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Filed Pursuant to C

**PROSPECTUS SUPPLEMENT**

(To short form base shelf prospectus dated November 18, 2010)



**US\$400,000,000**

**4.500% Senior Notes due 2022**

**TRANSALTA CORPORATION**

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The Notes (as hereinafter defined) will bear interest at the rate of 4.500% per annum. Interest on the Notes is payable on May 15 and November 15, 2013. The Notes will mature on November 15, 2022.

We may redeem some or all of the Notes at any time at the redemption prices described in this Prospectus Supplement (as hereinafter defined). We may also redeem the Notes in whole and not in part at 100% of the aggregate principal amount of the Notes, plus accrued interest to the date of redemption, plus a Canadian withholding tax credit, if applicable, less Canadian withholding tax laws or the enforcement or interpretation thereof.

We will be required to make an offer to repurchase the Notes at a price equal to 101% of their principal amount, plus accrued and unpaid interest, upon the occurrence of a Change of Control Triggering Event (as hereinafter defined). See "Description of the Notes — Repurchase Upon Change of Control."

The Notes will be direct unsecured obligations and will rank equally and ratably with all of our other unsubordinated and unsecured indebtedness.

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Investing in the Notes involves risks. See "Risk Factors" in this Prospectus Supplement beginning on page S-5 and under the heading "Risk Factors" on page 29 of the accompanying Prospectus (as hereinafter defined).

	<u>Per Senior Note</u>
Public Offering Price <sup>(1)</sup>	98.266%
Underwriting Commission	0.650%
Proceeds to TransAlta (before expenses) <sup>(1)</sup>	97.616%

(1) The public offering price of the Notes will also include accrued interest, if any, from November 7, 2012 to the date of delivery.

**The Notes will not be listed on any securities exchange or quotation system and, consequently, there is no market through which purchasers may not be able to resell securities purchased under this Prospectus Supplement.**

**THE NOTES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR ANY UNITED STATES STATE SECURITIES COMMISSION NOR HAS THE SEC OR ANY UNITED STATES STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS SUPPLEMENT OR THE ACCOMPANYING PROSPECTUS. A VIOLATION OF THIS CONTRARY IS A CRIMINAL OFFENSE.**

This offering is made by a Canadian issuer that is permitted, under the multijurisdictional disclosure system adopted by the United States Securities and Exchange Commission in the Prospectus Supplement and the accompanying Prospectus in accordance with Canadian disclosure requirements. Prospective investors should be aware that the financial statements incorporated herein may be different from those of the United States. The financial statements incorporated herein have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and they are subject to Canadian auditing and reporting requirements. As a result, such financial statements may not be comparable to financial statements of United States companies.

Prospective investors should be aware that the acquisition of the securities described in this Prospectus Supplement and the accompanying Prospectus may have tax consequences both in the United States and Canada. Such tax consequences for investors who are resident in, or citizens of, the United States are discussed in this Prospectus Supplement or the accompanying Prospectus. You should read the tax discussion under "Certain Income Tax Considerations" in this Prospectus Supplement or the accompanying Prospectus.

The enforcement by investors of civil liabilities under United States federal securities laws may be affected adversely by the fact that the issuer and its officers and directors are residents of Canada, that most of our officers and directors are residents of Canada, that some or all of the underwriters in this Prospectus Supplement are residents of Canada, and that a substantial portion of our assets and the assets of said persons are located outside the United States.

The earnings coverage ratio on long term debt for the twelve month period ended September 30, 2012 is less than one-to-one and, for the twelve month period ended March 31, 2012, such period, the coverage ratio is negative. See "Earnings Coverage".

The Notes will be ready for delivery in book-entry form only through the facilities of The Depository Trust Company ("DTC") and its direct or indirect participants on or after November 7, 2012.

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*Joint Book-Running Managers*

<http://www.sec.gov/Archives/edgar/data/114>

**BofA Merrill Lynch**

**Citigroup**

*Co-Managers*

**Mitsubishi UFJ  
Securities**

**RBS**

November 2, 2012

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### **IMPORTANT NOTICE ABOUT INFORMATION IN THIS PROSPECTUS SUPPLEMENT AND THE ACCOMPANYING PROSPECTUS**

This document is in two parts. The first part is this prospectus supplement (this "**Prospectus Supplement**"), which describes the offering (the "**Notes**") and also adds to and updates certain information contained in the short form base shelf prospectus of the Corporation (the "**Prospectus**") and the documents incorporated by reference into this Prospectus Supplement or the accompanying Prospectus. The second part gives more general information. **Defined terms used in this Prospectus Supplement that are not defined herein have the meaning given in the accompanying Prospectus.**

Except as set forth under "The Offering" and "Description of the Notes" in this Prospectus Supplement or under "Description of the Offering" in the accompanying Prospectus, and unless the context otherwise requires, all references in this Prospectus Supplement to "**TransAlta**", the "**Corporation**", "**we**", "**us**", "**our**", "**its**", "**they**", "**their**", "**the Corporation**" and its consolidated subsidiaries including any consolidated partnerships of which the Corporation or any of its subsidiaries are a member.

**If the description of the Notes varies between this Prospectus Supplement and the accompanying Prospectus, you should rely on the description in this Prospectus Supplement.**

**You should rely on the information contained in or incorporated by reference into this Prospectus Supplement and the accompanying Prospectus or other free writing prospectus for this offering that we file with the securities regulatory authorities in Canada or the SEC. We are not, and the underwriters are not, making any representation or warranty, expressed or implied, in any jurisdiction where the offer or sale is not permitted. You should not assume that the information appearing in this Prospectus Supplement is accurate as of any date other than the date on the front of this Prospectus Supplement.**

In this Prospectus Supplement, unless otherwise specified or the context otherwise requires, all dollar amounts are expressed in Canadian dollars. The word "dollar" means the lawful currency of the United States. Unless otherwise indicated, all financial information included and incorporated by reference into this Prospectus Supplement and the accompanying Prospectus is determined using IFRS. Therefore, our consolidated financial statements incorporated by reference into this Prospectus Supplement and the accompanying Prospectus, copies of which are available on SEDAR at [www.sedar.com](http://www.sedar.com) and on the SEC's website at [www.sec.gov](http://www.sec.gov), may not be comparable to the financial statements of U.S. companies prepared in accordance with U.S. generally accepted accounting principles.

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### EXCHANGE RATE INFORMATION

The following table sets forth certain rates of exchange for the Canadian dollar based on the noon buying rate as provided by the Bank of Canada. These rates are set forth as U.S. dollars per \$1.00 and are the inverse of rates quoted by the Bank of Canada for Canadian dollars per US\$1.00. The noon buying rate was US\$1.0027 equals \$1.00.

	Nine Months Ended September 30,		Year Ended December 31,			
	2012		2011		2010	
High for period	US\$	1.0299	US\$	1.0583	US\$	1.0054
Low for period	US\$	0.9599	US\$	0.9430	US\$	0.9271
Rate at end of period	US\$	1.0166	US\$	0.9833	US\$	1.0054
Average rate for the period <sup>(1)</sup>	US\$	0.9977	US\$	1.0110	US\$	0.9709

(1) The average of the inverse of the noon buying rate on the last day of each month during the applicable period.

### SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Prospectus Supplement and the accompanying Prospectus contain both historical and forward-looking statements within the meaning of the Securities Act of 1933, as amended (the "**U.S. Securities Act**"), and Section 21E of the United States Securities Exchange Act of 1934, as amended. All forward-looking statements are based on TransAlta's beliefs as well as assumptions based on information available at the time the assumptions were made, TransAlta's experience and perception of historical trends, current conditions and expected further developments as well as other factors deemed appropriate. Forward-looking statements are not facts, but only predictions and generally can be identified by the use of statements that include phrases such as "anticipate", "intend", "plan", "foresee", "potential", "enable", "continue" or other comparable terminology. These statements are not guaranteed and are subject to risks, uncertainties and other important factors that could cause TransAlta's actual performance to be materially different from what is expected.

With respect to forward-looking statements contained in this Prospectus Supplement, we have made assumptions regarding, among other things, the offering on a timely basis and on the terms expected; fulfillment by the underwriters of their obligations pursuant to the underwriting agreement; and whether the underwriters would allow the underwriters to terminate their obligations under the underwriting agreement.

In particular, this Prospectus Supplement and the accompanying Prospectus contain forward-looking statements pertaining to the offering of the Notes and the use of the proceeds of the offering; expectations relating to the timing of the completion and commissioning of uprates and major projects, and their attendant costs; our estimated spend on growth and sustaining capital and productivity projects; expected capital spend, and maintenance, and the variability of those costs; the impact of certain hedges on future reported earnings and cash flows; and cash flow from operating and contracting activities; estimates of fuel supply and demand conditions and the costs of procuring fuel for sustaining capital projects; expectations for demand for electricity in both the short-term and long-term, and the resulting impact on electricity generation availability and production; expectations in terms of the cost of operations and maintenance, and the variability of those costs and expenditures; expected governmental regulatory regimes and legislation and their expected impact on us, as well as the cost of complying with such regulations; our trading strategy and the risk involved in these strategies; estimates of future tax rates, future tax expense, and the adequacy of tax provisions;

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expectations for the outcome of existing or potential legal and contractual claims; expectations for the ability to access capital markets at hedges on future reported earnings; the estimated impact of changes in interest rates and the value of the Canadian dollar relative to the U.S. to liquidity risk.

