

CREATING VALUE FOR SHAREHOLDERS

By investing in businesses such as Bristol Water, which features perpetual cash flow and an organic growth profile, and by positioning to participate in earlier-stage opportunities, we are working to drive long-term stability, increase value and maximize returns for shareholders.



We generate a majority of our revenue from regulated or contractually defined businesses, which helps to protect our cash flow from significant fluctuations.

\$7.50

Approximate amount of dividends per common share declared by Capstone between 2004 and 2012. Our goal is to deliver reliable and growing income for our shareholders.

26%

Amount by which Bristol Water's regulated capital value is expected to grow between 2010 and 2015, which compares to an industry average of 8%.

Capstone is in business to deliver an attractive risk-adjusted total return to our shareholders by providing reliable income and capital appreciation.

Our building blocks for value creation include the inherent characteristics of our infrastructure businesses, which underpin the stability of our cash flow. They also include how we manage those businesses day to day and our ability to generate growth organically and through smart acquisitions and development projects while maintaining an appropriate capital structure.

Our power businesses represent approximately 370 megawatts of installed capacity under contract with creditworthy counterparties and are diversified by asset type, geographic location, PPA length and counterparty, and fuel source. These attributes result in predictable revenue. In addition, all our power facilities are characterized by high availability, which reflects the quality of operations, personnel and the ongoing maintenance programs. As a result, we expect these businesses to be stable cash flow generators over the terms of their contracts.

Bristol Water's perpetual cash flow profile makes it the ideal complement to our power portfolio and positions this business to be a key contributor to Capstone's long-term cash flow and overall value.

Bristol Water is regulated with a monopoly position in a growing region of the United Kingdom, which is a stable OECD country. The regulatory framework

provides for the recovery of operating costs and an allowance for a fair return on capital. Historically, revenues have increased in line with the regulatory allowance and feature a real as well as an inflation component, thereby offering a natural inflation hedge.

Over the current regulatory period that runs from 2010 to 2015, Bristol Water is executing the largest capital program in its history to improve and expand the company's network of reservoirs, treatment facilities, water mains and pipes. As a high-growth utility with substantial investment in rate base required over the next 25 years, Bristol Water brings an organic growth profile to our portfolio.

We intend to complement the strengths of our portfolio by continuing to diversify our mix of businesses through acquisitions or development projects that deliver an attractive risk-adjusted return. At the same time, we continually monitor, analyze and seek to minimize the risks within our capital structure with a view to maintaining an optimal financing mix that suits the nature of our businesses, offers room for portfolio growth, and generates value for shareholders.

With our active asset management, disciplined approach to growth and capital management, and participation in the fast-growing infrastructure asset class, we are squarely focused on long-term success and increasing the value of our shareholders' investment.

“CAPSTONE IS IN BUSINESS TO DELIVER AN ATTRACTIVE RISK-ADJUSTED RETURN TO OUR SHAREHOLDERS BY PROVIDING RELIABLE INCOME AND CAPITAL APPRECIATION.”