, and \$10,000 per year, respectively (effective January 1, 2014, such additional annual cash retainers were \$45,000, \$15,000 and \$15,000 per year, respectively). The Chairman and the members of the Nomination Sub-Committee are not entitled to receive any additional annual cash retainers for their membership on that sub-committee. Effective January 1, 2014, Non-Management Directors that are members of the Audit Committee and/or the CG&C Committee are entitled to receive an additional annual cash retainer equal to \$10,000 per year per committee.
Meeting Fees:	Each Non-Management Director is entitled to receive \$1,500 per Board, committee or sub-committee meeting attended in person or by teleconference. Effective January 1, 2014, no amounts will be payable for attendance by any Non-Management Director at any Board or committee meetings; provided, however, (a) where the number of Board meetings exceeds 16 or the number of committee meetings exceeds eight, as applicable, a Non-Management Director will be entitled to receive a meeting fee of \$1,500 per Board or committee meeting attended in person or by teleconference, as applicable, for any such additional meetings and (b) the members of the Nomination Sub-Committee will be entitled to receive a meeting fee of \$1,500 per sub-committee meeting attended in person or by teleconference.
Deferred Share Units:	Under Capstone's deferred share unit (" DSU ") plan, Non-Management Directors (other than the Chairman of the Board) are entitled to receive an additional annual retainer equal to \$15,000 (effective January 1, 2014, this additional annual retainer was increased to \$25,000) in the form of DSUs, with the Chairman of the Board receiving an additional annual retainer equal to \$15,000 (effective January 1, 2014, this additional annual retainer was increased to \$25,000) in the form of DSUs. Pursuant to the DSU plan, Non-Management Directors receive a grant of DSUs equal to one-quarter of the applicable annual retainer on the first day of each fiscal quarter of the Corporation (calculated in the manner discussed below). Directors may also elect to receive DSUs in full or partial satisfaction of their annual cash retainer and/or meeting fees. A DSU is a notional share that has the same value as one Common Share. Its value fluctuates with variations in the market price of the Common Shares. DSUs do not have voting rights but accrue dividends in the form of additional DSUs in the same notional amount

as dividends paid on the Common Shares. The number of DSUs granted is determined by dividing the amount of the retainer or other amount payable by the volume-weighted average price for the Common Shares on the TSX for the five-trading day period prior to the date of the grant. DSUs vest on issuance but are required to be held, at a minimum, until the date that the Non-Management Director ceases to be a Director, following which each DSU will be redeemed for cash within a prescribed period at the prevailing Common Share price at the date of redemption. The DSU Plan was implemented with the following objectives in mind: (a) to promote a greater alignment of interests between Directors and Shareholders; (b) to provide a compensation system for Directors that is reflective of the responsibility, commitment and risk accompanying Board membership; (c) to assist in attracting and retaining individuals with experience and ability to serve as members of the Board; and (d) to allow the Directors to participate in Capstone's long-term success.

Expense Reimbursement: Directors are reimbursed for expenses incurred in attending Board, committee and sub-committee meetings.

During 2013, the Corporation paid the Directors a total of approximately \$550,000 on account of retainer and meeting attendance fees and approximately \$39,000 on account of reimbursement for out-of-pocket expenses incurred in connection with their attendance at meetings.

The following table outlines all compensation earned by the Directors during the Corporation's fiscal year ended December 31, 2013:

Name	Annual Retainer	Board/ Committee Chairman Retainer	Board Meeting Fees	Committee Meeting Fees	DSUs ⁽⁶⁾	All Other Compensation	Total ⁽⁷⁾
Michael Bernstein ⁽¹⁾	–	–	–	–	–	–	–
Derek Brown ⁽²⁾	–	–	–	–	–	\$ 29,565	\$ 26,552 ⁽²⁾
Richard Knowles ⁽³⁾⁽⁴⁾	\$ 17,500	–	\$ 13,500	\$ 4,500	\$ 7,500	–	\$ 43,000
Patrick Lavelle ⁽²⁾⁽⁴⁾	\$ 7,596	–	\$ 3,000	\$ 6,000	\$ 7,005	\$ 15,000 ⁽⁵⁾	\$ 38,601
Goran Mornhed ⁽⁴⁾	\$ 35,000	–	\$ 16,500	\$ 10,500	\$ 15,000	–	\$ 77,000
Jerry Patava ⁽⁴⁾	\$ 35,000	\$ 10,000	\$ 16,500	\$ 18,000	\$ 15,000	–	\$ 94,500
François R. Roy ⁽⁴⁾	\$ 35,000	\$ 15,000	\$ 16,500	\$ 10,500	\$ 15,000	–	\$ 92,000
V. James Sardo ⁽⁴⁾	\$ 35,000	\$ 35,000	\$ 16,500	\$ 18,000	\$ 30,000	–	\$134,500
Janet Woodruff ⁽³⁾⁽⁴⁾	\$ 17,500	–	\$ 13,500	\$ 3,000	\$ 7,500	–	\$ 41,500

Notes:

- (1) As CEO, Mr. Bernstein is not a Non-Management Director and is therefore not entitled to receive any compensation from the Corporation for serving as a Director.
- (2) Mr. Brown resigned as a Director on February 28, 2013 and Mr. Lavelle was a Director until June 18, 2013, as he did not stand for re-election at the 2013 annual general meeting. Mr. Brown did not receive any director or meeting fees in 2013. He did receive the value of his DSUs he redeemed totaling \$29,565 less a minor adjustment to correct an overpayment of director fees in the amount of \$3,013.
- (3) Mr. Knowles and Ms. Woodruff were elected as Directors at the Corporation's annual general meeting on June 18, 2013. Mr. Knowles and Ms. Woodruff each received prorated annual compensation to reflect the foregoing.
- (4) Prior to June 18, 2013, each of Mr. Lavelle, Mr. Mornhed, Mr. Patava, Mr. Roy, and Mr. Sardo were members of both of the Audit Committee and the CG&C Committee (with Mr. Roy the chairman of the Audit Committee and Mr. Patava the chairman of the CG&C Committee). On June 18, 2013, the members of the Audit Committee became Mr. Mornhed, Mr. Roy (chairman) and Ms. Woodruff and the members of the CG&C Committee became Mr. Knowles, Mr. Patava (chairman) and Mr. Sardo. Amounts noted are prorated annual compensation to reflect the foregoing.
- (5) Following the expiry of his term as a Director, Mr. Lavelle was engaged to provide certain consulting services to the Corporation from July 1, 2013 to December 31, 2013.
- (6) Represents the aggregate cash grant date fair value of DSUs. DSUs vest on issuance but are not paid out or distributed until, at the earliest, the date the Non-Management Director ceases to be a Director.
- (7) Table does not include any amounts received by Directors as reimbursement for expenses.

As at December 31, 2013, the number of DSUs held by Directors and the market value of such DSUs were as follows:

Name	DSUs (#) ⁽¹⁾	Market Value of DSUs (\$) ⁽²⁾
Michael Bernstein ⁽³⁾	–	–
Derek Brown ⁽⁴⁾	–	–
Patrick Lavelle ⁽⁴⁾	6,334	\$ 22,549
Richard Knowles	1,977	\$ 7,039
Goran Mornhed	5,843	\$ 20,801
Jerry Patava	5,843	\$ 20,801
François R. Roy	10,533	\$ 37,497
V. James Sardo	16,373	\$ 58,288
Janet Woodruff	1,977	\$ 7,039

Notes:

- (1) Comprises all DSUs granted plus additional DSUs issued in respect of dividends paid on Common Shares, based on the value of a DSU at such time.
- (2) Calculated using the closing price of Common Shares on the TSX on December 31, 2013 of \$3.56 per Common Share.
- (3) As CEO, Mr. Bernstein is not a Non-Management Director and is therefore not entitled to receive any compensation from the Corporation for serving as a Director.
- (4) Mr. Brown resigned as a Director on February 28, 2013 and Mr. Lavelle was a Director until June 18, 2013 and did not stand for re-election at the annual general meeting of the holders of Common Shares on June 18, 2013. Mr. Brown redeemed all DSUs held prior to December 31, 2013.

4.6. Director Share Ownership Guidelines

The Board believes that the economic interests of Directors should be aligned with those of Shareholders. To achieve this, all Directors are required to own Common Shares and/or DSUs in an amount equivalent to three years' annual cash retainer (not including any additional retainer which a Director receives in his or her capacity as Chairman of the Board or the additional annual retainer payable in the form of DSUs), within five years of the later of: (a) the date such individual is elected or appointed as a Director; or (b) Board approval of the Charter of Director Expectations in November 2011 (which contains the Director share ownership guidelines). The value of the Common Shares and/or DSUs owned by a Director shall be equal to the greater of the market value (or equivalent value) or the acquisition cost (or equivalent amount) of each such Common Share or DSU. The Corporation understands that each Director intends to comply with these share ownership guidelines within the specified period. See "4.1. Biographical Information of Nominees" for the number of Common Shares and "4.5. Director Compensation" for the number of DSUs held by each Director.

5. EXECUTIVE COMPENSATION

5.1. Compensation Discussion and Analysis

5.1.1. Internalization Transaction

On April 15, 2011, Capstone and certain of its subsidiaries terminated all management and administrative agreements (collectively, the "Management Agreements") with Macquarie Power Management Ltd. ("MPML"), an indirect wholly-owned subsidiary of Macquarie Group Limited ("Macquarie"), for aggregate consideration of approximately \$14 million (plus applicable tax), thereby internalizing the management of the Corporation (the "Internalization Transaction").

Prior to the completion of the Internalization Transaction, MPML provided various management services to the Corporation and its subsidiaries, including legal, investor relations and financial accounting and administration services, and MPML assisted in and supervised the analysis of potential acquisitions and dispositions and carried out or supervised the making of acquisitions, dispositions or investments, in accordance with the terms of the Management Agreements. In connection with the Management Agreements, MPML supplied the services of persons to serve as the President and Chief Executive Officer and the Executive Vice President, Chief Financial Officer and Secretary of the Corporation and certain of its subsidiaries. These individuals provided services on an "as needed basis" and these offices were not full time positions.

Upon the completion of the Internalization Transaction, the senior management team of the Corporation, all of whom were employees of Macquarie Infrastructure and Real Assets Canada Ltd. or its affiliates (collectively, "MIRACL"), the parent company of MPML, became employees of the Corporation and continued in their previous roles.

5.1.2. Compensation Governance

5.1.2.1. Overview

The Board has delegated to the CG&C Committee the responsibility to oversee corporate governance and compensation governance matters. The current members of the CG&C Committee are Mr. Knowles, Mr. Patava (Chairman) and Mr. Sardo, each of whom is an Independent Director. A description of the skills and expertise of each member of the CG&C Committee can be found under the heading “**4.1. Biographical Information of Nominees**”.

Under the CG&C Committee Charter, the CG&C Committee is required to, among other things:

- ▶ Review corporate goals and objectives relevant to the CEO's compensation;
- ▶ Evaluate the CEO's performance against those goals and objectives;
- ▶ Make recommendations to the Board with respect to the CEO's compensation;
- ▶ Approve the compensation of Capstone's senior management team (other than the CEO), including any share-based compensation;
- ▶ Periodically review the terms of and experience with our compensation programs to evaluate and determine if they are properly coordinated and achieving the purpose for which they were designed; and
- ▶ Make recommendations to the Board with respect to Director compensation.

Further information regarding the duties and responsibilities of the CG&C Committee, including those related to corporate governance matters, is set out in “**6.3.2. CG&C Committee**”.

5.1.2.2. Risk Management

As part of its annual review of Capstone's compensation policies and practices, the CG&C Committee considers the risks associated with these compensation policies and practices. The CG&C Committee is satisfied that Capstone's current compensation policies and practices, combined with Capstone's enterprise risk management practices and protocols, offer a balanced combination that promotes adequate risk-taking with appropriate and reasonable compensation incentives.

5.1.2.3. External Compensation Consultants

In 2012, Towers Watson & Co. (“**Towers Watson**”) was engaged by the CG&C Committee to provide advice on compensation matters regarding the compensation of the Chairman of the Board and Meridian Compensation Partners, LLC (“**Meridian**”) was engaged by: (a) the CG&C Committee to provide advice in connection with share ownership guidelines for Directors (see “**4.6. Director Share Ownership Guidelines**”); (b) the CG&C Committee in respect of management's STIP and LTIP calculation metrics (see “**5.1.6. Categories and Components of Executive Compensation**”); and (c) management in respect of employee compensation (other than the NEOs and other members of Capstone's senior management team), which engagement was approved by the CG&C Committee. In 2012, Mercer (“**Mercer**”), a wholly-owned subsidiary of Marsh & McLennan Companies, Inc. (“**MMC**”), was also engaged to provide advice on compensation matters regarding the Corporation's senior management team.

In the first half of 2013, Mercer was engaged by: (a) the CG&C Committee to provide advice in respect of certain elements of the compensation program for Capstone's senior management team; and (b) management to provide advice in respect of compensation to certain individuals employed at Capstone's power generation facilities, which engagement was approved by the CG&C Committee.