Factors that may adversely impact the Corporation's forward-looking statements include risks relating to: fluctuations in market prices required to generate electricity and in the price of electricity; the regulatory and political environments in the jurisdictions in which the requirements and changes in, or liabilities under, these requirements; changes in general economic conditions including interest rates; operations including unplanned outages at such facilities; disruptions in the transmission and distribution of electricity; effects of weather; disruptions required to operate the Corporation's facilities; natural disasters; the threat of terrorism and cyber-attacks; equipment failure; energy trading; fluctuations in the value of foreign currencies and foreign political risks; need for additional financing; structural subordination of securities coverage; the Corporation's provision for income taxes; legal and contractual proceedings involving the Corporation; reliance on key personnel; development projects and acquisitions.

Readers are urged to consider these factors carefully in evaluating the forward-looking statements and are cautioned not to place undue reliance on these statements. The forward-looking statements included in this document are made only as of the date hereof and the Corporation does not undertake any obligation to update forward-looking statements to reflect new information, future events or otherwise, except as required by applicable laws. In light of these risks, uncertainties and assumptions, the actual results of the Corporation's operations, performance or events might occur to a different extent or at a different time than the Corporation has described or might not occur. The Corporation does not guarantee that all or events will be achieved. The foregoing risk factors, among others, including risks relating to the nature of the Notes, are described in "Risk Factors" in this Prospectus Supplement and in the accompanying Prospectus and in the documents incorporated by reference into this Prospectus Supplement, including the Annual MD&A and the Annual Information Form (each as hereinafter defined).

#### **DOCUMENTS INCORPORATED BY REFERENCE**

Various documents are incorporated or deemed to be incorporated by reference into the accompanying Prospectus and reference to the Prospectus for full details. See "Documents Incorporated by Reference" in the accompanying Prospectus. As of the date of this Prospectus Supplement, the documents filed with the securities commissions or similar authorities in each of the provinces of Canada and with the SEC are specifically incorporated by reference and are an integral part of this Prospectus Supplement and the accompanying Prospectus:

- (a) consolidated audited financial statements as at December 31, 2011 and 2010, which comprise the consolidated statements of financial position as at December 31, 2011 and 2010 and January 1, 2010 and the consolidated statements of earnings, comprehensive income, changes in equity and cash flows for the years ended December 31, 2011 and 2010, the notes thereto, the auditors' report thereon and the auditors' report on our internal control over financial reporting, all of which are incorporated by reference to Exhibit 13.3 to our annual report on Form 40-F filed with the SEC on March 2, 2012, File No. 001-15214, as amended;
- (b) management's discussion and analysis of financial condition and results of operations as at and for the year ended December 31, 2011, which is incorporated by reference to Exhibit 13.2 to our annual report on Form 40-F filed with the SEC on March 2, 2012, File No. 001-15214, as amended;

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- (c) annual information form dated March 1, 2012 (the "**Annual Information Form**") for the year ended December 31, 2011 (incorporated by reference to our annual report on Form 40-F filed with the SEC on March 2, 2012, File No. 001-15214, as amended);
- (d) consolidated comparative interim unaudited financial statements as at and for the three- and nine-month periods ended September 30, 2012 (incorporated by reference to Exhibit 13.1 to our report on Form 6-K filed with the SEC on October 30, 2012, File No. 001-15214);
- (e) management's interim discussion and analysis of financial condition and results of operations as at and for the three- and nine-month periods ended September 30, 2012 (incorporated by reference to Exhibit 13.2 to our report on Form 6-K filed with the SEC on October 30, 2012, File No. 001-15214);
- (f) management proxy circular dated March 9, 2012 prepared in connection with our annual and special meeting of shareholders (incorporated by reference to Exhibit 99.1 to our report on Form 6-K filed with the SEC on March 9, 2012, File No. 001-15214); and
- (g) the material change report dated July 26, 2012 (incorporated by reference to Exhibit 99.1 to our report on Form 6-K filed with the SEC on July 26, 2012, File No. 001-15214).

Any documents of the type required to be incorporated by reference in a short form prospectus pursuant to National Instrument 44-101 - ("**NI 44-101**") of the Canadian Securities Administrators, including any documents of the type referred to above or under "Documents Incorporated by Reference" in the accompanying Prospectus, material change reports (excluding confidential material change reports) and business acquisition reports were filed with the securities commissions or similar authorities in Canada after the date of this Prospectus Supplement and prior to the termination of any offering of the securities shall be deemed to be incorporated by reference into this Prospectus Supplement and the accompanying Prospectus. These documents are available on the System for Electronic Document Analysis and Retrieval ("**SEDAR**"), which can be accessed at [www.sedar.com](http://www.sedar.com). In addition, any similar documents filed with the SEC after the date of this Prospectus Supplement shall be deemed to be incorporated by reference into this Prospectus Supplement, the accompanying Prospectus and the registration statement on Form F-10 of which this Prospectus Supplement and the accompanying Prospectus form a part, in such report. Our reports on Form 6-K, and our annual reports on Form 40-F, are available on the SEC's website at [www.sec.gov](http://www.sec.gov).

**Any statement contained in this Prospectus Supplement or the accompanying Prospectus, or in a document incorporated or deemed to be incorporated by reference herein or therein, shall be deemed to be modified or superseded for the purposes of this Prospectus Supplement to the extent that a subsequently filed document that also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Such modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document. The making of a modifying or superseding statement is not to be deemed an admission for any purposes that the modified or superseding statement constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that the statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed to constitute a part of this Prospectus Supplement.**

Copies of the documents incorporated herein by reference (other than exhibits to such documents, unless such exhibits are specifically incorporated by reference) may be obtained on request without charge from the Vice-President and Corporate Secretary of the Corporation at Box 1900, 10000 104 Avenue, Calgary, Alberta, Canada T2P 2M1, Telephone (403) 267-7110.

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### **CERTAIN AVAILABLE INFORMATION**

We have filed with the SEC under the U.S. Securities Act a registration statement on Form F-10 relating to the Notes and of which the accompanying Prospectus form a part. This Prospectus Supplement and the accompanying Prospectus do not contain all of the information contained in the registration statement, certain items of which are contained in the exhibits to such registration statement as permitted or required by the rules and regulations of the SEC. The "Table of Contents" in the Registration Statement" in the accompanying Prospectus. Statements made in this Prospectus Supplement and the accompanying Prospectus or other document referred to are not necessarily complete, and in each instance, reference is made to the exhibit, if applicable, containing the relevant matter, each such statement being qualified in its entirety by such reference. Items of information omitted from this Prospectus Supplement but contained in the registration statement on Form F-10 may be inspected and copied at the public reference facilities maintained by the SEC below and are also available on the SEC's website at [www.sec.gov](http://www.sec.gov).

We are subject to the information requirements of the U.S. Exchange Act, and, in accordance therewith, file reports and other information with the multijurisdictional disclosure system adopted in the United States and Canada, such reports and other information, subject to certain exceptions, with the disclosure requirements of Canada, which requirements are different from those of the United States. We are exempt from the provisions of the Exchange Act prescribing the furnishing and content of proxy statements, and our officers, directors and principal shareholders are exempt from the provisions contained in Section 16 of the U.S. Exchange Act. Under the U.S. Exchange Act, we are not required to publish financial statements. Such reports and other information may be inspected without charge, and copied upon payment of prescribed fees, at the public reference facilities maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549 and are also available on the SEC's website at [www.sec.gov](http://www.sec.gov).

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## THE OFFERING

*The following is a brief summary of some of the terms of this offering. For a more complete description of the terms of the Notes, Prospectus Supplement and "Description of Debt Securities" in the accompanying Prospectus. In this section, "we", "us" and "our" refer not to any of its subsidiaries, unless otherwise stated.*

<b>Issuer</b>	TransAlta Corporation.
<b>Notes Offered</b>	US\$400 million aggregate principal amount of 4.500% senior notes due 2022.
<b>Interest Rate</b>	The Notes will bear interest at the rate of 4.500% per annum from November 7, 2012 or from the most recent date interest is paid or provided for.
<b>Interest Payment Dates</b>	May 15 and November 15 of each year, commencing May 15, 2013.
<b>Maturity Date</b>	November 15, 2022.
<b>Ranking</b>	The Notes will be our direct unsecured obligations and will rank equally and ratably with all of our other unsecured indebtedness. The Notes will be effectively subordinate to all indebtedness and other liabilities of our subsidiaries. If we are a creditor of such subsidiaries ranking at least <i>pari passu</i> with such other creditors. As at September 30, 2012, we had approximately \$545 million of total debt outstanding (excluding intercompany indebtedness).
<b>Use of Proceeds</b>	We expect that the net proceeds from this offering will be approximately US\$389.8 million after deducting estimated expenses of this offering. All of the net proceeds from the sale of the Notes will be used to repay borrowings under existing facilities and for general corporate purposes.
<b>Conflicts of Interest</b>	As described in "Use of Proceeds", the net proceeds from this offering will be used to repay borrowings under existing facilities and for general corporate purposes. Because more than 5% of the proceeds from this offering, not including underwritten securities received by certain affiliates of the underwriters in this offering, this offering is being conducted pursuant to the exemption from registration provided by the Securities and Exchange Commission under Rule 506 of the Securities Act of 1933, as amended, and the Securities Industry Regulatory Authority, Inc. ("FINRA"). Pursuant to that rule, the appointment of a qualified independent member of the underwriting syndicate in connection with this offering because the conditions of Rule 5121(a) (1)(C) of FINRA are satisfied.
<b>Sinking Fund</b>	None.

