

The Corporation's financing and refinancing decisions are made on a specific transaction basis and depend on such things as the Corporation's needs and economic conditions at the time of the transaction.

The Corporation is not subject to any external capital requirements and is in compliance with all debt covenants as described in note 18.

NOTE 21. EARNINGS PER SHARE (“EPS”)

	For the year ended	
	Dec 31, 2012	Dec 31, 2011
Net income (loss)	43,724	(3,263)
Non-controlling interest	(16,746)	(2,449)
Dividends declared on preferred shares	(4,575)	(1,264)
Net income (loss) available to common shareholders	22,403	(6,976)
Weighted average number of common shares (including Class B exchangeable units) outstanding	75,116	64,465
Basic and Diluted EPS	0.298	(0.108)

The convertible debentures are anti-dilutive for the years ended December 31, 2012 and 2011.

NOTE 22. SHARE-BASED COMPENSATION

(A) Deferred Share Units

The Deferred Share Units (“DSUs”) are granted to eligible directors on the first day of each quarter at the five-day volume weighted average price (“VWAP”) prior to the grant date. Grants vest immediately upon the last trading day of each quarter. In addition, directors may elect to receive their quarterly director fees in the form of DSUs, which vest at the time of granting. Dividend equivalents are granted as of each payment date for dividends on shares in accordance with Capstone's dividend policy on common shares. DSUs do not have an exercise price and can only be settled in cash at the time a director ceases to be a board member.

For the year ended (\$000s, except unit amounts)	Dec 31, 2012		Dec 31, 2011	
	Number of Units	Fair Value	Number of Units	Fair Value
Outstanding at January 1	8,407	32	—	—
Fixed quarterly grants during the period	20,102	75	7,896	60
Dividend equivalents	1,689	7	511	3
	30,198	114	8,407	63
Unrealized gain (loss) on revaluation	—	8	—	(31)
Outstanding at December 31	30,198	122	8,407	32

The average VWAP per DSU granted during 2012 was 4.10 dollars (2011 – 7.60 dollars). As at December 31 2012, the carrying value of the DSUs, based on a market price of 4.03 dollars, was \$122 and is included in accounts payable and other liabilities in the consolidated statement of financial position (December 31, 2011 – 3.81 dollars and \$32). The resulting DSU expense for 2012 was \$90 and is recorded as compensation expense in the consolidated statement of income (2011 – \$32).

(B) Long-term Incentive Plan

During 2012, Capstone granted to the senior management of the Corporation 253,959 Restricted Stock Units (“RSUs”) and 141,431 Performance Share Units (“PSUs”). The five-day VWAP per RSU and PSU granted January 3, 2012 was 3.78 dollars and 4.23 dollars per RSU granted March 23, 2012 and all RSUs and PSUs granted vest on December 31, 2014. In 2011, 67,058 RSUs and 67,058 PSUs were granted and they vest on December 31, 2013.

Dividend equivalents are granted as of each record date for dividends on shares in accordance with Capstone's dividend policy on common shares. RSUs and PSUs do not have an exercise price and can be settled in shares or cash at the Board's discretion. Additionally, the valuation also takes into consideration that the amount of the PSUs is subject to Capstone's total return over the period relative to a peer group.

(\$000s, except unit amounts)	Dec 31, 2012		Dec 31, 2011	
	Notional number of Units	Fair Value	Notional number of Units	Fair Value
Outstanding at January 1	141,892	541	—	—
Grants during the period	395,390	1,546	134,116	1,062
Dividend equivalents	50,878	205	7,776	45
	588,160	2,292	141,892	1,107
Unrealized loss on revaluation	—	(81)	—	(566)
Outstanding at December 31	588,160	2,211	141,892	541

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The average VWAP per RSU and PSU granted on during 2012 was 4.01 dollars (2011 – 7.87 dollars). As at December 31, 2012, the carrying value of the RSUs and PSUs, based on a market price of 4.03 dollars, was \$836 and is included in accounts payable and other liabilities in the consolidated statement of financial position (December 31, 2011 – 3.81 dollars and \$115). The RSU and PSU compensation expense of \$721 is recorded as compensation expense in the consolidated statement of income for 2012 (2011 – \$115).

(C) Employee Share Purchase Plan

All Canadian employees of Capstone are entitled to participate in the employee share purchase plan where employees can direct up to 15% of their salary to purchase Capstone shares. The Corporation will match 50% of the employee's contribution to maximum of \$3 per year, except for employees included in the LTIP program, who are ineligible for matching. Shares acquired as a matching contribution (including any dividends on those shares) vest after one year of match.

NOTE 23. EXPENSES – ANALYSIS BY NATURE

For the year ended	Dec 31, 2012				Dec 31, 2011			
	Operating	Admin.	Project Development Costs	Total	Operating	Admin.	Project Development Costs	Total
Fuel	77,678	—	—	77,678	77,838	—	—	77,838
Raw materials, chemicals and supplies	57,663	—	—	57,663	16,438	—	—	16,438
Wages and benefits	41,148	6,749	20	47,917	11,911	4,126	—	16,037
Maintenance	4,370	—	—	4,370	5,053	—	—	5,053
Insurance	1,654	—	—	1,654	1,610	—	—	1,610
Manager fees	1,914	—	—	1,914	1,806	1,825	—	3,631
Professional fees for legal, audit, tax and other advisory	2,470	1,780	345	4,595	894	2,195	8,289	11,378
Leases	1,334	—	—	1,334	1,114	—	—	1,114
Property taxes	1,125	—	—	1,125	1,383	—	—	1,383
Internalization	—	—	—	—	—	19,675	—	19,675
Other	5,822	2,541	—	8,363	4,039	1,856	—	5,895
Total	195,178	11,070	365	206,613	122,086	29,677	8,289	160,052

NOTE 24. OTHER GAINS AND LOSSES

	For the year ended	
	Dec 31, 2012	Dec 31, 2011
Unrealized gain (loss) on derivative financial instruments	2,605	(21,742)
Loss on disposal of capital assets	(1,311)	—
Other net gains and (losses)	1,294	(21,742)

NOTE 25. COMMITMENTS AND CONTINGENCIES

The Corporation, either directly or indirectly through its subsidiaries, has entered into various contracts and commitments as at December 31, 2012 as described below:

(A) Swap Contracts

The Corporation has various swap contracts for gas and interest, which have been further disclosed in notes 9 and 10.

(B) Leases

The following table summarizes the minimum operating lease payments:

	Within one year	One year to five years	Beyond five years	Total
Operating leases	939	3,765	8,443	13,147