In the second half of 2013, the CG&C Committee decided to undertake a comprehensive review of Capstone's director and senior management compensation practices and Hugesen was engaged by the CG&C Committee to provide such advice. The compensation decisions made by the CG&C Committee are the responsibility of the committee and may reflect factors and considerations in addition to the information and advice provided by Hugesen.

During 2012 and 2013, Marsh Inc. (“**Marsh**”), a separate independent operating company owned by MMC, provided insurance brokerage services to the Corporation.

The fees paid to consultants engaged to provide advice on Director and executive compensation and their affiliates in the last two fiscal years were as follows:

Consultant	2013		2012	
	(\$) ⁽¹⁾	% of Total	(\$) ⁽¹⁾	% of Total
Towers Watson				
Chairman of Board compensation-related fees	–	–	\$ 13,077	100%
All other fees	–	–	–	–
<i>Total fees</i>	–	–	\$ 13,077	100%
Meridian				
Director share ownership guidelines-related fees	–	–	\$ 675	4%
STIP/LTIP calculation metrics-related fees	–	–	\$ 6,207	39%
Employee compensation-related fees	–	–	\$ 9,155	57%
All other fees	–	–	–	–
<i>Total fees</i>	–	–	\$ 16,037	100%
Mercer and MMC affiliates (including Marsh)				
Senior management team compensation-related fees	\$ 16,950	11%	\$ 316	1%
Employee compensation-related fees	\$ 1,424	2%	–	–
All other fees ⁽²⁾	\$ 130,188	87%	\$ 1,914,600	99%
<i>Total fees</i>	\$ 148,562	100%	\$ 1,914,916	100%
Hugessen				
Director compensation-related fees	\$ 16,250	27%	–	–
Senior management team compensation-related fees	\$ 44,917	73%	–	–
All other fees	–	–	–	–
<i>Total fees</i>	\$ 61,167	100%	–	–

Notes:

(1) All figures include applicable tax.

(2) Includes fees paid in 2012 and 2013 to Marsh for insurance brokerage services provided to the Corporation and in 2012, for insurance premiums. Marsh also earned fees on insurance premiums for which Capstone paid to the financing company.

In the future, Hugessen or another compensation consultant may provide some or all of the following services to the CG&C Committee:

- ▶ Assisting the CG&C Committee in reviewing and validating Capstone's compensation philosophy, including the selection of compensation peer group members;
- ▶ Assessing desired competitive positioning and pay mix;
- ▶ Assisting the CG&C Committee by ensuring its members understand and are comfortable with executive compensation matters;
- ▶ Ensuring the CG&C Committee fully understands the current and any proposed compensation program and is comfortable with the potential range of pay outcomes;
- ▶ Providing an overview of emerging trends and best practices; and
- ▶ Undertaking other special projects on behalf of the CG&C Committee.

5.1.3. Named Executive Officers

The following executive and senior officers are the “**Named Executive Officers**” or “**NEOs**” of the Corporation, as such terms are defined in applicable securities regulations, for the purposes of the discussion set out below.

Name	Title
Michael Bernstein	President and Chief Executive Officer
Michael Smerdon	Executive Vice President and Chief Financial Officer
Stu Miller	Executive Vice President, General Counsel and Corporate Secretary
Jack Bittan	Senior Vice President, Business Development
Rob Roberti	Senior Vice President, Power Generation

5.1.4. Executive Compensation Objectives

We have designed an executive compensation program for Capstone's NEOs that focuses on pay-for-performance and seeks to accomplish the following objectives:

- ▶ Attract and retain highly qualified employees with a history of proven success;
- ▶ Align the interests of the employees with Shareholders' interests and with the execution of Capstone's business strategy;
- ▶ Establish performance goals that, if met by the senior management team, are expected to improve long-term Shareholder value; and
- ▶ Tie compensation to those performance goals and provide meaningful rewards for achieving them.

Our executive compensation program reflects a blend of short- and long-term incentive awards to support our pay-for-performance approach. Financial performance targets are set each year to provide an incentive to improve yearly budgeted financial results and are therefore aligned with Shareholders' interests. The performance measures for long-term incentive awards focus on overall corporate performance and include an emphasis on Total Shareholder Return (as defined below) relative to a set group of peer companies (see “**5.1.5. Compensation Peer Group**”).

Specifically, our approach to executive compensation includes the following:

- ▶ Establishing and maintaining an appropriate balance between short- and long-term (i.e., deferred) incentives with significant weight given to long-term incentives;
- ▶ Ensuring that a significant proportion of variable compensation is “at risk” by aligning the value of such compensation based on performance and achievement of target metrics aligned with Capstone's interests which is, accordingly, not guaranteed;
- ▶ Ensuring that the performance measures under our short-term incentive plan (“**STIP**”) are primarily focused on cash flow generation (such as Adjusted EBITDA and AFFO/Common Share, as defined under the heading “**5.1.6.2. Short-Term Incentive Plan**”);
- ▶ Having our long-term incentive plan (“**LTIP**”) reflect the total return on the Common Shares;
- ▶ Imposing limits on the maximum payouts available under the STIP (maximum 150% in respect of business performance measures and 200% in respect of individual performance measures);
- ▶ Targeting total direct compensation, which includes salary, STIP and LTIP awards, at the median of our compensation peer group; and
- ▶ Adopting a policy prohibiting Capstone's officers and Directors from purchasing financial instruments that hedge or offset a decrease in the market value of our Common Shares.

5.1.5. Compensation Peer Group

Our executive compensation program has been designed to compete with the compensation practices of companies that are similar to Capstone and companies that represent potential competition for our NEOs and other employees. In designing our executive compensation program, the CG&C Committee focuses on remaining competitive in the market with respect to total compensation for each NEO. However, the CG&C Committee may weigh particular elements of individual compensation differently based on the NEO's specific role within Capstone. The benchmark data obtained from Hugesen acts only as a guide and point of reference and is not a substitute for the judgment of the CG&C Committee.

Hugesen was engaged in 2013 to provide advice on compensation matters (including assistance in identifying an appropriate compensation peer group for the NEOs). In consultation with Hugesen, the CG&C Committee focused primarily (with certain exceptions) on entities that are: (a) listed on the Toronto Stock Exchange; (b) comparable in size to Capstone; (c) headquartered in Canada or the United States (with significant Canadian revenues); and (d) in comparable industries to Capstone (e.g., utilities, independent power producers and infrastructure).

The compensation peer group ("**Compensation Peer Group**") that was adopted by the CG&C Committee in 2013 for the NEOs comprises the following entities:

- ▶ Algonquin Power & Utilities Corp.
- ▶ Alterra Power Corp.
- ▶ Atlantic Power Corp.
- ▶ Boralex Inc.
- ▶ Capital Power Corporation
- ▶ Innergex Renewable Energy Inc.
- ▶ Just Energy Group Inc.
- ▶ Maxim Power Corp.
- ▶ Northland Power Inc.
- ▶ Pattern Energy Group Inc.

5.1.6. Categories and Components of Executive Compensation

Our executive compensation program for NEOs comprises the following categories and components:

Category	Component	Key Features	Purpose
Guaranteed Compensation	Salary, Benefits and Perquisites	<ul style="list-style-type: none"> ▶ Initial amount or item specified in employment agreements ▶ Assessed annually, with consideration to the scope and responsibilities of the position and the competitive market 	<ul style="list-style-type: none"> ▶ Attract and retain NEOs ▶ Provide guaranteed minimum level of compensation to NEOs for meeting the responsibilities of their positions
	Short-Term Incentive Plan (“ STIP ”)	<ul style="list-style-type: none"> ▶ Annual cash award based on assessment of performance against a set of pre-determined business and individual performance measures ▶ Business performance measures and threshold, target and maximum values are established, having regard to the Corporation's expected performance for the fiscal year ▶ Individual performance measures and targets are agreed to with each NEO ▶ Effective January 1, 2014 and prior to the year in which a particular STIP award relates, an NEO may voluntarily choose to have up to 100% of such STIP award for that year paid in deferred share units (“DSUs”) instead of cash 	<ul style="list-style-type: none"> ▶ Motivate, attract and retain NEOs ▶ Encourage and reward achievement of annual business objectives and individual targets
At Risk Compensation	Long-Term Incentive Plan (“ LTIP ”)	<ul style="list-style-type: none"> ▶ Awards of restricted stock units (“RSUs”) and performance stock units (“PSUs”) in equal parts ▶ RSUs vest at the end of the second full year after the year of the grant ▶ PSUs vest at the end of the second full year after the year of the grant based on certain performance hurdles ▶ Once vested, RSUs and PSUs are paid in cash or through purchase of Common Shares on the open market, as elected by the Board or the CG&C Committee ▶ Effective January 1, 2014 and prior to the grant of any particular RSU or PSU award, an NEO may voluntarily choose to have up to 100% of such award granted in the form of DSUs with the same vesting provisions as the original award 	<ul style="list-style-type: none"> ▶ Reward for long-term performance ▶ Align interests of NEOs with Shareholders ▶ Encourages long-term service and loyalty

5.1.6.1. Salary, Benefits and Perquisites

The base salary of each of the NEOs offers fixed compensation for the performance of the officer's day-to-day responsibilities. Salaries for the NEOs are reviewed annually by the CG&C Committee to ensure that each salary reflects each officer's expertise and performance, as well as to ensure that the salary is competitive with market practices.

Capstone offers standard benefit programs to all of its employees, including the NEOs. These programs include medical, dental, life, an employee share purchase program and short- and long-term disability insurance coverage. Capstone does not offer a pension plan or any other post-employment benefit program for employees. Aside from an annual executive health assessment, Capstone does not provide the NEOs with any additional benefits or perquisites not provided to all employees and the benefits provided to all employees reflect competitive practices.

5.1.6.2. Short-Term Incentive Plan

The STIP is an annual bonus plan that is paid in cash or in the form of deferred share units ("DSUs") (see also "5.1.6.4. Deferred Share Units"). The STIP is designed to motivate the NEOs to achieve defined corporate, business and individual objectives that are tied to the execution of Capstone's strategy and that increase Shareholder value. The STIP is intended to reward NEOs according to their achievements for the year. A significant portion of each NEO's incentive is tied to corporate performance measures, which are given more weight than the achievement of personal objectives.

The target STIP award (the "**Target STIP Award**") for an NEO in a given year is expressed as a percentage of annual salary and is adjusted by the STIP payout ratio (the "**STIP Payout Ratio**"), which can range from 0% up to a maximum of 165% of the Target STIP Award based upon actual performance compared to target business performance measures and individual performance measures.

The Board and the CG&C Committee have the right to adjust the targets for the business performance measures and individual performance measures to address major corporate transactions or other extraordinary events.

5.1.6.2.1. Business Performance Measures

The STIP presently comprises two business performance measures that together account for a 70% weighting of the STIP Payout Ratio: "**Adjusted EBITDA**" and "**AFFO/Common Share**". We use Adjusted EBITDA to measure Capstone's performance prior to the impact of financing costs, taxes and charges for depreciation and amortization. Adjusted EBITDA is calculated as revenue less operating and administrative expenses plus interest income and dividends or distributions received from equity accounted investments. Amounts attributed to any non-controlling interest are deducted. Adjusted EBITDA for the investment in Bristol Water is included at Capstone's proportionate ownership interest. Capstone's definition of AFFO measures cash generated by its infrastructure business investments that is available for dividends and general corporate purposes. For wholly owned businesses, AFFO is equal to Adjusted EBITDA less interest paid, repayment of principal on debt, income, taxes paid and maintenance capital expenditures. For businesses that are not wholly owned, the cash generated by the business is only available to Capstone through periodic dividends. For these businesses, AFFO is equal to distributions received. Also deducted from AFFO are corporate expenses and dividends on Preferred Shares.

Each of the two business performance measures accounts for a 35% weighting of the STIP Payout Ratio. For each of these measures, a target value is set for the relevant year by the Board (upon recommendation by the CG&C Committee). Actual business performance relative to the target values for each of these business performance measures has a corresponding payout multiplier as described in the table below:

Category	Actual Performance as % of Target Business Performance Measure	Business Performance Measure Payout Multiplier
Below Threshold	less than 90%	0%
Threshold	90%	50%
Target	100%	100%
Maximum	110%	150%

If the measure of actual business performance falls between the target value and either the threshold value or the maximum value, the payout multiplier value is interpolated.

Adjusted EBITDA and AFFO/Common Share are useful measures for short-term compensation as these metrics capture the financial performance of the Corporation for the period. For more information on the calculation of Adjusted EBITDA and AFFO/Common Share, see "Non-GAAP and Additional GAAP Performance Measure Definitions" in Capstone's annual management's discussion and analysis for the year ended December 31, 2013, which is available under Capstone's profile on SEDAR at www.sedar.com.