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**Optional and Tax Redemption** Prior to August 15, 2022 (the date that is three months prior to the maturity date of the Notes), we may redeem the Notes at any time or from time to time, at the "make-whole" price described in this Prospectus Supplement. On or from time to time (but not more than three months prior to the maturity date of the Notes), we may redeem the Notes, in whole or in part, at the "make-whole" price described in this Prospectus Supplement, plus accrued and unpaid interest to the date of redemption.

We may also redeem all of the Notes in whole, but not in part, at the redemption price described in this Prospectus Supplement if the event certain changes affecting Canadian withholding taxes occur. See "Description of the Notes — Taxation".

**Change of Control** We will be required to make an offer to repurchase the Notes at a price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to the date of repurchase upon the occurrence of a Change of Control Triggering Event. See "Description of the Notes — Repurchase Upon Change of Control Triggering Event".

**Certain Covenants** The indenture pursuant to which the Notes will be issued contains certain covenants that, among other things, restrict:

- our and our subsidiaries' ability to create liens;
- our ability to enter into sale and leaseback transactions; and
- our ability to merge, amalgamate or consolidate with, or sell all or substantially all of our assets to another person.

See "Description of Debt Securities — Covenants" in the accompanying Prospectus. These covenants are subject to the exceptions and qualifications that are described under the caption "Description of Debt Securities — Covenants" in the accompanying Prospectus.

**Additional Amounts** Any payments we make with respect to the Notes will be made without withholding or deduction for Canadian taxes, or any amount withheld or deducted by law or by the interpretation or administration thereof. Subject to the exceptions described in the accompanying Prospectus, if we are required to withhold or deduct for Canadian taxes with respect to a payment to any holder of Notes that is a non-resident of Canada under the *Income Tax Act* (Canada) (the "Act") (the "withholding tax"), we will pay to any holder of Notes that is a non-resident of Canada under the Act (the "withholding tax") (the "withholding tax") as may be necessary so that every net payment on the Notes after such withholding or deduction will not be less than the amount of the Notes to be then due and payable. See "Description of Debt Securities — Payment of Additional Amounts".

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**Form**

The Notes will be represented by one or more fully registered global notes deposited in book-entry form registered in the name of its nominee. See "Description of the Notes — Book-Entry System". Except as described in "Description of the Notes" in this Prospectus Supplement and under "Description of Debt Securities" in the accompanying Prospectus Supplement, no physical certificates will not be issued.

**Governing Law**

The Notes and the indenture governing the Notes will be governed by the laws of the State of New York.

**Risk Factors**

Investing in the Notes involves risks. See "Risk Factors" in this Prospectus Supplement beginning on page 23 and "Risk Factors" beginning on page 24 of the accompanying Prospectus.

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## TRANSALTA CORPORATION

TransAlta is a corporation amalgamated under the *Canada Business Corporations Act*. The registered office and principal place of business is 110-12<sup>th</sup> Avenue S.W., Calgary, Alberta, Canada, T2R 0G7. For further information on the intercorporate relationships among TransAlta, see "Corporate Structure" in the Annual Information Form.

TransAlta and its predecessors have been engaged in the production and sale of electric energy since 1909. The Corporation is among the largest generation and energy marketing companies with an aggregate net ownership interest of approximately 8,422 megawatts ("MW") of generating capacity having approximately 10,294 MW of aggregate generating capacity<sup>(1)</sup>. In addition, the Corporation has facilities under construction with a net ownership interest of 83 MW of generating capacity, as well as 560 MW of generating capacity in facilities under restoration for total net ownership of approximately 10,937 MW. The Corporation is focused on generating and selling electricity in Canada, the United States and Australia through its diversified portfolio of facilities fuelled by coal, natural gas, hydroelectric, wind and geothermal resources.

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(1) TransAlta measures capacity as the net maximum capacity that a unit can sustain over a period of time, which is consistent with industry standards. All capacity amounts are in megawatts and represent capacity owned and operated by the Corporation unless otherwise indicated.

In Canada, excluding assets under development and restoration, the Corporation holds a net ownership interest of approximately 6,011 MW in thermal, natural gas-fired, wind-powered and hydroelectric facilities, including 4,754 MW in Western Canada, 1,040 MW in Ontario and 217 MW in New Brunswick.

In the United States, the Corporation's principal facilities include a 1,340 MW thermal facility and a 248 MW natural gas-fired facility, which supply electricity to the Pacific Northwest. The Corporation also holds a 50 percent interest in CE Generation, LLC ("CE Generation"), a net ownership interest of approximately 385 MW of generating capacity in geothermal facilities in California and natural gas-fired facilities. In addition, the Corporation has 6 MW of electrical generating capacity through hydroelectric facilities located in Washington and Hawaii.

In Australia, the Corporation has 425 MW of net electrical generating capacity from natural gas-fired generation facilities that are located in Queensland.

The Corporation regularly reviews its operations in order to optimize its generating assets and evaluates appropriate growth opportunities and may in the future make changes and additions to its fleet of coal, natural gas, hydro, wind and geothermal facilities.

The Corporation is organized into three business segments, Generation, Energy Trading and Corporate. The Generation group is responsible for maintaining our electricity generation facilities. The Energy Trading group is responsible for the wholesale trading of electricity and energy derivatives. It is also responsible for the management of available generating capacity as well as the fuel and transmission needs of the Corporation, supported by a Corporate group that provides finance, tax, treasury, legal, regulatory, environmental, health and safety, sustainable development, government and investor relations, procurement, information technology, risk management, human resources, internal audit, and other administrative and governance services.

## RECENT DEVELOPMENTS

On October 26, 2012, TransAlta and MidAmerican Energy Holdings Company announced the creation of a new strategic partnership,

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relationship between the two

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companies and is designed to develop, build and operate new natural-gas fired electricity generation projects in Canada.

On October 30, 2012, TransAlta announced that, over the next six months, it is realigning the talent of the Company, which will result in the elimination of approximately 165 positions, the majority of which will be from the Calgary office. The Company expects the realignment to generate approximately \$25 million in cost savings by the end of 2013 and the Company expects to incur a one-time after-tax charge in the 2012 fourth quarter of \$10 to \$15 million related to the realignment.

## **RISK FACTORS**

An investment in the Notes is subject to a number of risks. In addition to the other information contained in and incorporated by reference to the accompanying Prospectus, you should consider carefully the risk factors set forth below and under the heading "Risk Factors" in the accompanying Prospectus and "Risk Management" in the Annual MD&A and "Risk Factors" in the Annual Information Form.

***There is no public market for the Notes.***

The Notes are a new issue of securities for which there is currently no public market. We do not intend to apply for listing of the Notes on a stock exchange. If the Notes are traded after their initial issue, they may trade at a discount from their initial offering prices, depending on prevailing interest rates, market conditions, and other factors, including general economic conditions and our financial condition. We cannot assure you as to the liquidity of the trading market for the Notes or how the market for the Notes will develop.

***Changes in interest rates may cause the market value of the Notes to decline.***

Prevailing interest rates will affect the market price or value of the Notes. The market price or value of the Notes may decline as prevailing interest rates rise, and increase as prevailing interest rates for comparable debt securities decline.

***The Notes are unsecured obligations of the Corporation.***

The Notes will be our direct unsecured obligations, ranking equally and *pari passu*, except as to sinking fund or analogous provisions, with all other unsecured and unsubordinated indebtedness. The Notes will be effectively subordinated to all indebtedness and other liabilities of our subsidiaries and to our existing and future secured indebtedness, to the extent of the value of the assets securing such secured indebtedness. If we are liquidated or reorganized, the holders of indebtedness and liabilities of our subsidiaries would be paid before the holders of Notes receive any amounts due under the Notes, and the holders of our secured indebtedness would be paid before the holders of Notes receive any amounts due under the Notes, to the extent of the value of the assets securing such secured indebtedness. In that event, a holder of Notes may not be able to recover any principal or interest due under the Notes.