5.1.6.2.2. Individual Performance Measures

Individual performance measures account for an aggregate 30% weighting of the STIP Payout Ratio. Individual performance measures for NEOs other than the CEO are agreed to between each NEO and the CEO and reviewed by the CG&C Committee, with the individual performance measures of the CEO being agreed upon by the CEO and the CG&C Committee, subject to approval of the Board.

Actual performance relative to these measures is subject to a payout multiplier ranging from 0% to 200%, based on the assessment of the achievement of the individual performance measures as determined by the CG&C Committee and the Board, as applicable.

The Board (acting reasonably and in consultation with the NEOs) retains the right to adjust the targets for the business performance measures and individual performance measures to address major corporate transactions or other extraordinary events.

5.1.6.3. Long-Term Incentive Plan

LTIP awards are granted each year based on a percentage of an NEO's base salary. In addition, additional RSUs may be issued at the discretion of the CG&C Committee. To date, no discretionary RSUs have been granted.

Each LTIP award is composed of 50% of RSUs and 50% of PSUs. RSUs are subject to time-based vesting and PSUs are subject to both time-based vesting and performance-related vesting. In certain circumstances, accelerated vesting of LTIP awards may occur. See "5.5. Executive Employment Agreements".

Unless otherwise provided in the applicable grant agreement, RSUs vest at the end of the second full year after the year of the grant and PSUs vest at the end of the second full year after the year of the grant based on a Performance Multiplier (described below). If and when cash dividends are paid on the Common Shares after the grant date and until the settlement of any LTIP awards, additional RSUs and PSUs ("**Dividend equivalent RSUs and PSUs**"), as applicable, will be granted to the LTIP award recipients equal to the product of the amount of the cash dividend per Common Share and the number of RSUs and PSUs granted pursuant to the LTIP awards. This includes any Dividend Equivalent RSUs and PSUs granted after the original grant date but before the issuance of the cash dividend in question. The Dividend Equivalent RSUs and PSUs will be subject to the same terms and conditions, including vesting and settlement terms, as the original LTIP awards.

At the discretion of the CG&C Committee, vested RSUs and PSUs can be settled and paid in cash, through the purchase of Common Shares on the open market or a combination of these alternatives or in the form of DSUs (see "5.1.6.4. Deferred Share Units").

The number of PSUs that vest at the end of the vesting period, which may be more or less than 100% of the PSUs granted, will be determined based upon a performance multiplier (the "**Performance Multiplier**") reflecting the achievement of one or more performance conditions as compared to a Performance Peer Group (see definition below), that is set at the time of the PSU grant.

For the purpose of determining the performance multiplier for the PSUs granted prior to 2014, the CG&C Committee established a "**Performance Peer Group**", which includes entities similar to Capstone in terms of sector focus, size and complexity, or similar in scope and size to what Capstone aspires to be. This group was comprised of:

- ▶ Algonquin Power & Utilities Corp.
- ▶ Altagas Ltd.
- ▶ Atlantic Power Corp.
- ▶ Boralex Inc.
- ▶ Capital Power Corp.
- ▶ Enercare Inc.
- ▶ Innergex Renewable Energy Inc.
- ▶ Just Energy Group Inc.
- ▶ Maxim Power Corp.
- ▶ Northland Power Inc.
- ▶ Primary Energy Recycling Corp.
- ▶ Veresen Inc.

The Corporation considers "**Total Shareholder Return**" as the difference, expressed as a percentage, between:

- ▶ An initial hypothetical investment (the "**Investment Shares**") of \$100 in common shares (of the Corporation or the members of the Performance Peer Group, as applicable) on the first day of the applicable vesting period, which is expressed as a number of common shares determined by dividing \$100 by the market price on the first day of the vesting period. The number of Investment Shares is increased over time to reflect the re-investment of any dividends paid on common shares issued during the vesting period; and
- ▶ The ending dollar value of the Investment Shares, which is a product of the number of Investment Shares and the market price of the common shares on the last day of the vesting period.

For PSUs granted in 2011, 2012 and 2013, vesting is contingent on the three-year vesting period and on Capstone's Total Shareholder Return relative to the Total Shareholder Return of the members of the Performance Peer Group. The Total Shareholder Return for each entity in the Performance Peer Group will be calculated in the same manner as it is calculated for Capstone. The CG&C Committee believes that Total Shareholder Return is a useful measure of performance for the PSUs as it reflects Capstone's mission to provide Shareholders with an attractive total return from responsibly managed long-term investments in core infrastructure in Canada and internationally by providing reliable income and capital appreciation.

Actual Performance vs. Performance Peer Group	Performance Multiplier
< 25 th percentile	0
37.5 th percentile	0.5
50 th percentile	1
at or above 75 th percentile	2

If performance falls between the defined performance levels, the performance multiplier used will be determined on a proportionate basis by the CG&C Committee.

As noted above, Hugessen was engaged in 2013 to provide advice on compensation matters (including assistance in identifying an appropriate compensation performance peer group for the NEOs). In consultation with Hugessen, the CG&C Committee focused primarily (with certain exceptions) on entities that are: (a) listed on the Toronto Stock Exchange; (b) comparable in size to Capstone; (c) headquartered in Canada or the United States (with significant Canadian revenues); and (d) in comparable industries to Capstone (e.g., utilities, independent power producers and infrastructure).

An updated Performance Peer Group was adopted by the CG&C Committee for the purpose of determining the performance multiplier for the PSUs granted in respect of the 2014 financial year. The group is comprised of:

- ▶ Algonquin Power & Utilities Corp.
- ▶ Alterra Power Corp.
- ▶ Atlantic Power Corp.
- ▶ Bilfinger Berger Global Infrastructure Fund
- ▶ Boralex Inc.
- ▶ Capital Power Corp.
- ▶ Enbridge Income Fund Holdings Inc.
- ▶ Innergex Renewable Energy Inc.
- ▶ Maxim Power Corp.
- ▶ Northland Power Inc.
- ▶ Pattern Energy Group Inc.
- ▶ TransAlta Renewables Inc.
- ▶ Valener Inc.

In addition to changes in the peer group, the LTIP performance multiplier was changed from the prior percentile method to a relative performance measure as described below.

Vesting of PSUs granted in 2014 will be contingent on the three-year vesting period and on Capstone's TSR relative to the TSR of the members of the Performance Peer Group. The Performance Multiplier will be calculated as follows:

Actual Performance vs. Performance Peer Group	Performance Multiplier
Less than: Median TSR of Performance Peer Group (" Median ") minus 15% compound annual growth rate (" CAGR ")	0
Median minus 15% CAGR	0.5
Median	1.0
Median plus 15% CAGR	2.0
Greater than: Median plus 15% CAGR	2.0

Performance between defined TSR performance levels will be determined on a linear interpolated basis by the CG&C Committee.

5.1.6.4. Deferred Share Units

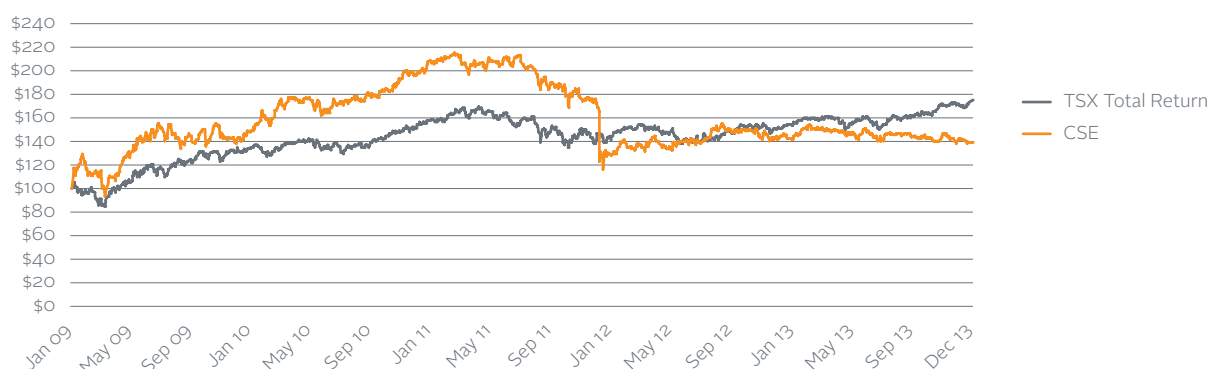
Effective January 1, 2014, and prior to the year in which a particular STIP award relates, an NEO may elect to have up to 100% of such STIP award for that year paid in DSUs instead of cash. A DSU is a notional share that has the same value as one Common Share. Its value fluctuates with variations in the market price of the Common Shares. DSUs do not have voting rights but accrue dividends in the form of additional DSUs in the same notional amount as dividends paid on the Common Shares. The number of DSUs granted is determined by dividing the amount payable by the volume-weighted average price for the Common Shares on the TSX for the five-trading day period prior to the date of the grant. Such DSUs vest on issuance but are required to be held, at a minimum, until the date that the NEO ceases to be employed by Capstone or its affiliates, following which each DSU will be redeemed for cash within a prescribed period at the prevailing Common Share price at the date of redemption.

In addition, effective January 1, 2014 and prior to the grant of any particular RSU or PSU award, an NEO may choose to have up to 100% of such award granted in the form of DSUs. Such DSUs vest on the same terms as the original RSU or PSU award, as applicable, but are required to be held, at a minimum, until the date that the NEO ceases to be employed by Capstone or its affiliates, following which each DSU will be redeemed for cash within a prescribed period at the prevailing Common Share price at the date of redemption.

5.1.7. Common Share Performance Graph

The Common Shares have been listed on the TSX since January 10, 2011, when Capstone converted to a corporation from an income fund structure. The trust units of our predecessor entity, Macquarie Power & Infrastructure Income Fund, were listed on the TSX on April 30, 2004.

The following graph compares the cumulative total shareholder return on a \$100 investment in units/Common Shares with the cumulative total return on a \$100 investment in the S&P/TSX Composite Total Return Index if invested on the first day of the five-year period beginning on January 1, 2009 and ending on December 31, 2013. For the purpose of calculating the cumulative return on the units/Common Shares, we assume that distributions and dividends, as applicable, are reinvested. Historical unit/Common Share performance as set out below does not necessarily indicate future price performance of the Common Shares.



Prior to the completion of the Internalization Transaction (see “5.1.1. Internalization Transaction”), the compensation earned by the persons serving as the executive officers of the Corporation and its subsidiaries, that can be attributed to the services they provided to the Corporation and its subsidiaries on behalf of MPML, was not within or subject to the discretion of the Directors as these individuals were employed by MIRACL. Accordingly, compensation paid to such executive officers was not based upon, and may not be comparable to, the total return of the Units/Common Shares relative to any particular index.

Following completion of the Internalization Transaction, a compensation policy was implemented for all NEOs that includes the LTIP, which is linked to the share price performance of the Common Shares (and, in the case of the PSUs, to the Corporation's performance against the Performance Peer Group, see “5.1.6.3. Long-Term Incentive Plan”), as the Board believes that linking a portion of an NEO's individual compensation to the performance of the Common Shares creates long-term Shareholder value. However, the Corporation's determination of executive compensation is based upon the policies and procedures detailed previously and is not based upon the total return of the Common Shares relative to any particular index.

5.2. 2013 Executive Compensation

5.2.1. Components of Compensation as a Percentage of 2013 Target Total Compensation

The CG&C Committee determination of the relative proportion of each component of compensation to 2013 target total compensation for each NEO, based upon the NEO's role and responsibilities and the compensation objectives discussed above, is as follows⁽¹⁾:

Name	Salary (%)	Target STIP (%)	LTIP (%)
Michael Bernstein	33.3%	33.3%	33.3%
Michael Smerdon	40.0%	30.0%	30.0%
Stu Miller	64.5%	19.4%	16.1%
Jack Bittan	43.5%	26.1%	30.4%
Rob Roberti	60.6%	18.2%	21.2%

Note:

(1) May not total 100% due to rounding.

5.2.2. 2013 Salary

The salaries for each NEO for 2013 are presented in the table below:

Name	Annual Salary
Michael Bernstein	\$ 400,000
Michael Smerdon	\$ 330,000
Stu Miller	\$ 288,000
Jack Bittan	\$ 265,000
Rob Roberti	\$ 240,000

No changes to NEO salaries were made for 2014.

5.2.3. 2013 Short-Term Incentive Plan Awards

The STIP is awarded based on performance against a combination of business performance measures and individual objectives for 2013 that were established and approved by the CG&C Committee and the Board prior to the commencement of the 2013 fiscal year.

For 2013, the Target STIP Awards for Mr. Bernstein, Mr. Smerdon, Mr. Miller, Mr. Bittan and Mr. Roberti were 100%, 75%, 30%, 60% and 30% of their salaries, respectively, as described above.

To determine the actual 2013 STIP awards, the targets were adjusted by the STIP Payout Ratio, which was based on Adjusted EBITDA and AFFO/Common Share business performance measures, each with a 35% weighting, and individual performance measures set for each NEO, which have a 30% weighting, each subject to the applicable payout multiplier.

The calculations of the payout multiplier for each of the business performance measures, which are applicable to each NEO, are as follows:

Business Performance Measure	Threshold	Target	Maximum	Actual 2013 Performance	Business Performance Measure Payout Multiplier
Adjusted EBITDA	\$ 108,118,800	\$ 120,132,000	\$ 132,145,200	\$ 128,421,000	134%
AFFO/Common Share	\$ 0.331	\$ 0.368	\$ 0.405	\$ 0.493	150%

In addition to personal and career development objectives, there are three primary categories that are assessed as part of each NEO's (other than the CEO) annual individual performance objectives: financial; strategy; and operations. The CEO's annual individual performance objectives also include: leadership, reputation, and community and industry involvement. Each performance objective category for the NEOs has several specific objectives that are reviewed and agreed with the CEO (in the case of all

non-CEO NEOs) and the Board (in the case of the CEO) and then evaluated at year-end to determine whether the NEO has achieved his objectives. The following table provides an overview of each NEO's key individual performance measures for the year and the overall assessment of his performance and the individual performance measure payout multiplier:

Name		Key Individual Performance Achievements	Overall Assessment of Performance and Individual Performance Measure Payout Multiplier
Michael Bernstein	Financial	<ul style="list-style-type: none"> ▶ Strong financial performance across entire portfolio, including achieving adjusted EBITDA of \$128.4 million at high end of expected range 	100%
	Strategy	<ul style="list-style-type: none"> ▶ Completed acquisition of Renewable Energy Developers Inc. ("ReD"), which added net 95 MW of operating wind assets and a pipeline of contracted development opportunities representing net 79 MW of capacity ▶ Significantly progressed negotiations for a new contract for Cardinal co-generation facility, which contract was executed in Q1 2014 	
	Operations	<ul style="list-style-type: none"> ▶ Maintained excellence in operational capabilities at each of Capstone's business units ▶ Achieved zero lost-time incidents for Canadian wholly-owned business units and continued focus on strong safety record at Swedish district heating business and UK water utility business units 	
	Leadership	<ul style="list-style-type: none"> ▶ Elected to Capstone Board of Directors ▶ Achieved ICD.D designation ▶ Led and maintained an experienced senior management team with average tenure with Capstone of six years 	
	Reputation	<ul style="list-style-type: none"> ▶ Capstone named to Profit Magazine's 2013 Profit 500 listing of Canada's fastest-growing companies ▶ Recognized as industry expert in numerous media appearances 	
	Community/ Industry Involvement	<ul style="list-style-type: none"> ▶ Vice Chair of the Association of Power Producers of Ontario (APPRO) ▶ Director of Build Toronto, the City of Toronto's real estate and development corporation ▶ Member of Toronto Region Board of Trade's Infrastructure committee ▶ Director of Youth in Motion, a children's charity ▶ Speaker at seven industry conferences 	
Michael Smerdon	Financial	<ul style="list-style-type: none"> ▶ Established new corporate credit facility with \$32.5 million of available credit, with longer term and lower interest rates than previous facility, and further increased to \$50 million in Q1 2004 ▶ Designed corporate reorganization for efficiencies following ReD acquisition ▶ Developed financing plan for ReD development projects ▶ Effectively managed consolidated currency and interest rate exposure 	100%
	Strategy	<ul style="list-style-type: none"> ▶ Led integration of personnel and assets following ReD acquisition ▶ Oversaw share exchange and assumption of convertible debentures for ReD acquisition 	
	Operations	<ul style="list-style-type: none"> ▶ Oversaw internal audit and corporate risk management process ▶ Capstone presented with an Award of Excellence in Corporate Reporting - Clean Technology by the Chartered Professional Accountants of Canada ▶ Oversight of comprehensive budget and business planning process for Capstone and its subsidiaries ▶ Effectively managed Capstone's liquidity and financial flexibility 	

Stu Miller	Financial	▶ Effective management of external legal fees	115%
	Strategy	▶ Led legal aspects of ReD acquisition, including oversight of principal agreements, disclosure documents, shareholder meeting, share exchange and assumption of convertible debentures ▶ Oversight of various initiatives	
	Operations	▶ Litigation management ▶ Various initiatives in ensuring disclosure practices are best in class ▶ New responsibilities in respect of the ReD development projects	
Jack Bittan	Financial	▶ Achieved targeted EBITDA and dividends for Swedish district heating business unit ▶ Achieved targeted EBITDA and capital expenditure for UK water utility business unit	120%
	Strategy	▶ Managed new BC-based power development team ▶ Led team on ReD acquisition	
	Operations	▶ Progressed business initiatives at the Swedish district heating business unit ▶ Assisted with PR14 business plan submission to regulator at UK water utility ▶ Assumed new responsibilities in respect of the ReD development projects	
Rob Roberti	Financial	▶ Achieved targeted and budget for power generation business unit	85%
	Strategy	▶ Significantly progressed negotiations for a new contract for Cardinal co-generation facility, which contract was executed in Q1 2014 ▶ Significantly progressed negotiations for a new fuel supply agreement at Whitecourt biomass facility ▶ Advanced several legal and regulatory matters ▶ Contributed to successful industry resolution of policy changes affecting Ontario's wind sector	
	Operations	▶ Oversight of various initiatives ▶ Achieved zero lost-time incidents for Canadian wholly-owned business units ▶ Partial achievement of a number of administrative and other management initiatives across power generation portfolio ▶ Assumed new responsibilities in respect of the ReD operating facilities	

The following table presents the STIP awards for each NEO earned in respect of 2013:

Name	Business Performance Measures x Payout Multipliers ⁽¹⁾		Individual Performance Measure (30%) x Payout Multiplier ⁽²⁾	Actual 2013 STIP Award			
	Adjusted EBITDA (35%)	AFFO/Common Share (35%)		STIP Payout Ratio (% of Target)	Target STIP Award (% of Salary)		(\$)
Michael Bernstein	47.1%	52.5%	30%	129.6%	100%	129.6%	\$ 518,400 ⁽³⁾
Michael Smerdon	47.1%	52.5%	30%	129.6%	75%	97.2%	\$ 320,750
Stu Miller	47.1%	52.5%	34.5%	134.1%	30%	40.2%	\$ 115,850
Jack Bittan	47.1%	52.5%	36%	135.6%	60%	81.4%	\$ 215,600
Rob Roberti	47.1%	52.5%	25.5%	125.1%	30%	37.5%	\$ 90,100

Notes:

(1) Adjusted EBITDA and AFFO/Common Share business performance measure payout multipliers were 134% and 150%, respectively (see "5.2.3. 2013 Short-Term Incentive Plan Awards").

(2) Individual performance measure payout multipliers for the NEOs were: Mr. Bernstein – 100%; Mr. Smerdon – 100%; Mr. Miller – 115%; Mr. Bittan – 120%; and Mr. Roberti – 85%.

(3) In 2013, Mr. Bernstein volunteered to receive RSUs in lieu of 100% of his cash entitlement under the STIP for 2013. The Board and CG&C Committee determined that such grant of RSUs was appropriate and approved such grant. The number of RSUs granted to Mr. Bernstein was 127,393 and was determined by dividing the applicable percentage of his cash entitlements under the STIP for 2013 by the volume-weighted average trading price for the Common Shares on the TSX for the five-trading day period prior to the date of the RSU issuance on March 31, 2014, being \$4.0693 per Common Share.

5.2.4. 2013 Long-Term Incentive Plan Awards

For the year ended December 31, 2013, the following awards were made to the NEOs under the LTIP. The vesting period for both the RSUs and PSUs granted in 2013 is from January 2, 2013 to December 31, 2015:

Name	2013 LTIP Award (% of Salary)	Total LTIP Award		RSUs		PSUs	
		(#) ⁽¹⁾	(\$) ⁽²⁾	(#) ⁽¹⁾	(\$) ⁽²⁾	(#) ⁽¹⁾	(\$) ⁽²⁾
Michael Bernstein	100%	100,124	\$ 400,000	50,062	\$ 200,00	50,062	\$ 200,000
Michael Smerdon	75%	61,956	\$ 247,500	30,976	\$ 123,750	30,976	\$ 123,750
Stu Miller	25%	18,024	\$ 72,000	9,012	\$ 36,000	9,012	\$ 36,000
Jack Bittan	70%	46,432	\$ 185,500	23,216	\$ 92,750	23,216	\$ 92,750
Rob Roberti	35%	21,026	\$ 84,000	10,513	\$ 42,000	10,513	\$ 42,000

Notes:

(1) Does not include the 127,393 RSUs that Mr. Bernstein volunteered to receive in lieu of 100% of his cash entitlement under the STIP for 2013 as those RSUs were granted on March 31, 2014. See "5.2.3. 2013 Short-Term Incentive Plan Awards".

(2) Represents the grant-date fair value. The grant-date fair value is determined by multiplying the number of awards granted by the volume-weighted average trading price for the Common Shares on the TSX for the five-trading day period prior to the date of their issuance on January 2, 2013, being \$3.5482 per Common Share for the 2013 LTIP awards.

5.3. Summary Compensation Table

The following table presents the compensation earned by each NEO from the Corporation during the fiscal years ended December 31, 2013, 2012 and 2011, as well as, where indicated, the compensation earned from MPML (or its affiliates) during the fiscal year ended December 31, 2011 that is attributable to the NEO's work for Capstone. See "5.1.1. Internalization Transaction".

Name and Principal Position	Year ⁽¹⁾	Salary ⁽²⁾		STIP	LTIP ⁽³⁾	All Other Compensation ⁽⁴⁾	Total Compensation				
Michael Bernstein ⁽⁵⁾											
	2013	\$	400,000	\$	518,400 ⁽⁶⁾	\$	400,000	\$	–	\$	1,318,400
	2012	\$	400,000	\$	467,200 ⁽⁶⁾	\$	400,000	\$	–	\$	1,267,200
	2011	\$	283,333	\$	358,500 ⁽⁶⁾	\$	400,000	\$	1,349,167	\$	2,391,000
Michael Smerdon ⁽⁷⁾											
	2013	\$	330,000	\$	320,750	\$	247,500	\$	–	\$	898,250
	2012	\$	330,000	\$	303,930	\$	247,500	\$	–	\$	881,430
	2011	\$	230,208	\$	234,914 ⁽⁶⁾	\$	243,754	\$	834,907	\$	1,543,783
Stu Miller ⁽⁸⁾											
	2013	\$	288,000	\$	115,850	\$	72,000	\$	–	\$	475,850
	2012	\$	288,000	\$	100,915	\$	72,000	\$	–	\$	460,915
	2011	\$	198,333	\$	87,570	\$	70,012	\$	393,229	\$	749,144
Jack Bittan ⁽⁹⁾											
	2013	\$	265,000	\$	215,600	\$	185,500	\$	–	\$	665,600
	2012	\$	265,000	\$	200,022	\$	185,500	\$	–	\$	650,522
	2011	\$	184,167	\$	171,405	\$	182,002	\$	649,987	\$	1,187,561
Rob Roberti ⁽⁹⁾											
	2013	\$	240,000	\$	90,100	\$	84,000	\$	–	\$	414,050
	2012	\$	240,000	\$	84,096	\$	84,000	\$	–	\$	408,096
	2011	\$	166,458	\$	71,117	\$	82,253	\$	319,546	\$	639,374

Notes:

(1) Prior to the completion of the Internalization Transaction on April 15, 2011, none of the NEOs were employed by the Corporation or any of its subsidiaries and neither the Corporation nor any of its subsidiaries provided any remuneration to the NEOs or any of their respective associates. The individuals who were appointed to serve as the NEOs of the Corporation prior to completion of the Internalization Transaction were employees of MIRACL that were recommended by MPML and were appointed to serve as the executive officers of the Corporation by the Directors. Such

executive officers served in such capacity on an "as needed basis" and the compensation that such officers received from MPML and its affiliates was not within or subject to the discretion of the Directors. See "5.1.1. Internalization Transaction".