***We may not be able to fulfill our repurchase obligations with respect to the Notes upon a change of control.***

If we experience a Change of Control Triggering Event, we will be required to make an offer to repurchase all outstanding Notes at a price equal to the principal amount of the Notes repurchased, plus accrued and unpaid interest, if any, to the applicable repurchase date. Failure to repurchase the Notes would constitute a default under the indenture governing the Notes, which would also constitute a default under certain instruments governed by the indenture, as described in "Description of the Notes — Repurchase Upon Change of Control Triggering Event".

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If a Change of Control Triggering Event were to occur, we cannot assure you that we would have sufficient funds to repay any Notes, to repurchase, or to satisfy any other obligations that would become immediately due and payable under the other instruments governing our indebtedness in the event of a Change of Control Triggering Event. In order to satisfy our obligations, we may attempt to refinance our indebtedness or obtain consents from our lenders under our existing credit facilities and, as a consequence, may receive a portion of the proceeds from this offering of Notes. We cannot assure you that we would be able to refinance our indebtedness or obtain such consents on satisfactory terms or at all.

#### USE OF PROCEEDS

We expect that the net proceeds from this offering will be approximately US\$389.8 million after deducting underwriting commissions and other offering expenses. All of the net proceeds from the sale of the Notes will be used to repay borrowings under existing credit facilities and for general corporate purposes. Underwriters are lenders under our existing credit facilities and, as a consequence, may receive a portion of the proceeds from this offering of Interest".

#### CHANGES IN CONSOLIDATED CAPITALIZATION

Other than the effect of the Notes offered under this Prospectus Supplement and changes in foreign currency exchange rates on U.S. dollars, there were no material changes in our consolidated capitalization during the period from September 30, 2012 through the date of this Prospectus Supplement. The net proceeds from the sale of the Notes will be initially used to repay amounts owing under existing credit facilities which are considered long-term debt. As a result, this offering will result in an increase in our long-term debt except to the extent of discounts, commissions and other expenses of the offering.

#### DESCRIPTION OF THE NOTES

The following description of the terms of the Notes supplements, and to the extent inconsistent therewith replaces, the description set forth in the accompanying Prospectus under the heading "Description of Debt Securities" and should be read in conjunction with such description. In this section, "Corporation" refers to the Corporation and not to any of its subsidiaries, unless otherwise stated. All capitalized terms used under this heading "Description of the Notes" that are not defined herein are ascribed thereto in the accompanying Prospectus.

##### General

The Notes will be direct unsecured obligations of the Corporation and will rank equally and ratably with all other unsecured obligations of the Corporation.

Payment of the principal, premium, if any, and interest on the Notes will be made in U.S. dollars.

The provisions of the Indenture relating to the payment of additional amounts in respect of Canadian withholding taxes in certain circumstances (see "Description of Debt Securities — Payment of Additional Amounts" in the accompanying Prospectus) and the provisions of the Indenture relating to the event of specified changes in Canadian withholding tax laws or the enforcement or interpretation thereof on or after the date of this Prospectus Supplement (see heading "Description of the Notes — Tax Redemption") will apply to the Notes.

The Notes will be effectively subordinated to all indebtedness and other liabilities of the Corporation's subsidiaries, except to the extent that such subsidiaries ranking at least *pari passu* with such other creditors. As at September 30, 2012, the Corporation's subsidiaries had approximately \$100 million of outstanding (excluding intercompany indebtedness).

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The Notes will initially be issued in an aggregate principal amount of US\$400 million and will mature on November 15, 2022. The Notes will bear interest at a rate of 4.500% per annum from November 7, 2012 or from the most recent date to which interest has been paid or provided for, payable semi-annually in arrears on May 15 and November 15 of each year, commencing May 15, 2013, to the persons in whose names the Notes are registered at the close of business on the preceding May 15. Interest on the Notes shall be computed assuming a 360-day year consisting of twelve 30-day months.

The Corporation may from time to time, without the consent of the holders of the Notes, create and issue additional Notes after this issue date. Any Notes subsequently issued under the Indenture will be treated as a single class for all purposes under the Indenture (except in respect of the payment of interest on the issue date of the additional Notes and the first payment of interest following the issue date of the additional Notes), including, with respect to redemptions and offers to purchase.

The Notes will be issuable in minimum denominations of US\$2,000 or integral multiples of US\$1,000 in excess thereof.

The Notes will not be entitled to the benefits of any sinking fund.

## **Optional Redemption**

Prior to August 15, 2022 (the date that is three months prior to the maturity date of the Notes), the Notes will be redeemable as a whole or in part by the Corporation at any time, at a redemption price equal to the greater of: (i) 100% of the principal amount of such Notes and (ii) the sum of the principal amount of such Notes plus the scheduled payments of principal and interest thereon (exclusive of interest accrued to the date of redemption) discounted to the redemption date on a 360-day year consisting of twelve 30-day months) at the Treasury Rate, plus 45 basis points, plus in each case, accrued interest thereon to the date of redemption.

On or after August 15, 2022 (the date that is three months prior to the maturity date of the Notes), the Notes will be redeemable as a whole or in part by the Corporation at any time, at a redemption price equal to 100% of the principal amount of the Notes to be redeemed, plus accrued interest thereon to the date of redemption.

"**Comparable Treasury Issue**" means the United States Treasury security or securities selected by an Independent Investment Banker having a maturity comparable to the remaining term of the Notes to be redeemed that would be utilized, at the time of selection and in accordance with market pricing new issues of corporate debt securities of a comparable maturity to the remaining term of such Notes.

"**Comparable Treasury Price**" means, with respect to any redemption date, (i) the average of the Reference Treasury Dealer Quotations, excluding the highest and lowest such Reference Treasury Dealer Quotations, or (ii) if the Trustee obtains fewer than four such Reference Treasury Dealer Quotations, the price of such securities as quoted on the NYSE or the OTC market on the date of redemption.

"**Independent Investment Banker**" means one of the Reference Treasury Dealers appointed by the Corporation.

"**Reference Treasury Dealer**" means each of Citigroup Global Markets Inc., HSBC Securities (USA) Inc. and Merrill Lynch, Pierce, Fenner & Smith Inc., or other to be determined by the Corporation, or their respective affiliates which are primary U.S. Government securities dealers, and their respective affiliates, that if any of the foregoing or their respective affiliates shall cease to be a primary U.S. Government securities dealer in The City of New York, the Corporation shall substitute therefor another Primary Treasury Dealer.



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Chancery Court decision raised questions about the enforceability of provisions, which are similar to those in the Indenture, related to the result of a change in the composition of a board of directors. Accordingly, the ability of a holder of Notes to require the Corporation to repurchase in the composition of the board of directors of the Corporation may be uncertain.

"**Below Investment Grade Rating Event**" means the Notes are rated below an Investment Grade Rating by each of the Rating Agencies on the 60<sup>th</sup> day following the occurrence of a Change of Control (which date shall be extended if the rating of the Notes is under publicly announced by any of the Rating Agencies on such 60<sup>th</sup> day, such extension to last until the date on which the Rating Agency considering such possible downgrade below an Investment Grade Rating or (y) publicly announces that it is no longer considering the Notes for possible downgrade; *provided that* the Rating Agencies rates the Notes with an Investment Grade Rating that is not subject to review for possible downgrade on such 60th day).

"**Change of Control**" means the occurrence of any of the following:

- (a) the direct or indirect sale, transfer, conveyance or other disposition (other than by way of merger, amalgamation, arrangement or series of related transactions, of all or substantially all of the Corporation's assets and the assets of its subsidiaries, taken as a whole, to the Corporation or one of its subsidiaries;
- (b) the consummation of any transaction (including, without limitation, any merger or consolidation) the result of which is that another person (the Corporation) becomes the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the U.S. Exchange Act), directly or indirectly, of the Corporation's outstanding Voting Shares or other Voting Shares into which the Corporation's Voting Shares are reclassified, measured by voting power rather than number of shares;
- (c) the Corporation consolidates with, or merges or amalgamates with or into, or enters into an arrangement with, any person other than the Corporation, or merges or amalgamates with or into, the Corporation, in any such event pursuant to a transaction in which any of the Corporation's Voting Shares of such other person are converted into or exchanged for cash, securities or other property, other than any such securities, or the Voting Shares outstanding immediately prior to such transaction constitute, or are converted into or exchanged for, a majority of the Voting Shares of such person or any direct or indirect parent company of the surviving person immediately after giving effect to such transaction;
- (d) the first day on which a majority of the members of the board of directors of the Corporation cease to be Continuing Directors;
- (e) the adoption of a plan relating to the liquidation or dissolution of the Corporation.

Notwithstanding the foregoing, a transaction will not be deemed to involve a Change of Control under clause (b) above if (i) we become a subsidiary of a holding company and (ii)(A) the direct or indirect holders of the Voting Shares of such holding company immediately following the transaction are the same as the holders of the Corporation's Voting Shares immediately prior to that transaction or (B) immediately following that transaction no person (other than the Corporation) satisfying the requirements of this sentence) is the beneficial owner, directly or indirectly, of more than 50% of the Voting Shares of such holding company. The term "beneficial owner" used in this definition, has the meaning given thereto in Section 13(d)(3) of the U.S. Exchange Act.