- (2) For 2011, the salary for each NEO is pro-rated from April 15, 2011 (the date on which each NEO became an employee of the Corporation) to December 31, 2011.
- (3) The grant-date fair value of the RSUs and PSUs issued in 2013, 2012 and 2011 is determined by multiplying the number of RSUs and PSUs granted by the volume-weighted average trading price for the Common Shares on the TSX for the five-trading day period prior to the date of their issuance on January 2, 2013, January 3, 2012 and June 17, 2011, being \$ 3.9951, \$3.7828 and \$7.8666, respectively, per Common Share.
- (4) "All Other Compensation" includes compensation paid under the Corporation's employee share purchase plan ("ESPP"). See "5.8. Employee Share Purchase Plan". For 2011, these amounts include one-time payments in connection with the Internalization Transaction of \$1,250,000 to Mr. Bernstein, \$750,000 to Mr. Smerdon, \$325,562 to Mr. Miller, \$620,195 to Mr. Bittan and \$251,005 to Mr. Roberti in accordance with each such NEO's employment agreement with the Corporation representing profit-share entitlements, amounts in lieu of vacation and/or retention amounts earned by the NEOs while employees of MIRACL. For Mr. Bernstein, Mr. Smerdon and Mr. Miller, these amounts also include the portion of the total compensation paid by MIRACL to each NEO, including salary, bonus and all other compensation including perquisites and other personal benefits, that can be attributed to services each provided to the Corporation and its subsidiaries on behalf of MPML from January 1, 2011 to April 14, 2011. Such allocation was determined solely for the purposes of this table, based on the role, responsibility and time spent by the respective officers to fulfill the requirements of their offices. See "5.1.1. Internalization Transaction".
- (5) Mr. Bernstein was appointed President and Chief Executive Officer of the Fund effective July 6, 2009, after serving as its President and Chief Executive Officer on an interim basis since April 15, 2009. In connection with the conversion of the Fund into the Corporation, effective January 1, 2011, Mr. Bernstein was appointed the President and Chief Executive Officer of the Corporation.
- (6) Mr. Bernstein was granted 127,393 RSUs in lieu of 100% of his cash entitlement under the STIP for 2013, 109,969 RSUs in lieu of 100% of cash entitlement under the STIP for 2012 and 84,758 RSUs in lieu of 100% of his cash entitlement under the STIP for 2011. See "5.2.3. 2013 Short-Term Incentive Plan Awards". Mr. Smerdon was granted 27,770 RSUs in lieu of 50% of his cash entitlement under the STIP for 2011. The number of RSUs granted to each of Mr. Bernstein and Mr. Smerdon was determined by dividing the applicable percentage of their cash entitlements under the STIP for 2013, 2012 and 2011, as applicable, by the volume-weighted average trading price for the Common Shares on the TSX for the five-trading day period prior to the date of the applicable RSU issuance on March 31, 2014, March 20, 2013 and March 23, 2012, being \$4.0693, \$4.2485 and \$4.2297 per Common Share, respectively.
- (7) Mr. Smerdon was appointed Vice President, Chief Financial Officer and Secretary of the Fund effective August 14, 2009. In connection with the conversion of the Fund into the Corporation, effective January 1, 2011, Mr. Smerdon was appointed the Executive Vice President, Chief Financial Officer and Secretary of the Corporation. On March 10, 2011, Mr. Smerdon ceased to be the Secretary of the Corporation.
- (8) Prior to January 1, 2011, Mr. Miller was the Vice President and General Counsel of the Fund. In connection with the conversion of the Fund into the Corporation, effective January 1, 2011, Mr. Miller was appointed the Executive Vice President and General Counsel of the Corporation. On March 10, 2011, Mr. Miller was also appointed as the Corporate Secretary of the Corporation.
- (9) Mr. Bittan and Mr. Roberti each became employees of the Corporation on April 15, 2011 and were appointed as officers of the Corporation on April 18, 2011. Prior to April 15, 2011, both were employees of MIRACL.

5.4. Incentive Plan Awards

The following is a summary of all share-based incentive plan awards that vested during 2013 and all non-equity incentive plan compensation earned in 2013:

Name	LTIP Awards – Value Vested During 2013			STIP Awards Earned During 2013 (\$)
	RSUs (\$) ⁽¹⁾	PSUs (\$) ⁽²⁾	Total (\$)	
Michael Bernstein	\$ 114,188	–	\$ 114,188	\$ 518,400 ⁽³⁾
Michael Smerdon	\$ 69,591	–	\$ 69,591	\$ 320,750
Stu Miller	\$ 20,015	–	\$ 20,015	\$ 115,850
Jack Bittan	\$ 51,967	–	\$ 51,967	\$ 215,600
Rob Roberti	\$ 23,514	–	\$ 23,514	\$ 90,100

Notes:

- (1) The value of RSUs granted in 2011 and vesting in 2013 was calculated based upon the volume-weighted average trading price for the Common Shares on the TSX for the five-trading day period ending on December 31, 2013, being \$3.5482 per Common Share. Vested RSUs were subsequently settled in cash on January 31, 2014.
- (2) As a result of the Performance Multiplier being zero, no PSUs that were granted in 2011 vested in 2013 and such PSUs were cancelled in accordance with their terms.
- (3) In 2013, Mr. Bernstein volunteered to receive 127,393 RSUs in lieu of 100% of his cash entitlement under the STIP for 2013. The Board and CG&C Committee determined that such grant of RSUs was appropriate and approved such grant. The number of RSUs granted to Mr. Bernstein was determined by dividing the applicable percentage of his cash entitlements under the STIP for 2013 by the volume-weighted average price for the Common Shares on the TSX for the five-trading day period prior to the date of the RSU issuance on March 31, 2014, being \$4.0693 per Common Share. See "5.2.3. 2013 Short-Term Incentive Plan Awards".

The following table shows all awards under the LTIP outstanding as at December 31, 2013, the end of the Corporation's most recently completed financial year:

Name	Number of LTIP Awards Not Yet Vested ⁽¹⁾			Market Value of LTIP Awards Not Yet Vested ⁽²⁾			Market or Payout Value of Vested Share Based Awards Not Paid Out or Distributed		
	RSUs (#)	PSUs (#)	Total (#)	RSUs (\$)	PSUs (\$)	Total (\$)	RSUs (\$)	PSUs (\$)	Total (\$)
Michael Bernstein	328,916	115,322	444,238	\$ 1,170,941	\$ 410,546	\$ 1,581,487	\$ 114,188	–	\$ 114,188
Michael Smerdon	103,240	71,360	174,600	\$ 367,534	\$ 254,042	\$ 621,576	\$ 69,591	–	\$ 69,591
Stu Miller	20,766	20,766	41,532	\$ 73,927	\$ 73,927	\$ 147,854	\$ 20,015	–	\$ 20,015
Jack Bittan	53,483	53,483	106,966	\$ 190,399	\$ 190,399	\$ 380,799	\$ 51,967	–	\$ 51,967
Rob Roberti	24,222	24,222	48,444	\$ 86,230	\$ 86,230	\$ 172,461	\$ 23,514	–	\$ 23,514

Notes:

(1) Comprises the LTIP grants made on January 3, 2012 and January 2, 2013, plus Dividend Equivalent RSUs and Dividend Equivalent PSUs granted to account for dividends paid on the Common Shares since the date of such grants. Includes the 84,758 RSUs granted to Mr. Bernstein in lieu of 100% of his cash entitlement under the STIP for 2011, the 27,770 RSUs granted in 2012 to Mr. Smerdon in lieu of 50% of his cash entitlement under the STIP for 2011 and 109,969 RSUs granted in 2013 to Mr. Bernstein in lieu of 100% of his cash entitlement under the STIP for 2012. Does not include the 127,393 RSUs granted in 2014 to Mr. Bernstein in lieu of 100% of his cash entitlement under the STIP for 2013 as such grant occurred after December 31, 2013. See "5.2.3. 2013 Short-Term Incentive Plan Awards".

(2) The market value is determined by multiplying the number of awards not vested by the closing price for the Common Shares on the TSX on December 31, 2013, being \$3.56 per Common Share. For the PSUs, it is assumed that the Performance Multiplier is 1.0. See "5.1.6.3. Long-Term Incentive Plan".

5.5. Executive Employment Agreements

Each NEO has entered into an employment agreement with Capstone that includes provisions relating to the NEO's salary, benefits, perquisites, and short-and long-term incentives. In addition, each NEO's employment agreement contains provisions relating to the termination of the NEO's employment: (a) for cause, (b) without cause, (c) by the NEO for good reason or (d) in relation to a change of control, as summarized below.

5.5.1. Termination of Employment for Cause

Capstone may terminate the employment of an NEO at any time for cause by written notice to the NEO, whose termination is effective on the date that notice is received. In the event of a termination for cause, no further payments to the NEO are required under his or her employment agreement, except for certain amounts due and owing to the NEO for salary, STIP compensation, LTIP compensation, benefits, certain perquisites, vacation and expenses incidental to employment that have been earned or properly incurred and are owing at the time of the termination. All unvested LTIP awards would be cancelled.

5.5.2. Termination of Employment without Cause

Capstone may terminate the employment of an NEO at any time without cause by providing the NEO with a notice in writing and certain compensation in lieu of notice. This compensation includes:

- ▶ All outstanding salary, STIP compensation, LTIP compensation, certain perquisites, vacation and expenses incidental to employment that have been earned and are owing, including any unpaid wages and an annual STIP award pro-rated to the last day of employment calculated based on the average of the value of STIP payments made to the NEO in the two-year period prior to the termination (if the NEO's employment is terminated before a two-year average is available, the calculation will be on the basis of the NEO's Target STIP Award in the year of termination) and reimbursement for all proper expenses incurred in connection with Capstone's business ("**Accrued Compensation**");
- ▶ A retiring allowance (the "**Retiring Allowance**") equal to 12 months of Total Compensation (as defined below) plus one additional month of Total Compensation for each completed year of service (which includes years of service with Capstone's predecessor entities) to a maximum of 18 months (the "**Severance Period**"); and
- ▶ Continuing benefits coverage for the Severance Period or the NEO will be paid an amount equal to the premium cost or contributions that Capstone would otherwise have made.

"**Total Compensation**" includes payment in lieu of salary plus payment in lieu of STIP compensation based on the average of the value of STIP awards to the NEO in the two-year period prior to any termination without cause (or, if the NEO's employment is terminated before a two-year average is available, on the basis of the NEO's Target STIP Award in the year of termination).

In the event of termination without cause:

- ▶ All outstanding unvested RSUs issued under the LTIP will vest pro-rata to the date on which notice of termination without cause was delivered to the NEO, and paid out with the RSUs that remain unvested being cancelled; and
- ▶ Outstanding PSUs issued under the LTIP will vest pro-rata at the end of the vesting period based on the date of termination (with vesting being dependent on the applicable performance multipliers) and be paid out while the remaining unvested PSUs will be cancelled.

5.5.3. Termination of Employment for Good Reason

An NEO may terminate his employment at any time for Good Reason (as defined below) and be entitled to receive the same compensation and benefits that the NEO would have been entitled to if the NEO had been terminated by Capstone without cause.

“**Good Reason**” is any event that constitutes constructive dismissal under Canadian law, including, among other things, a change to the NEO’s duties or status, a reduction in the salary or a change to the STIP or LTIP that would materially reduce the NEO’s aggregate target incentive compensation (including any change to the performance metrics that would produce this result), ending benefit plans or perquisites, or requiring the NEO to relocate.

5.5.4. Termination of Employment following Change of Control

If an NEO’s employment is either terminated without cause or the NEO terminates his employment for Good Reason in the six-month period prior to the public announcement of a Change of Control (as defined below) of Capstone (applicable only if Capstone has knowledge of the potential Change of Control) or in the 12-month period following a Change of Control, the NEO is entitled to receive an amount equal to all Accrued Compensation plus 1.5 times the amount of the Retiring Allowance (subject to a maximum payment of 24 months of Total Compensation). In addition, the NEO’s entitlement to benefit coverage or pay in lieu of benefits will be increased by a corresponding period of months. On a Change of Control, all unvested LTIP awards, if any, will vest immediately, with any PSUs vesting based upon a performance multiplier equal to 1.0, and be paid out. In addition, in circumstances where an NEO is either terminated without cause or terminates his employment for Good Reason in the six-month period prior to the public announcement of a Change of Control (applicable only if Capstone has knowledge of the potential Change of Control) and a Change of Control subsequently occurs, all of the NEO’s unvested LTIP awards will vest immediately, with any PSUs vesting based on a performance multiplier equal to 1.0 and to be paid out as if the NEO was still an employee of Capstone on the date of the Change of Control.

“Change of Control” refers to a third party acquiring control in law (whether by sale, transfer, merger, consolidation or otherwise) of over 50% of the issued and outstanding voting shares of Capstone, or the sale, transfer or other disposition of all or substantially all of the company’s assets to a third party.

5.5.5. Payments upon Termination

Assuming that each of the NEOs was terminated on December 31, 2013, each NEO would have been entitled to receive the following total compensation from Capstone in each of the scenarios listed below (not including amounts due and owing at the time of termination):

Name	Termination for Cause (\$)	Termination without Cause ⁽¹⁾ (\$)	Termination due to Change of Control ⁽¹⁾ (\$)
Michael Bernstein	\$ 277,958	\$ 3,038,712	\$ 3,843,172
Michael Smerdon	\$ 71,106	\$ 1,680,955	\$ 2,226,963
Stu M. Miller	\$ 11,282	\$ 783,330	\$ 1,046,122
Jack Bittan	\$ 29,292	\$ 1,160,660	\$ 1,570,611
Rob Roberti	\$ 13,254	\$ 689,335	\$ 931,736

Note:

- (1) The value of RSUs and PSUs is determined by multiplying the number of awards vested upon the triggering event by the volume-weighted average price for the Common Shares on the TSX for the five-trading day period prior to December 31, 2013, being \$3.5482 per Common Share and, in the case of PSUs for Termination due to Change of Control, assuming a Performance Multiplier equal to 1.0. In the case of Termination without Cause, PSUs vest pro rata at the end of the vesting period based on the date of termination (with vesting being dependent on the applicable performance multipliers) and are paid out at such time, with unvested PSUs being cancelled. Amounts include a 2013 STIP award based upon the average of the NEO’s past 2 STIP payments (the actual 2013 STIP award was paid to each NEO on March 21, 2014).