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**"Change of Control Triggering Event"** means the occurrence of both a Change of Control and a Below Investment Grade Rating Event

**"Continuing Director"** means, as of any date of determination, any member of the board of directors of the Corporation who:

- (a) was a member of such board of directors on the date of the issuance of the Notes; or
- (b) was nominated for election or elected to such board of directors with the approval of a majority of the Continuing Director directors at the time of such nomination or election (either by a specific vote or by approval of the Corporation's proxy statement as a nominee for election as a director, without objection to such nomination).

**"Investment Grade Rating"** means a rating equal to or higher than Baa3 (or the equivalent) by Moody's and BBB- (or the equivalent) Agency ceases to make a rating of the Notes publicly available, the equivalent investment grade credit rating by the replacement agency selected with the procedures described below.

**"Rating Agencies"** means (1) Moody's and S&P; and (2) if Moody's or S&P ceases to make a rating of the Notes publicly available, a "replacement agency", within the meaning of Rule 15c3-1(c)(2)(vi)(F) under the U.S. Exchange Act, selected by the Corporation (as certified by a majority of the directors) as a replacement agency for Moody's or S&P, or each of them, as the case may be.

**"Voting Shares"** means, with respect to any specified person as of any date, the shares of such person that is at the time entitled to vote of directors of such person.

**Tax Redemption**

The Notes will be subject to redemption at any time, in whole but not in part, at the option of the Corporation, at a redemption price together with accrued and unpaid interest to the date fixed for redemption, upon the giving of a notice as described below, if (1) the Corporation experiences any change in or amendment to the laws (or any regulations or rulings promulgated thereunder) of Canada or of any political subdivision thereof affecting taxation, or any change in official position regarding application or interpretation of such laws, regulations or rulings (including any change in jurisdiction), which change or amendment is announced or becomes effective on or after the date of this Prospectus Supplement, the Corporation shall pay, on the next succeeding date on which interest is due, additional amounts with respect to the Notes as described under "Description of Additional Amounts" in the accompanying Prospectus; or (b) on or after the date of this Prospectus Supplement, any action has been taken or decision has been rendered by a court of competent jurisdiction in, Canada or any political subdivision or taxing authority thereof or therein, specified in (a) above, whether or not such action was taken or decision was rendered with respect to the Corporation, or any change, amendment or proposed action shall be officially proposed, which, in any such case, in the written opinion to the Corporation of legal counsel of recognized standing, the Corporation shall be obligated to pay, on the next succeeding date on which interest is due, additional amounts with respect to the Notes and (2) in any such case, a court judgment determines that such obligation cannot be avoided by the use of reasonable measures available to the Corporation; provided that such redemption may be given earlier than 60 days prior to the earliest date on which the Corporation would be obligated to pay such additional amounts on the Notes then due, and (ii) at the time such notice of redemption is given, such obligation to pay such additional

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amounts remains in effect; and provided, further, that any such notice of redemption shall be given no later than 30 days prior to such redemp

In the event that the Corporation elects to redeem the Notes pursuant to the provisions set forth in the preceding paragraph, the Corporation shall execute a certificate, signed by an authorized officer, stating that the Corporation is entitled to redeem the Notes pursuant to their terms.

**Book-Entry System**

DTC, New York, New York, will act as Notes depository for the Notes. The Notes will be issued as fully-registered securities registered in the name of DTC (or its partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for the principal amount of the issue, and will be deposited with DTC. If, however, the aggregate principal amount of the issue exceeds US\$500 million with respect to each US\$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" within the meaning of Section 17A of the U.S. Exchange Act. DTC holds and provides asset servicing for issues of U.S. and non-U.S. equity issues, corporate debt securities, and other market instruments that DTC's participants ("**Direct Participants**") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants, without the physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("**DTCC**"). DTCC is the clearing agent for the Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by its participants. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and other organizations through or maintain a custodial relationship with a Direct Participant, either directly ("**Indirect Participants**"). The DTC Rules and Regulations are filed with the SEC. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on its books for each actual purchaser of each Note ("**Beneficial Owner**") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners are expected to receive confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners are to be represented by Direct Participants, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, or such other name as may be requested by an authorized representative of DTC. The deposit of Notes with DTC and their registration in the name of DTC's partnership nominee will not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC's records reflect only the partnership nominee as the registered owner.

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Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants are keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements. Beneficial Owners of Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to tenders, defaults, and proposed amendments to the Notes. For example, Beneficial Owners of Notes may wish to ascertain that the nominee has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses so that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Notes within an issue are being redeemed, DTC's practice is to determine each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Notes unless authorized by a Direct Participant in accordance with Money Market Instrument procedures. Under its usual procedures, DTC mails an "Omnibus Proxy" to the Corporation as soon as possible after the issue and assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Notes are credited on the record date (collectively, the Omnibus Proxy).

Payments on the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC to Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Corporation or the trustee, on payable data as shown on DTC's records. Payments by DTC to Beneficial Owners will be governed by standing instructions and customary practices, as may from time to time be held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, subject to any statutory or regulatory requirements as may be in effect from time to time.

DTC may discontinue providing its services as depository with respect to the Notes at any time by giving reasonable notice to the Corporation. In such circumstances, in the event that a successor depository is not obtained, certificates for the Notes are required to be printed and delivered.

The Corporation may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor Notes depository) at any time. In such circumstances, certificates for the Notes are required to be printed and delivered to DTC.

The information in this section covering DTC and DTC's system has been obtained from sources that the Corporation believes to be reliable. The Corporation assumes no responsibility for the accuracy thereof. The information in this section is subject to any changes to the arrangements between the Corporation and DTC, and procedures that may be instituted unilaterally by DTC.

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## EARNINGS COVERAGE

The following coverage ratios have been prepared in accordance with Canadian securities law requirements and are included in this Prospectus Supplement with Canadian disclosure requirements.

The following table sets forth our earnings coverage ratios calculated for the twelve-month period ended December 31, 2011 and the twelve-month period ended September 30, 2012. Such earnings coverage ratios do not give effect to the issuance of any Notes offered by this Prospectus Supplement and the terms of issue are not presently known and do not give effect to events subsequent to September 30, 2012.

	<u>Twelve month</u> <u>December 31, 2011</u>
Earnings coverage on long-term debt <sup>(1)</sup>	2.7x

**Notes:**

- (1) Earnings coverage on long-term debt on a net earnings basis is equal to net earnings before interest expense and income taxes, divided by interest expense. In calculating the earnings coverage ratios set forth herein, long-term debt includes the current portion of long-term debt and does not include any amounts due to the Company under the Prospectus Supplement.
- (2) The Corporation would have required additional earnings of \$483 million for the twelve months ended September 30, 2012, in order to achieve an earnings coverage ratio of 1.0x.

The *pro forma* earnings coverage ratio for the twelve month period ended December 31, 2011 and the twelve month period ended September 30, 2012, before the offering and the application of the net proceeds from the sale of the Notes (assuming this offering took place on the first date of the respective offering) were 2.6x and -1.1x, respectively.

The earnings coverage ratios set forth above do not purport to be indicative of earnings coverage ratios for any future periods. They are calculated based on information prepared in accordance with IFRS.

We evaluate our performance using a variety of measures. Earnings coverage discussed above is not defined under IFRS and, therefore, may not be as meaningful or as an alternative to, or more meaningful than, net earnings as determined in accordance with IFRS as an indicator of our financial performance. Net earnings is not necessarily comparable to a similarly titled measure of another company. Net earnings has been calculated on a consistent basis for the twelve month period ended December 31, 2011 and the twelve month period ended September 30, 2012.

## CERTAIN INCOME TAX CONSIDERATIONS

The following summary is of a general nature only and is not intended to be, and should not be construed to be, legal or tax advice. No representation with respect to the tax consequences to any particular investor is made. Accordingly, prospective investors should consult their own tax advisors with respect to the income tax consequences to them having regard to their own particular circumstances, including any consequences of applicable state, provincial or local tax laws in the United States or Canada or tax laws of jurisdictions outside the United States or Canada.

### Certain Canadian Federal Income Tax Considerations

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In the opinion of McCarthy Tétrault LLP, Canadian tax counsel to the Corporation, the following summary, as of the date hereof, de  
income tax considerations

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generally applicable under the provisions of the Tax Act to a prospective purchaser of Notes pursuant to this Prospectus Supplement and the relevant times, for purposes of the Tax Act and any applicable tax treaty, is neither resident nor deemed to be resident in Canada, deals with the Note and is not deemed to use or hold a Note in carrying on business in Canada (a "**Non-Resident Holder**"). This summary is based on the regulations thereunder, proposed amendments to the Tax Act and the regulations thereunder publicly announced prior to the date of this Prospectus Supplement ("**Amendments**") and counsel's understanding of the current published administrative practices of the Canada Revenue Agency in effect as of the date hereof. This summary is not exhaustive of all possible Canadian federal income tax considerations applicable to a Non-Resident Holder and does not anticipate any changes in the law nor does it take into account provincial, territorial or foreign tax considerations, which may differ significantly from those discussed herein. The following summary, below, may apply to a Non-Resident Holder that is an insurer which carries on business in Canada and elsewhere.

Under the Tax Act the payment of interest, principal or premium, if any, to a Non-Resident Holder of a Note will be exempt from Canadian taxes on income or capital gains will be payable under the Tax Act in respect of the acquisition, holding, redemption or disposition of a Note or the receipt of interest, principal or premium thereon by a Non-Resident Holder solely as a consequence of such acquisition, holding, redemption or disposition.

### **Certain U.S. Federal Income Tax Considerations**

The following is a summary of the principal U.S. federal income tax consequences of the acquisition, ownership and disposition of a Note by a U.S. Holder (as hereinafter defined) who purchases the Note for cash at its "issue price" (the first price at which a substantial amount of Notes is sold to bond houses, brokers, or similar persons acting in the capacity of underwriters, placement agents or wholesalers) and who will hold the Note for the meaning of Section 1221 of the Internal Revenue Code of 1986, as amended (the "**Code**"). This summary is intended for general information and is not potentially relevant U.S. federal income tax matters.

This summary does not address the tax consequences to U.S. Holders subject to special provisions of the Code including, without limitation, tax-exempt organizations, insurance companies, regulated investment companies, holders subject to the alternative minimum tax, certain holders in the United States, dealers in securities or foreign currencies, traders in securities, holders holding Notes as part of a "hedge", "straddle", "conversion" transaction and holders with a "functional currency" other than the U.S. dollar. This summary also does not cover any state, local or foreign tax consequences based upon provisions of the Code, Treasury Regulations, rulings and judicial decisions in effect on the date hereof, all of which are subject to change in effect) and differing interpretations, so as to result in U.S. federal income tax consequences different from those described herein.

As used herein, the term "**U.S. Holder**" means a beneficial owner of a Note that is (i) an individual citizen or resident of the United States, (ii) a corporation treated as a corporation for U.S. federal income tax purposes, created or organized under the laws of the United States or any political subdivision thereof, the income of which is subject to U.S. federal income tax without regard to its source, or (iv) a trust if a court within the United States is able to administer the trust and one or more United States persons have the authority to control all substantial decisions of the trust or if the trust is treated as a United States person.

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If a partnership (or other entity treated as a partnership for U.S. federal income tax purposes) holds Notes, the U.S. federal income tax consequences will depend on the status of the partner and the activities of the partnership. Partners in partnerships (or other entities treated as partnerships) holding Notes should consult their tax advisors regarding the tax consequences of the acquisition, ownership or disposition of the Notes.

### ***Payments of Interest***

Interest on the Notes will generally be taxable to a U.S. Holder as ordinary income at the time received or accrued, in accordance with U.S. federal income tax purposes. Such interest will constitute income from sources outside the United States and will generally be treated as such in the case of certain U.S. Holders, as "general category income") for U.S. foreign tax credit limitation purposes. The rules governing U.S. foreign tax credit limitations for purchasers of Notes should consult their tax advisors regarding the availability of U.S. foreign tax credits in their particular circumstances.

### ***Sale, Exchange, Retirement or Redemption of Notes***

Upon the sale, exchange, retirement, redemption or other taxable disposition of a Note, a U.S. Holder generally will recognize U.S. source capital gain or loss equal to the difference between the amount realized on such sale, exchange, retirement or redemption (other than amounts received that are attributable to accrued interest that will be taxable as ordinary income to the extent not previously included in income) and such U.S. Holder's adjusted tax basis in the Note, which generally will constitute capital gain or loss and will be long-term capital gain or loss if the Note was held by such U.S. Holder for more than one year. For non-corporate U.S. Holders, including individuals, is generally eligible for reduced rates of taxation. The deductibility of capital losses is subject to certain limitations.

### ***Information Reporting and Backup Withholding***

In general, payments of interest and principal on and the proceeds from sales of Notes held by a U.S. Holder will be required to be reported to the IRS. If a U.S. Holder is a corporation or other exempt recipient and, when required, demonstrates this fact. In addition, a U.S. Holder that is not an exempt recipient will be subject to backup withholding of U.S. federal income tax on such payments unless it provides a taxpayer identification number and otherwise complies with the requirements for exemption from backup withholding. The amount of any backup withholding from a payment to a U.S. Holder generally will be allowed as a credit against such U.S. Holder's U.S. federal income tax liability. A U.S. Holder is entitled to a refund, provided that the required information is furnished to the IRS in a timely manner. Holders should consult their tax advisors regarding the application of backup withholding, the availability of an exemption from backup withholding and the procedure for obtaining such an exemption.

### ***Information with Respect to Foreign Financial Assets***

Individuals that own "specified foreign financial assets" with an aggregate value in excess of US\$50,000 are generally required to file a report with their tax returns. "Specified foreign financial assets" include any financial accounts maintained by foreign financial institutions, as well as certain investments only if they are not held in accounts maintained by financial institutions: (i) stocks and securities issued by non U.S. persons, (ii) financial instruments or investment that have non U.S. issuers or counterparties, and (iii) interests in foreign entities. The Notes may be subject to these rules. Persons who are individuals are urged to consult their tax advisors regarding the application of this legislation to their ownership of the Notes.

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**UNDERWRITING (CONFLICTS OF INTEREST)**

We intend to offer the Notes through the underwriters named below for whom Citigroup Global Markets Inc., HSBC Securities (USA) Inc., and Fenner & Smith Incorporated (collectively, the "**Representatives**") are acting as representatives. Subject to the terms and conditions contained in this Prospectus Supplement, each underwriter has severally agreed to purchase, and we have agreed to sell to such underwriter, the Notes, in the amount set forth opposite the underwriter's name.

<u>Underwriter</u>	<u>Principal Amount</u>
Citigroup Global Markets Inc.	US\$
HSBC Securities (USA) Inc.	
Merrill Lynch, Pierce, Fenner & Smith Incorporated	
Mitsubishi UFJ Securities (USA), Inc.	
RBS Securities Inc.	
Total	<u>US\$</u>

In the underwriting agreement, the underwriters have severally agreed, subject to the terms and conditions set forth therein, to purchase the Notes set forth in this Prospectus Supplement if any of the Notes are purchased. In the event of default by an underwriter, the underwriting agreement provides that the commitments of the non-defaulting underwriters may be increased or the underwriting agreement may be terminated. The obligations of the underwriting agreement may also be terminated upon the occurrence of certain stated events.

The underwriting agreement provides that the obligations of the underwriters to purchase the Notes included in this offering are subject to the terms and conditions set forth in the underwriting agreement and to other conditions.

The underwriters propose to offer the Notes directly to the public at the public offering price set forth on the cover page of this Prospectus Supplement, less a concession not to exceed 0.400% of the principal amount of the Notes. The underwriters may allow, and dealers may receive, a concession not to exceed 0.200% of the principal amount of the Notes on sales to other dealers. After the initial offering of the Notes to the public, the underwriters may offer the Notes at a price below the offering price and concessions.

The following table shows the underwriting commission that we will pay to the underwriters in connection with this offering (expressed as a percentage of the principal amount of the Notes).

Per Note

In connection with this offering, the Representatives may purchase and sell Notes in the open market. These transactions may include stabilizing transactions and over-allotment transactions. Over-allotment involves syndicate sales of the Notes in excess of the principal amount of the Notes included in this offering, which creates a syndicate short position. Syndicate covering transactions involve purchases of the Notes in the open market after the offering in order to cover syndicate short positions. Stabilizing transactions consist of certain bids or purchases of the Notes made for the purpose of maintaining the market price of the Notes while this offering is in progress.

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The underwriters may also impose a penalty bid. Penalty bids permit the underwriters to reclaim a selling concession from a syndicate covering syndicate short positions or making stabilizing purchases, repurchases Notes originally sold by that syndicate member.

As a result of these activities, the market price of the Notes offered under this Prospectus Supplement may be higher than the price market. If these activities are commenced, they may be discontinued by the underwriters at any time without notice. The underwriters may trade in the over-the-counter market or otherwise.

We estimate that our total expense for this offering will be approximately US\$700,000 (not including the underwriting commission).

Certain of the underwriters and their respective affiliates have in the past performed, and may in the future perform, various financial and commercial lending service for us and our affiliates in the ordinary course of business, for which they have received and will receive customary fees.

In addition, in the ordinary course of their business activities, the underwriters and their affiliates may make or hold a broad array of investments in equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the account of their clients. Such securities and financial instruments activities may involve securities and/or instruments of ours or our affiliates. Certain of the underwriters or their affiliates may routinely hedge their credit exposure to us consistent with their customary risk management policies. Typically, such underwriters and their affiliates may enter into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, and may also acquire, long and/or short positions in such securities and instruments. Any such short positions could adversely affect future trading prices of the notes offered hereby. The underwriters and their affiliates may also make recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may also acquire, long and/or short positions in such securities and instruments.

We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the U.S. Securities Act, or to contribute to the payment of such liabilities, to the extent that we may be required to make because of any such liabilities.