5.5.6. Confidentiality and Non-Solicitation Obligations

Under each of their employment agreements with Capstone, the NEOs have agreed not to use for their own account nor disclose to anyone else any confidential or proprietary information or material relating to the Corporation's operations or business. In addition, each NEO has agreed, for a 12-month period following the end of his period of active employment, not to, among other things, solicit business from any customer or client of the Corporation with whom the NEO dealt during his employment with the Corporation for the benefit of any business which competes with the Corporation or any of its subsidiaries, or induce or entice away or in any other manner persuade or attempt to persuade any officer, employee, or agent of the Corporation or its subsidiaries to discontinue or alter any one or more of their relationships with the Corporation or its subsidiaries.

5.6. Executive Share Ownership Guidelines

The Board has adopted share ownership guidelines under which the NEOs are required to acquire and hold Common Shares or RSUs with a value equal to a percentage of their salaries within five years of the date they commenced their employment with Capstone:

- ▶ 300% for the CEO (increased from 200%);
- ▶ 200% for the Executive Vice President and Chief Financial Officer (increased from 150%); and
- ▶ 100% in the case of all other NEOs.

The value of the Common Shares or RSUs is based upon the greater of their acquisition cost (or equivalent value) or their market value (or equivalent value). The CG&C Committee may waive compliance with the stock ownership guidelines in certain circumstances. No waivers have been provided to date. As each of the NEOs became employees of the Corporation on April 15, 2011, they are each required to comply with the above share ownership guidelines by April 15, 2016.

5.7. Clawback Policy

Consistent with industry-standard risk-mitigation measures, the Board has adopted a clawback policy (the "**Clawback Policy**") in respect of compensation paid or payable to the CEO and the Executive Vice President and Chief Financial Officer (the "**CFO**"). Under the Clawback Policy, Capstone, at its discretion, may clawback the after-tax portion of cash and equity compensation awarded to the CEO and CFO, as applicable, in the event of a restatement of Capstone's financial results, and it is determined that the cash or equity awards paid or payable would have been lower had the restatement occurred prior to the payment or grant of such awards.

5.8. Employee Share Purchase Plan

Capstone's Employee Share Purchase Plan ("**ESPP**") is designed to encourage our employees and those of our participating subsidiaries to own Common Shares. In most instances, a participating employee can choose to have up to 15% of his or her annual base salary withheld through regular payroll deductions to buy Common Shares. Capstone matches a portion of that contribution equal to 50% of the participating employee's contribution, up to a maximum Capstone contribution of \$3,000 per year. The trustee of the ESPP buys Common Shares at market prices. The price of each Common Share acquired under the ESPP will be the average price per share of all Common Shares acquired under the ESPP on the date that the purchase is completed. While Common Shares acquired through a participating employee's contributions vest immediately, the Common Shares acquired with Capstone's matching contribution (including any dividends on those shares) will vest after one year, provided that the participating employee is still employed by Capstone or a participating subsidiary and the participating employee still holds the Common Shares that triggered the match.

At present, the purchase of treasury Common Shares is not available under the ESPP and Common Shares are not purchased at a discount. Capstone has the right to amend, suspend or terminate the ESPP in whole or in part if necessary or if required to comply with applicable laws or stock exchange rules as long as the existing rights of participating employees with respect to their own contributions or Common Shares already acquired under the ESPP are not adversely affected.

Prior to January 1, 2014, the ESPP did not provide for Capstone to match any contribution made by an NEO. However, effective January 1, 2014, NEOs are entitled to participate in the ESPP on the same terms as other participating employees.

6. CORPORATE GOVERNANCE

6.1. Overview

Capstone is subject to the Canadian Securities Administrators' National Instrument 58-101 – *Disclosure of Corporate Governance Practices* and National Policy 58-201 – *Corporate Governance Guidelines* (collectively, the “**Governance Rules**”). In addition, the Board, assisted by the CG&C Committee, has implemented various guidelines and policies to enhance and strengthen Capstone's corporate governance.

6.1.1. Corporate Governance Guidelines

A key component of Capstone's corporate governance is its corporate governance guidelines (the “**Guidelines**”). The Guidelines are annually reviewed by the Board, upon the recommendation of the CG&C Committee, and relate to various corporate governance matters, including:

- ▶ *Board Organization and Membership* – including the requirement that a majority of the Directors are to be Independent Directors and a majority voting policy for uncontested elections of Directors (see “**3.3.1. Majority Voting Policy**”);
- ▶ *Board Committees* – including the requirement that the Audit Committee and CG&C Committee be composed entirely of Independent Directors;
- ▶ *Board's Relationship with Management* – including the requirement for the Board to support and encourage the members of the senior management team in the performance of their duties and the requirement for the CG&C Committee to review and assess the Board's relationship with senior management; and
- ▶ *Director Responsibilities and Performance* – including the requirement to assess the overall performance and effectiveness of the Board and each of its committees, the Chairman of the Board, the Chairman of each committee of the Board and each Director on an annual basis.

The Guidelines are available on Capstone's website at www.capstoneinfrastructure.com.

6.1.2. Code of Business Conduct and Ethics

To encourage and promote a culture of ethical business conduct, the Board has adopted a written Code of Business Conduct and Ethics (the “**Code of Ethics**”). The Code of Ethics is applicable to all Directors, officers, employees, contractors and agents (collectively referred to in the Code of Ethics as “**Employees**”) of the Corporation and any subsidiary of the Corporation (the “**Capstone Infrastructure Group**”). The Code of Ethics generally outlines standards of conduct that must be met in the carrying out of an Employee's duties, including: (i) guidelines on the acceptance or offering of gifts, entertainment or other advantages in the conduct of business; (ii) guidelines relating to dealings with public officials; and (iii) prohibitions on the inappropriate gathering of competitive information. The Code of Ethics also provides detailed guidelines with respect to the identification and declaration of conflicts of interest, the protection of confidential information and the appropriate use of computer and communications systems.

The Code of Ethics requires all Employees to avoid all situations in which their personal interests conflict or might conflict with their duties to the Capstone Infrastructure Group by avoiding acquiring any interests or participating in any activities that could:

- ▶ Deprive the Capstone Infrastructure Group of the time or attention required to perform their duties properly; or
- ▶ Create an obligation or distraction which would affect their judgment or ability to act solely in the best interests of the Capstone Infrastructure Group.

In addition, Directors and officers of the Capstone Infrastructure Group are required to follow the procedures contained in the Code of Ethics (and also, in the case of the Directors, the Guidelines) in respect of material contracts or transactions to which they are a party or in which they have a material interest, including the requirement: (i) to disclose in writing all business, commercial or financial interests or activities that might reasonably be regarded as creating an actual or potential conflict of interest; and (ii) for the individuals in question to abstain from voting on such matters, as applicable.

The Board has delegated its responsibility for monitoring compliance with the Code of Ethics to the CG&C Committee which, among other things, reviews the Code of Ethics annually, is responsible for granting any waivers from the Code of Ethics and oversees management's implementation and monitoring of the Code of Ethics. Each year, each Employee is required to provide a written acknowledgement of his or her compliance with the Code of Ethics. To date, no waivers of the Code of Ethics have been granted. A copy of the Code of Ethics is available under the Corporation's profile on SEDAR at www.sedar.com and on the Corporation's website at www.capstoneinfrastructure.com.

6.1.3. Charter of Director Expectations

A Charter of Director Expectations (the "**Charter**") has also been developed to supplement the Guidelines and the Mandate of the Board (see "**6.2.1. Mandate of the Board**") by specifying certain expectations that the Board has for the Directors. The Board annually reviews the Charter. A copy of the Charter is attached to this Management Information Circular as Appendix "B".

6.2. Board of Directors

The Board consists of the number of Directors set by the Shareholders from time to time, with the number of Directors currently fixed at seven and the following individuals currently serving as Directors: Mr. Michael Bernstein, Mr. Richard Knowles, Mr. Goran Mornhed, Mr. Jerry Patava, Mr. François R. Roy, Mr. V. James Sardo (Chairman of the Board) and Ms. Janet Woodruff, all of whom are Independent Directors with the exception of Mr. Bernstein who is the CEO and an employee of Capstone. Mr. Derek Brown, who had served as a Director since 2004, resigned as a Director on February 28, 2013 and Mr. Lavelle, who served as a Director since 2004, did not seek re-election at Capstone's annual general meeting on June 18, 2013. The term of office of each Director currently in office expires at the close of the Meeting, unless he or she resigns or his or her office becomes vacant for any reason.

Certain Nominees are also directors of (or serve in similar capacities on behalf of) other public entities in Canada and in other jurisdictions. Please see "**4.1. Biographical Information of Nominees**" for (i) the names of those Nominees who serve as directors of (or serve in similar capacities on behalf of) other public entities and (ii) the names of those other public entities. The biography of each Nominee set forth under such heading also outlines each Nominee's relevant experience and expertise. No Nominee sits on the board of a public entity (other than the Corporation) on which another Director also sits. For information regarding the compensation of Directors, please see "**4.5. Director Compensation**".

The Board meets at least once each quarter, with additional meetings as the Board deems advisable, to review the business operations and financial results of the Corporation. Meetings of the Board include regular meetings with management to review and discuss specific aspects of the business operations of the Corporation. The Independent Directors hold in-camera sessions with only the Independent Directors present at each quarterly meeting of the Board and periodically during the year at other meetings. Between January 1, 2013 and December 31, 2013, the Independent Directors have met nine times without management present. Please see "**4.4. Attendance at Board and Committee Meetings**" for the attendance record of each Director for all Board meetings since the beginning of the 2013 fiscal year.

6.2.1. Mandate of the Board

The Board has a written mandate (the "**Mandate of the Board**") which specifies the Board's ongoing responsibility for stewardship of the Corporation. The Board annually assesses the Mandate of the Board. A copy of the Mandate of the Board is attached to this Management Information Circular as Appendix "C". The Board is ultimately responsible for supervising the activities and managing the business and affairs of the Corporation and, in so doing, is required to act in the best interests of the Corporation. The Board generally discharges its responsibilities either directly or through the Audit Committee or the CG&C Committee. Responsibilities of the Board set out in the Mandate of the Board include:

- ▶ Oversight of the Corporation's corporate governance;
- ▶ Monitoring of the Corporation's financial performance and other financial reporting matters;
- ▶ Approving the Corporation's policies and procedures; and
- ▶ Oversight of the Corporation's communications and reporting.

6.3. Committees

Each of the Board's two standing committees (the Audit Committee and the CG&C Committee) is comprised entirely of Independent Directors. The Board does not have a nominating committee as the functions that would otherwise be performed by such committee are performed by the CG&C Committee (either by itself or by the Nomination Sub-Committee).

6.3.1. Audit Committee

The current members of the Audit Committee are Mr. Mornhed, Mr. Roy (Chairman) and Ms. Woodruff. In accordance with applicable securities laws, each of the members of the Audit Committee is an Independent Director and is "financially literate", as such term is defined in applicable securities regulations. The Audit Committee corresponds directly with the Corporation's finance and accounting staff to review issues as appropriate and meets directly with PwC, the Corporation's external auditor, on a regular basis. The Audit Committee charter (the "**Audit Committee Charter**"), is attached as a schedule to the AIF, which is available under the Corporation's profile on SEDAR at www.sedar.com. The Audit Committee Charter is assessed annually and updated as required. The Audit Committee Charter outlines, among other things, the mandate of the Audit Committee to:

- ▶ Oversee the integrity, accuracy and transparency of the Corporation's financial statements and financial reporting process;
- ▶ Oversee the Corporation's internal controls and the management of risk to the Corporation;
- ▶ Oversee the qualifications and independence of the Corporation's external auditor;
- ▶ Communicate directly with the Corporation's finance and accounting staff to review issues as appropriate;
- ▶ Meet directly with PwC, Capstone's external auditor, on a regular basis;
- ▶ Oversee the work of the Corporation's financial management and external auditors; and
- ▶ Provide an open avenue of communication between the external auditors, the Board and management of the Corporation.

Further disclosure relating to the Audit Committee and its members, as required by applicable securities regulations, can be found in the AIF dated March 26, 2014 under the heading "Management of the Corporation-Audit Committee Information", which is available under the Corporation's profile on SEDAR at www.sedar.com.