The Notes will not be qualified for sale under the securities laws of Canada or any province or territory of Canada (other than the province of Ontario) directly or indirectly, offered, sold or delivered in Canada or to residents of Canada in contravention of the securities laws of any province or territory of Canada. Each underwriter has agreed that it will not, directly or indirectly, offer, sell or deliver any Notes purchased by it in Canada or to residents of Canada.

Certain of the underwriters are affiliates of banks or other financial institutions (collectively, the "**Affiliate Lenders**") that are our creditors. We intend to use all net proceeds from this offering to repay borrowings under existing credit facilities and for general corporate purposes. Net proceeds from this offering may be paid to one or more of the Affiliate Lenders. For more information, see "Use of Proceeds". The decision to use net proceeds from this offering was made by us, and the determination of the terms of this offering was made through negotiations between us and the underwriters. The Affiliate Lenders were not involved in such decision or determination, but have each been advised of this offering and the terms thereof.

## **Conflicts of Interest**

As described in "Use of Proceeds", the net proceeds from this offering will be used to repay borrowings under existing credit facilities. Because more than 5% of the proceeds from this offering, not including underwriting compensation, may be received by certain

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affiliates of the underwriters in this offering, this offering is being conducted pursuant to Rule 5121 of FINRA. Pursuant to that rule, the a underwriter is not necessary in connection with this offering because the conditions of Rule 5121(a)(1)(C) of FINRA are satisfied.

**LEGAL MATTERS**

Certain legal matters relating to Canadian law in connection with the offering of the Notes will be passed upon on behalf of the Corporation by McCarthy Tétrault LLP as Canadian tax counsel, Calgary, Alberta. Certain legal matters relating to United States law in connection with the offering will be passed upon on behalf of the Corporation by Latham & Watkins LLP, New York, New York and on behalf of the underwriters by Paul, Weiss, Rifkin, Franta & Bradburn LLP, New York, New York and Ontario.

The partners and associates of Norton Rose Canada LLP, as a group, beneficially own, directly or indirectly, less than 1% of any class of

The partners and associates of McCarthy Tétrault LLP, as a group, beneficially own, directly or indirectly, less than 1% of any class of

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**AUDITORS**

The Corporation's auditors are Ernst & Young LLP, Chartered Accountants, Calgary, Alberta.

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### **AUDITOR'S CONSENT**

We have read the prospectus supplement of TransAlta Corporation (the "Corporation") dated November 2, 2012 to the short form base prospectus dated November 2, 2012, relating to the issue and sale of US\$400,000,000 aggregate principal amount of 4.500% senior notes due 2022 (the "Prospectus") in accordance with the generally accepted standards for an auditor's involvement with offering documents.

We consent to the incorporation by reference in the Prospectus of our report to the Shareholders of the Corporation on the consolidated financial statements of the Corporation as at December 31, 2011 and 2010, and January 1, 2010, and the consolidated statements of earnings, comprehensive income and cash flows for each of the years in the two year period ended December 31, 2011 and our report on the effectiveness of internal control over financial reporting for the reports are dated March 1, 2012.

Calgary, Canada  
November 2, 2012

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**BASE SHELF PROSPECTUS**

New Issue



**TRANSALTA CORPORATION**  
**US\$1,000,000,000**

**Common Shares**  
**First Preferred Shares**  
**Warrants**  
**Subscription Receipts**  
**Debt Securities**

We may from time to time offer and issue (i) common shares ("**Common Shares**"), (ii) first preferred shares ("**First Preferred Shares**"), (iii) first preferred shares or other securities ("**Warrants**"), (iv) subscription receipts, each of which, once purchased, entitle the holder to certain rights, subject to certain release conditions, and for no additional consideration, one Common Share ("**Subscription Receipts**"), or (v) debt securities (the "**debt securities**") up to a total amount of US\$1,000,000,000 (or its equivalent in any other currency or currency unit used to denominate the Securities) during the 25 month period (the "**Prospectus**"), including any amendments hereto, remains valid.

**THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND COMMISSION (THE "SEC") OR ANY UNITED STATES STATE SECURITIES COMMISSION NOR HAS THE SEC OR ANY UNITED STATES STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A VIOLATION OF FEDERAL SECURITIES LAWS AND MAY CONSTITUTE A FEDERAL SECURITIES LAW OFFENSE.**

This offering is made by a Canadian issuer that is permitted, under the multi-jurisdictional disclosure system adopted in the United States, to provide disclosure in accordance with Canadian disclosure requirements. Prospective investors should be aware that such requirements are different from those of the United States. The financial statements incorporated herein by reference have been prepared in accordance with Canadian generally accepted accounting principles as in effect from time to time in Canada ("Canadian GAAP") and are subject to Canadian auditing and auditor independence standards. As a result, the financial statements may not be directly comparable to financial statements of United States companies. See "*About this Prospectus*".

Prospective investors should be aware that the acquisition of the Securities may have tax consequences both in the United States and in the United States for investors who are resident in, or citizens of, the United States may not be described fully herein or in any applicable Prospectus Supplement. Prospective investors should read the tax discussion under "*Certain Income Tax Considerations*" and in any applicable Prospectus Supplement.

The enforcement by investors of civil liabilities under United States federal securities laws may be affected adversely by the fact that the issuer is incorporated and organized under the laws of Canada, that most of its officers and directors are residents of Canada, that some or all of the

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**Prospectus are residents of Canada, and that all or a substantial portion of the assets of the Corporation and said persons are located**

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**No underwriter has been involved in the preparation of this Prospectus or performed any review of the contents of this Prospectus.**

The specific terms of any offering of Securities will be set forth in a prospectus supplement or supplements (each, a "**Prospectus Supplement**"). (i) in the case of Common Shares, the number of Common Shares offered and the offering price; (ii) in the case of First Preferred Shares, the number of First Preferred Shares offered, the offering price, any voting rights, any rights to receive dividends, any terms of redemption, any other specific terms of the First Preferred Shares; (iii) in the case of Warrants, the designation, number and terms of the Common Shares, First Preferred Shares, Warrants, and any procedures that will result in the adjustment of those numbers, the exercise price, currency or currency unit in which the Warrants are issued and any other specific terms of the Warrants; (iv) in the case of the Subscription Receipts offered, the offering price, the terms, conditions and procedures for the conversion of such Subscription Receipts into Common Shares or First Preferred Shares; and (v) in the case of debt securities, the specific designation of the debt securities, any limit on the aggregate principal amount of debt securities, the maturity, the offering price, whether payment on the debt securities will be senior or subordinated to our other debt securities, whether the debt securities will bear interest, the interest rate or method of determining the interest rate, any interest rate, any terms of redemption, any other specific terms of the debt securities. We reserve the right to include in a Prospectus Supplement specific terms pertaining to the Securities not set forth in this Prospectus. You should read this Prospectus and any applicable Prospectus Supplement before you invest in any Securities.

All shelf information permitted under applicable laws to be omitted from this Prospectus will be contained or incorporated by reference into this Prospectus that will be delivered to purchasers together with this Prospectus. Each Prospectus Supplement will be incorporated by reference into this Prospectus as of the date of the applicable Prospectus Supplement and only for the purposes of the distribution of the Securities to which it pertains.

Our Common Shares are listed on the Toronto Stock Exchange ("**TSX**") under the symbol "TA" and on the New York Stock Exchange ("**NYSE**") under the symbol "TAL". On November 17, 2010, the closing price of the Common Shares on the TSX was \$20.54 and on the NYSE was US\$20.11. **There is currently no public market for our First Preferred Shares, Warrants, Subscription Receipts or debt securities and purchasers may not be able to resell such Securities. This may affect the pricing of such Securities in the secondary market, the transparency and availability of trading prices and the extent of issuer regulation. Investing in the Securities involves risks. See "Risk Factors" in this Prospectus and in any applicable Prospectus Supplement.**

We may sell the Securities to or through underwriters or dealers purchasing as principals, directly to one or more purchasers pursuant to applicable laws and regulations. See "*Plan of Distribution*". The Prospectus Supplement relating to a particular offering of Securities will identify each underwriter or dealer with the offering and sale of the Securities, and will set forth the terms of the offering of such Securities, including the method of distribution, any discounts or any other compensation payable to underwriters, dealers or agents and any other material terms of offering of such Securities.

Unless otherwise specified in the applicable Prospectus Supplement, each series or issue of Securities (other than Common Shares) will be sold in an established trading market. The Securities may be sold from time to time in one or more transactions at a fixed price or prices or at non-fixed prices. In any case the compensation payable to an underwriter, dealer or agent in connection with any such sale will be the amount, if any, by which the price at which the Securities are sold by the purchasers exceeds the gross proceeds paid by the underwriter, dealer or agent to us and the price at which the Securities are sold between purchasers during the distribution period.

In connection with any offering of Securities, the underwriters may over-allot or effect transactions which stabilize, maintain or otherwise support the price of the Securities at a level above that which otherwise might prevail on the open market. Such transactions may be commenced, interrupted or discontinued at any time.

Our head and registered office is located at 110 - 12th Avenue S.W., Calgary, Alberta, T2R 0G7.