6.3.2. CG&C Committee

The current members of the CG&C Committee are Mr. Knowles, Mr. Patava (Chairman) and Mr. Sardo, each of whom is an Independent Director. The mandate for the CG&C Committee is contained in the CG&C Committee Charter (the "**CG&C Committee Charter**"), and includes, among other things:

- ▶ Reviewing and making recommendations to the Board with regard to all forms of compensation to be paid to the Directors and the CEO;
- ▶ Reviewing the CEO's proposals regarding the compensation of the other senior executives of the Corporation;
- ▶ Identifying and recommending to the Board qualified candidates to nominate for election as Directors, with regard to the background, employment and qualifications of possible candidates, including, among other things, the competencies, skills, business and financial experience, leadership roles and level of commitment to fulfil Board responsibilities (see "**4.3. Director Nomination Process**");
- ▶ Reviewing and revising, as applicable, Capstone's approach to corporate governance issues;
- ▶ Succession planning for senior management and the Directors to ensure the orderly succession of responsibilities and making recommendations to the Board;
- ▶ Overseeing the annual Board and committee assessment and Director performance evaluation process; and
- ▶ Overseeing compliance with the Code of Ethics.

The CG&C Committee reviews and reassesses the adequacy of the CG&C Committee Charter annually and recommends any changes to the Board.

6.4. Board and Committee Assessment and Director Performance Evaluation

The CG&C Committee annually assesses the size and effectiveness of the Board as a whole and each committee of the Board, including evaluating the performance of the Chairman of the Board and the chairman of each committee as well as the performance and contribution of individual Directors. The evaluation process includes conducting an annual survey of the Directors to elicit their views on the effectiveness of the Board, the Chairman of the Board, the Board's committees, the chairman of each committee and the individual Directors. The results of the annual survey are reported to the Board. As part of its annual Director, Board and Committee assessment and performance review, the CG&C Committee prepares a skills and experience matrix for all Directors (see "4.2. Nominee Skills and Experience Matrix").

6.5. Position Descriptions

The Board has approved position descriptions for the Chairman of the Board, the Chairman of each of the Board's committees and the CEO. In accordance with the CG&C Charter, the CG&C Committee is responsible for annually reviewing and making recommendations to the Board regarding the foregoing position descriptions.

The Chairman of the Board is responsible for, among other things, overseeing the Board's discharge of its duties, governing the conduct of the Board, assisting the Board's committees and acting as a liaison between the Board and management. The Chairman of each of the Board's committees is responsible for, among other things, providing leadership to the respective committee to enhance its effectiveness. The CEO is responsible for managing the underlying business within the structure of the Corporation. The CEO's specific responsibilities include developing a long-term strategy for the Corporation, reporting to the Board on succession planning and consulting with the Chairman of the Board.

6.6. Director Continuing Education

The CG&C Committee oversees an orientation and education program for new Directors and provides ongoing educational opportunities for all Directors. To assist in familiarizing new Directors with the role of the Board and its committees, new Directors are provided with a Director Reference Manual, which includes the Guidelines, the Code of Ethics, the Mandate of the Board, the Audit Committee Charter, the CG&C Committee Charter, as well as the various position descriptions and other information relevant to their office. New Directors also receive a comprehensive orientation on the Corporation and its businesses and have the opportunity to meet with management of the Corporation and other members of the Board.

To ensure that the Directors maintain the knowledge and skill necessary to meet their obligations as Directors, the CG&C Committee from time to time arranges for presentations by key personnel or qualified outside consultants concerning topics related to the Corporation's business, changes to the Corporation's legal and regulatory framework and corporate and board governance matters. Management regularly advises the Directors of opportunities for continuing education and the Directors are encouraged to attend external continuing education programs at the expense of the Corporation.

Directors attended the following internal and external continuing education programs during 2013:

2013	Topic	Presented/Hosted by	Attended by ⁽¹⁾
January	Executive Compensation Smart Cities Summit	Towers Watson Strategy Institute	V.J. Sardo M. Bernstein
March	Site Visit to Cardinal and Erie Shores Annual Utilities and Gas Conference	Capstone Macquarie Group	G. Mornhed M. Bernstein
April	Earned ICD.D certification	Institute of Corporate Directors ("ICD")	M. Bernstein
May	Ontario Electricity Industry Internal Audit Processes	Sussex Strategy Group PricewaterhouseCoopers	All Directors V.J. Sardo
June	Executive Compensation Board Succession Planning Director Orientation Effective Audit Committee Oversight M&A Due Diligence – What Directors Should Know A New Economic Cycle: New Realities, New Frontiers	Hugessen ICD Capstone KPMG ICD International Economic Forum of the Americas	All Directors V.J. Sardo R. Knowles J. Woodruff J. Woodruff J. Woodruff M. Bernstein
October	Executive Compensation Site Visit to Värmevärdén and Bristol Water CIBC Fall Economic Summit CEO Transition – Tackling the Thorny Issues The Role of the Board in Major Project Execution Oversight	Meridian Compensation Partners Capstone CIBC Deloitte ICD	V.J. Sardo G. Mornhed J. Woodruff J. Woodruff J. Woodruff
November	Executive Compensation – Why it's so Hard to get it Right Enterprise Risk Oversight for Directors CCPPP National Conference on Public-Private Partnerships Annual Canadian Power Conference	ICD ICD Canadian Council for Public-Private Partnerships Association of Power Producers of Ontario	J. Woodruff J. Woodruff M. Bernstein M. Bernstein

Note:

(1) Does not include information for Mr. Brown or Mr. Lavelle.

APPENDIX “A”: ADVANCE NOTICE POLICY

(Initially adopted by the Board of Directors on May 12, 2014)

Introduction

The Corporation is committed to: (i) facilitating an orderly and efficient annual general meeting or, where the need arises, special meeting process; (ii) ensuring that all shareholders of the Corporation (“**Shareholders**”) receive adequate notice of the director nominations and sufficient information with respect to all nominees; and (iii) allowing Shareholders to register an informed vote having been afforded reasonable time for appropriate deliberation.

The purpose of this Advance Notice Policy (the “**Policy**”) is to provide Shareholders, directors and management of the Corporation with direction on the procedure for the nomination of directors. This Policy is the framework by which the Corporation seeks to fix a deadline by which holders of record of common shares in the capital of the Corporation must submit director nominations to the Corporation prior to any annual or special meeting of Shareholders and sets forth the information that a Shareholder must include in the notice to the Corporation for any director nominee to be eligible for election at any annual or special meeting of Shareholders.

It is the position of the Corporation that this Policy is in the best interests of the Corporation, its Shareholders and other stakeholders. This Policy will be subject to an annual review by the Corporation's Board of Directors (the “**Board**”), and will reflect changes as required by securities regulatory authorities or stock exchanges, so as to meet industry standards from time to time, or as otherwise determined to be in the best interests of the Corporation and its Shareholders.

Nominations of Directors

1. Nominations of persons for election to the Board may be made at any annual meeting of Shareholders or at any special meeting of Shareholders if one of the purposes for which the special meeting was called was the election of directors. Only persons who are eligible under the **Business Corporations Act** (British Columbia) (the “**Act**”) and who are nominated in accordance with the following procedures shall be eligible for election as directors of the Corporation:
 - a. by or at the direction of the Board, including pursuant to a notice of meeting;
 - b. by or at the direction or request of one or more Shareholders pursuant to a valid proposal made in accordance with the provisions of the Act, or a requisition of meeting of the Shareholders made in accordance with the provisions of the Act; or
 - c. by any person (a “**Nominating Shareholder**”): (A) who, at the close of business on the Notice Date (as defined below) and on the record date for notice of such meeting of Shareholders, is entered in the securities register of the Corporation as a holder of one or more shares carrying the right to vote at such meeting or who beneficially owns shares that are entitled to be voted at such meeting; and (B) who complies with the notice procedures set forth below in this Policy.
2. In addition to any other applicable requirements, for a nomination to be made by a Nominating Shareholder, the Nominating Shareholder must have given timely notice thereof in proper written form to the Corporate Secretary of the Corporation at the principal executive offices of the Corporation in accordance with the provisions of this Policy.
3. To be timely, a Nominating Shareholder's notice to the Corporate Secretary of the Corporation must be made:
 - a. in the case of an annual meeting of Shareholders (which may also be an annual and special meeting of Shareholders), not less than thirty (30) days nor more than sixty five (65) days prior to the date of the annual meeting of Shareholders; provided, however, that in the event that the annual meeting of Shareholders is to be held on a date that is less than fifty (50) days after the date on which the first public announcement (as defined below) of the date of the annual meeting (the “**Notice Date**”) was made, notice by the Nominating Shareholder may be made not later than the close of business on the tenth (10th) day following the later of: (i) the date of the public announcement (as defined below) of this Policy; and (ii) the Notice Date in respect of such meeting; or
 - b. in the case of a special meeting (which is not also an annual meeting) of Shareholders called for the purpose of electing directors (whether or not called for other purposes), not later than the close of business on the fifteenth (15th) day following the day on which the first public announcement (as defined below) of the date of the special meeting of Shareholders was made. In no event shall any adjournment or postponement of a meeting of Shareholders or the announcement thereof commence a new time period for the giving of a Nominating Shareholder's notice as described above.

4. To be in proper written form, a Nominating Shareholder's notice to the Corporate Secretary of the Corporation must set forth:
- a. as to each person whom the Nominating Shareholder proposes to nominate for election as a director: (A) the name, age, business address and residential address of the person; (B) the present principal occupation or employment of the person; (C) the class or series and number of shares in the capital of the Corporation which are directly or indirectly controlled or directed or which are owned beneficially or of record by the person as of the record date for the meeting of Shareholders or special meeting (if such date shall then have been made publicly available and shall have occurred) and as of the date of such notice; and (D) any other information relating to the person that would be required to be disclosed in a dissident's proxy circular in connection with solicitations of proxies for election of directors pursuant to the Act and Applicable Securities Laws (as defined below); and
 - b. as to the Nominating Shareholder giving the notice, any proxy, contract, arrangement, understanding or relationship pursuant to which such Nominating Shareholder has a right to vote any shares of the Corporation and any other information relating to such Nominating Shareholder that would be required to be made in a dissident's proxy circular in connection with solicitations of proxies for election of directors pursuant to the Act and Applicable Securities Laws (as defined below).

The Corporation may require any proposed director nominee to furnish such other information as may reasonably be required by the Corporation to determine the eligibility of such proposed director nominee to serve as a director of the Corporation or that could be material to a reasonable Shareholder's understanding of the independence, or lack thereof, of such proposed director nominee.

5. No person shall be eligible for election as a director of the Corporation unless nominated in accordance with the provisions of this Policy; provided, however, that nothing in this Policy shall be deemed to preclude discussion by a Shareholder (as distinct from the nomination of directors) at a meeting of Shareholders of any matter in respect of which it would have been entitled to submit a proposal pursuant to the provisions of the Act. The chairman of the meeting shall have the power and duty to determine whether a nomination was made in accordance with the procedures set forth in the foregoing provisions and, if any proposed nomination is not in compliance with such foregoing provisions, to declare such nomination to be defective and that it shall be disregarded.
6. For purposes of this Policy:
- a. **"Public Announcement"** shall mean disclosure in a press release reported by a national news service in Canada, or in a document publicly filed by the Corporation under its profile on the System of Electronic Document Analysis and Retrieval at www.sedar.com; and
 - b. **"Applicable Securities Laws"** means the applicable securities legislation of each relevant province and territory of Canada, as amended from time to time, the rules, regulations and forms made or promulgated under any such statute and the published national instruments, multilateral instruments, policies, bulletins and notices of the securities commission and similar regulatory authority of each province and territory of Canada.
7. Notwithstanding any other provision of this Policy, notice given to the Corporate Secretary of the Corporation pursuant to this Policy may only be given by personal delivery, facsimile transmission or by email (at such email address as stipulated from time to time by the Corporate Secretary of the Corporation for purposes of this notice), and shall be deemed to have been given and made only at the time it is served by personal delivery, email (at the address as aforesaid) or sent by facsimile transmission (provided that receipt of confirmation of such transmission has been received) to the Corporate Secretary at the address of the principal executive offices of the Corporation; provided that if such delivery or electronic communication is made on a day which is not a business day or later than 5:00 p.m. (Toronto time) on a day which is a business day, then such delivery or electronic communication shall be deemed to have been made on the subsequent day that is a business day.
8. Notwithstanding the foregoing, the Board may, in its sole discretion, waive any requirement in this Policy. This Policy may be amended by the Board to adopt such laws, regulations, forms, rules or policies as required or recommended or allowed by securities regulatory authorities or stock exchanges, so as to meet industry standards from time to time, or as otherwise determined to be in the best interests of the Corporation and its Shareholders.

Currency

This Policy was approved by the Board on May 12, 2014.

APPENDIX “B”: CHARTER OF DIRECTOR EXPECTATIONS

The roles, responsibilities, qualifications and procedures of the board of directors of the Corporation (the “Board”) are set out in the Mandate for the Board of Directors of the Corporation (the “Mandate”) and the Corporation's Corporate Governance Guidelines (the “Guidelines”). This Charter supplements the Mandate and the Guidelines by specifying certain expectations the Board places on its directors. This Charter of Director Expectations will be published annually in the Corporation's proxy circular.

1. Personal Attributes

The Board considers a diverse group of candidates in the evaluation incumbent directors and potential candidates for election to the Board. The Board believes that the best directors exhibit the following qualities:

- (a) they have demonstrated integrity and high ethical standards;
- (b) they have a proven track record of sound business judgment and good business decisions; and
- (c) they have loyalty to the Corporation and are dedicated to its success.

2. Professional Standards

In discharging his or her responsibilities, each director must act honestly and in good faith with a view to the best interests of the Corporation and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

In keeping with these standards, the directors should demonstrate the following key traits:

- (a) the director brings outstanding and relevant business or other valuable experience, such as:
 - (i) holds or has recently held a position of high-level responsibility;
 - (ii) has experience operating a major public company;
 - (iii) preferably has experience in the infrastructure sector or a related or similar industry;
 - (iv) has a broad exposure to or understanding of the funding environment in which customers of the Corporation operate; and/or
 - (v) possesses a high level of expertise in areas that are important to the Corporation;
- (b) the director effectively contributes to the development of the Corporation's strategic plan and businesses; and
- (c) the director understands and effectively contributes to the broad range of issues that the Board and its committees must consider.

3. Compliance with Laws, Rules and Regulations

Directors must comply with laws, rules, regulations and Stock Exchange requirements applicable to the Corporation from time to time, including insider trading laws. “Stock Exchanges” means, at any time, those stock exchanges on which any securities of the Corporation are listed for trading. Directors must comply with the Corporation's Insider Trading Policy.

4. Share Ownership

The Board believes that directors who have an equity position in the Corporation can better represent the interests of shareholders, and, as such, the Board has established minimum share ownership standards for directors. All directors are required to own the equivalent of three (3) years' annual cash retainer in the form of common shares or deferred share units within five (5) years of becoming a director or the approval of these Guidelines. For the purposes of the foregoing provision, the aggregate value of the common shares or deferred share units owned by a director shall be deemed to be equal to the greater of the market value (or equivalent value) or the acquisition cost (or equivalent amount) of each such common share or deferred share unit.

5. Conflicts of Interest

Directors are expected to identify in advance any conflict of interest regarding a matter coming before the Board or its committees and to refrain from voting on such matters. If a director is uncertain of the nature or extent of a potential conflict, he or she should seek a ruling on the matter in advance with the Chairman or, at the time of the meeting with the chairman of the meeting.

In addition to the statutory responsibilities of directors to disclose all actual or potential conflicts of interest and generally to abstain from voting on matters in which the director has a conflict of interest, the director must recuse himself or herself from any discussion or decision on any matter in which the director is precluded from voting as a result of a conflict of interest or which otherwise affects his or her personal, business or professional interests.

6. Resignation Events

A director is required to submit his or her resignation to the Board for consideration if any of the following events occur:

- (a) the director did not attend at least 75% of the regularly scheduled meetings of the Board or of the committees on which he or she serves;
- (b) the director becomes involved in a legal dispute, regulatory or similar proceeding that could materially impact his or her ability to serve as a director and negatively impact the reputation of the Corporation;
- (c) the director takes on new responsibilities in business, politics or the community which may conflict with the goals of the Corporation and materially reduce his or her ability to serve as director;
- (d) the director makes a major change in principal occupation;
- (e) In an uncontested election of directors, any nominee for director who receives a greater number of votes or proxies “withheld” from his or her election than votes or proxies “for” such election (the “Majority Voting Policy”);
- (f) there is any other change in the director's personal or professional circumstances that impact the Corporation or such director's ability to serve the Corporation; or
- (g) the director fails to comply with the Corporation's share ownership guidelines.

Upon the occurrence of any of the foregoing, the Board, with the assistance of the CG&C Committee, will evaluate the facts and circumstances, and determine whether it is appropriate for the director to remain a member of the Board under such circumstances. A resignation will only become effective if and when it is accepted by the Board. In considering whether or not to accept the resignation, the Board will consider all factors deemed relevant by the members of the Board including, without limitation, the stated reasons why shareholders withheld votes from the election of that nominee (in the case of a resignation under the Majority Voting Policy), the length of service and the qualifications of the director whose resignation has been tendered, such director's contributions to the Corporation and these Corporate Governance Guidelines. The Board's decision to accept or reject a resignation and its reasons for its decision will be disclosed to the public promptly in accordance with applicable securities regulations and in any event within 90 days. If a resignation is accepted, the Board may appoint a new director to fill the vacancy.

Code of Conduct and Ethics

The Board has adopted a Code of Business Conduct and Ethics (“Code”) which applies to all directors, officers and employees, and requires them to act ethically at all times. The Board does not permit any waiver of any ethics policy with respect to any director or executive officer of Capstone Infrastructure Group. Any waivers from the Code that are granted for the benefit of directors or officers of Capstone Infrastructure Group may only be granted by the CG&C Committee.

Review of Guidelines

The Board, with the assistance of the CG&C Committee, reviews these Corporate Governance Guidelines on an annual basis to determine whether any changes are appropriate.

APPENDIX “C”: MANDATE OF THE BOARD OF DIRECTORS

The term “Corporation” herein shall refer to Capstone Infrastructure Corporation and the term “Board” shall refer to the Board of Directors of the Corporation. “Capstone Infrastructure Group” means, collectively, the Corporation and each subsidiary entity of the Corporation (a “Subsidiary”). The term “Management” herein shall refer to senior management of the Corporation and all Subsidiaries.

The Board is elected by the shareholders and is responsible for the stewardship of the affairs of the Corporation. The directors shall act honestly and in good faith with a view to the best interests of the Corporation and in connection therewith shall exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. The Board seeks to discharge such responsibility by supervising and reviewing the Corporation's investments, conducting the affairs of the Corporation and monitoring the stewardship of any Subsidiaries.

The Board is responsible for establishing and maintaining a culture of integrity in the conduct of the Corporation's affairs. The Board seeks to discharge this responsibility by satisfying itself as to the integrity of Management and by overseeing Management to ensure a culture of integrity is maintained.

Although directors may be elected by the shareholders to bring special expertise or a point of view to Board deliberations, they are not chosen to represent a particular constituency. The best interests of the Corporation must be paramount at all times.

The Corporation is a publicly listed vehicle which must comply with the applicable securities laws and the Board is responsible for overseeing such compliance by the Corporation.

1. Independence of Directors

At least two-thirds of the directors must be independent of the Corporation and the business of Capstone Infrastructure Group. In order to be independent, the director must qualify as “independent” as defined in Multilateral Instrument 52-110 – *Audit Committees*, and as set out in the Corporation's Corporate Governance Guidelines. However, the fact that a director is also a director of a Subsidiary shall not disqualify the director from being considered to be an “independent director” of the Corporation if the director would otherwise meet the foregoing tests.

The Chairman of the Board shall be an independent director. The Chairman shall act as the effective leader of the Board and ensure that the Board's agenda will enable it to successfully carry out its duties.

2. Meetings

The Board will meet at least once in each quarter, with additional meetings held as deemed advisable. The Chairman is primarily responsible for the agenda and for supervising the conduct of the meeting. Any director may propose the inclusion of items on the agenda, request the presence of, or a report by, any member of senior management, or at any Board meeting raise subjects that are not on the agenda for that meeting.

The independent directors will hold regularly scheduled meetings, or portions of regularly scheduled meetings, at which non-independent directors and members of Management are not present.

Each director is expected to attend all meetings of the Board and any committee of which he or she is a member. Directors will be expected to have read and considered the materials sent to them in advance of each meeting and to actively participate in the meetings.

3. Duties of Directors

The Board discharges its responsibilities both directly and through its committees, the Audit Committee and the Corporate Governance & Compensation Committee. In addition to these standing Committees, the Board may appoint ad hoc committees periodically to address certain issues of a more short-term nature. In addition to the Board's primary roles of supervising the activities and managing the investments and affairs of the Corporation, principal duties include, but are not limited to the following categories:

Oversight of the Corporation's Governance

- (a) The Board is responsible for acting for, voting on behalf of and representing the Corporation as a holder of shares, notes and other securities of Subsidiaries.
- (b) The Board is responsible for reviewing the performance of the directors of the Corporation and at least annually conducts an effective evaluation of the directors of the Corporation.

As part of the annual performance evaluation, the directors of the Corporation will collectively review and, if appropriate, update this mandate.
- (c) The Board is responsible for ensuring the directors of Subsidiaries provide annual reviews of operational matters pertaining to the Corporation's investments to the Board and reports on performance matters pertaining to the management of the Corporation's investments.
- (d) The Board is responsible for conducting an annual review of the performance of the Corporation against the goals and objectives as set out in the strategic plan and budget of the Corporation.
- (e) The Board may delegate to Board committees matters it is responsible for, but the Board retains its oversight function and ultimate responsibility for all delegated responsibilities.
- (f) The Board is responsible for reviewing, at least annually, the succession plans of the Corporation for the Chairman, President and Chief Executive Officer and other executive officers, including the appointment, training and monitoring of such persons.
- (g) The Board is responsible for ensuring that the composition and organization of the Board, including: the number, qualifications and remuneration of directors, the number of Board meetings; Canadian residency requirements; quorum requirements; meeting procedures and notices of meetings comply with the requirements of the Business Corporations Act (British Columbia), the Securities Act (Ontario) and the Articles of the Corporation, subject to any exemptions or relief that may be granted from such requirements.
- (h) The Board is responsible for ensuring that each director has an understanding of the Corporation's principal operational and financial objectives, plans and strategies, and financial position and performance. Directors must have sufficient time to carry out their duties and not assume responsibilities that would materially interfere with, or be incompatible with, Board membership.

Monitoring of Financial Performance and Other Financial Reporting Matters

- (a) The Board will review, provide input and approve the Corporation's strategic plan and budget.
- (b) The Board is responsible for considering appropriate measures it may take on behalf of the Corporation if the performance of Capstone Infrastructure Group and the assets under Management's authority to manage, supervise and/or operate do not meet the Corporation's goals or other special circumstances warrant.
- (c) The Board shall be responsible for approving the Corporation's annual and interim financial statements and the notes and Management's Discussion and Analysis accompanying such financial statements, the annual report, management proxy circular and annual securities law filings.
- (d) The Board is responsible for reviewing and approving material transactions involving the Corporation and the Board is required to approve the payment of dividends, the purchase and issuance of securities, acquisitions and dispositions of material assets by the Corporation and material expenditures by the Corporation.

Policies and Procedures

- (a) The Board is responsible for:
 - (i) maintaining records on the Corporation's affairs and investments;
 - (ii) approving and monitoring compliance with all significant policies and procedures by which the Corporation is operated;
 - (iii) approving policies and procedures designed to ensure that the Corporation operates at all times within applicable laws and regulations and to the highest ethical and moral standards; and
 - (iv) enforcing obligations of the directors respecting confidential treatment of the Corporation's proprietary information and Board deliberations.
- (b) The Board is responsible for approving an External Communications Policy respecting communications to the public and an Insider Trading Policy respecting insider trading and reporting matters.

Communications and Reporting

- (a) The Board is responsible for:
 - (i) overseeing the accurate reporting of the financial performance of the Corporation to shareholders, other security holders and regulators on a timely and regular basis;
 - (ii) overseeing that the financial results are reported fairly and in accordance with generally accepted accounting or other applicable standards and related legal disclosure requirements;
 - (iii) taking steps to enhance the timely disclosure of any other developments that have a significant and material impact on the Corporation;
 - (iv) reporting annually to shareholders on its stewardship for the preceding year;
 - (v) overseeing the provision to shareholders of all such information as is required by applicable law, prior to each meeting of shareholders;
 - (vi) overseeing the investor relations and communications strategy of the Corporation; and
 - (vii) overseeing the Corporation's ability to accommodate feedback from shareholders.

Professional Advisors for Directors

- (a) Each director and the Board as a whole shall have the ability to take independent professional advice where that director or the Board considers it necessary to carry out their duties and responsibilities. Any costs incurred as a result of the director or the Board consulting an independent expert will be borne by the Corporation, subject to the estimated costs being approved by the Chairman in advance as being reasonable and the procedures as set out in the Corporation's Corporate Governance Guidelines being followed.

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Visit our website at www.capstoneinfrastructure.com for information about Capstone's business and to access investor materials such as annual and quarterly financial reports, recent news and investor presentations, including a webcast of the annual general meeting.

Questions?

Your vote is important regardless of how many Common Shares you own. As a Shareholder, we encourage you to read this Management Information Circular carefully and to vote your Common Shares.

Our Proxy Solicitation Agent is ready to answer questions and to assist you in registering your vote.

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WHY INVEST?

Capstone's commitment to delivering an attractive total return to investors is supported by the following:

- ▶ High quality, diversified and responsibly managed infrastructure portfolio that is delivering strong performance
- ▶ Substantial investment in Bristol Water, a regulated utility with a significant organic growth profile
- ▶ New clean energy development pipeline that will create additional value for shareholders
- ▶ Solid balance sheet and capital structure matched to the cash flow profile of our businesses
- ▶ Seasoned management team with relationships across the infrastructure spectrum



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