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## ABOUT THIS PROSPECTUS

In this Prospectus and in any Prospectus Supplement, unless otherwise specified or the context otherwise requires, all dollar amounts are in U.S. dollars. "U.S. dollars" or "US\$" means lawful currency of the United States. Unless otherwise indicated, all financial information included and incorporated in any Prospectus Supplement is determined using Canadian GAAP. "U.S. GAAP" means generally accepted accounting principles in the United States. The significant differences between Canadian GAAP and U.S. GAAP are summarized in the reconciliations to U.S. financial statements as at December 31, 2009 and 2008 and for each of the years in the three year period ended December 31, 2009 and interim financial statements as at and for the three and nine month periods ended September 30, 2010 and 2009, all of which are incorporated by reference. Unless the context otherwise requires, all references in this Prospectus and any Prospectus Supplement to "TransAlta", the "Corporation" or "we" mean TransAlta Corporation and its consolidated subsidiaries including any consolidated partnerships of which the Corporation or any of its subsidiaries are

This Prospectus provides a general description of the Securities that we may offer. Each time we offer and sell Securities under this Prospectus Supplement that will contain specific information about the terms of that offering. The Prospectus Supplement may also add, update or delete information from this Prospectus. Before investing in any Securities, you should read both this Prospectus and any applicable Prospectus Supplement together with this Prospectus below under "*Documents Incorporated by Reference*" and "*Certain Available Information*".

All information permitted under applicable laws to be omitted from this Prospectus will be contained in one or more Prospectus Supplements together with this Prospectus.

You should rely only on the information contained in or incorporated by reference in this Prospectus or any applicable Prospectus Supplement included in the registration statement on Form F-10 of which this Prospectus forms a part. We have not authorized anyone to provide you with information that is not contained in this Prospectus. We are not making an offer to sell these Securities in any jurisdiction where the offer or sale is not permitted by law. You should not assume that the information in any applicable Prospectus Supplement or any documents incorporated by reference is accurate as of any date other than the date on the front cover of this Prospectus. Our operating results, financial condition and prospects may have changed since that date.

#### DOCUMENTS INCORPORATED BY REFERENCE

The following documents of the Corporation, filed with the securities commissions or similar authorities in each of the provinces and territories, are specifically incorporated by reference in, and form an integral part of, this Prospectus, provided that such documents are not incorporated by reference if their contents are modified or superseded by a statement contained in this Prospectus or in any other subsequently filed document that is also incorporated by reference in this Prospectus:

- (a) consolidated financial statements as at December 31, 2009 and 2008 and for each of the years in the three year period ended December 31, 2009, the auditors' report thereon and the auditors' report on our internal control over financial reporting;
- (b) management's discussion and analysis of financial condition and results of operations as at and for the year ended December 31, 2009;
- (c) annual information form dated February 24, 2010 (the "**Annual Information Form**") for the year ended December 31, 2009;
- (d) management proxy circular dated March 11, 2010 prepared in connection with the Corporation's annual and special meeting of shareholders;
- (e) unaudited consolidated interim financial statements as at and for the three and nine month periods ended September 30, 2010;
- (f) management's interim discussion and analysis of the financial condition and results of operations as at and for the three and nine month periods ended September 30, 2010;
- (g) reconciliation to U.S. GAAP of the consolidated financial statements as at December 31, 2009 and 2008 and for each of the years in the three year period ended December 31, 2009 and the auditors' report thereon; and
- (h) reconciliation to U.S. GAAP of the unaudited consolidated interim financial statements as at and for the three and nine month periods ended September 30, 2010 and 2009.

Any documents of the type required to be incorporated by reference in a short form prospectus pursuant to National Instrument 44-101 ("NI 44-101") of the Canadian

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Securities Administrators, including any documents of the type referred to above, material change reports (excluding confidential material change reports subsequently filed by the Corporation with any securities commissions or similar authorities in Canada after the date of this Prospectus offering of Securities shall be deemed to be incorporated by reference into this Prospectus. These documents are available through the Document Analysis and Retrieval ("SEDAR"), which can be accessed at [www.sedar.com](http://www.sedar.com). In addition, any documents filed by the Corporation on Form 6-K or Form 40-F, pursuant to the United States Securities Exchange Act of 1934, as amended (the "Exchange Act"), in each case as filed with the SEC, shall be deemed to be incorporated by reference into this Prospectus and the registration statement of which this Prospectus forms a part, if and to the extent such documents are required to be filed with the SEC. The Corporation's reports on Form 6-K, and beginning with its Form 40-F for the year ended December 31, 2001, its annual reports on Form 40-F, shall be deemed to be incorporated by reference into this Prospectus and the registration statement of which this Prospectus forms a part, if and to the extent such documents are required to be filed with the SEC's website at [www.sec.gov](http://www.sec.gov).

**Any statement contained in this Prospectus or in a document incorporated or deemed to be incorporated by reference herein shall be superseded for the purposes of this Prospectus to the extent that a statement contained herein or in any other subsequently filed document incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state the prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances as they exist at the time the statement was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.**

**Upon a new annual information form and related annual audited comparative consolidated financial statements and accompanying management's discussion and analysis being filed by the Corporation with, and where required, accepted by, the applicable securities regulatory authorities during the term of this Prospectus, the previous annual information form, the previous annual audited financial statements and accompanying management's discussion and analysis, all material change reports and all business acquisition reports filed with the applicable securities regulatory authorities at the commencement of the financial year of the Corporation in which the new annual information form and related annual audited comparative consolidated financial statements and accompanying management's discussion and analysis are filed shall be deemed no longer to be incorporated by reference into this Prospectus for the purposes of future offers and sales of Securities hereunder. Upon interim financial statements and accompanying management's discussion and analysis being filed by the Corporation with the applicable securities regulatory authorities during the term of this Prospectus, all interim financial statements and accompanying management's discussion and analysis filed prior to the new interim consolidated financial statements shall be deemed no longer to be incorporated by reference into this Prospectus for the purposes of future offers and sales of Securities hereunder.**

**Updated earnings coverage ratios will be filed quarterly with the applicable securities regulatory authorities either as Prospectus Supplements or as amendments to the Prospectus. Updated earnings coverage ratios will be incorporated by reference into the Corporation's interim unaudited comparative consolidated financial statements and annual audited comparative consolidated financial statements and shall be incorporated by reference in this Prospectus for the purposes of the offering of the Securities.**

A Prospectus Supplement containing the specific terms of any Securities offered thereunder will be delivered to purchasers of such Securities and will be deemed to be incorporated by reference into this Prospectus as of the date of such Prospectus Supplement solely for the purposes of the offering of such Securities covered by such Prospectus Supplement.

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Copies of the documents incorporated herein by reference (other than exhibits to such documents, unless such exhibits are specifically identified as such) may be obtained on request without charge from the Vice-President and Corporate Secretary of TransAlta, 110 - 12th Avenue, Suite 2200, Calgary, Alberta T2P 0G7, Telephone (403) 267-7110.

**Prospective investors should rely only on the information contained in or incorporated by reference in this Prospectus or any other information included or incorporated by reference in the registration statement of which this Prospectus forms a part. The Corporation is not making an offer of these securities in any jurisdiction where an offer is not permitted by law. Prospective investors should not assume that the information contained in or incorporated by reference in this Prospectus Supplement is accurate as of any date other than the date on the front of the applicable Prospectus Supplement.**

#### CERTAIN AVAILABLE INFORMATION

The Corporation has filed with the SEC under the *United States Securities Act of 1933*, as amended (the "**U.S. Securities Act**"), relating to the Securities and of which this Prospectus forms a part. This Prospectus does not contain all of the information set forth in such registration statement which are incorporated by reference in or contained in the exhibits to such registration statement as permitted or required by the rules and regulations of the SEC. Statements made in this Prospectus as to the contents of any contract, agreement or other document are made by reference to the exhibit, if applicable, for a more complete description of the relevant matter, each such statement and in each instance, reference is made to the exhibit, if applicable, for a more complete description of the relevant matter, each such statement and in each instance, reference is made to the exhibit, if applicable, for a more complete description of the relevant matter, each such statement. Items of information omitted from this Prospectus but contained in the registration statement on Form F-10 may be inspected and copied at the public reference facilities maintained at the offices of the SEC described below.

The Corporation is subject to the information requirements of the *United States Securities and Exchange Act of 1934*, as amended, and in accordance therewith, files reports and other information with the SEC. Under the multi-jurisdictional disclosure system adopted in the United States, other information may be prepared in accordance with the disclosure requirements of Canada, which requirements are different from those of the United States. The Corporation is exempt from the rules under the U.S. Exchange Act prescribing the furnishing and content of proxy statements, and its officers, directors and other persons are exempt from the reporting and short swing profit recovery provisions contained in Section 16 of the U.S. Exchange Act. Under the U.S. Exchange Act, the Corporation's financial statements are required to be filed with the SEC as promptly as United States companies. Such reports and other information may be inspected without charge, and copies may be obtained at the public reference facility maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549 and are also available on the SEC's website.

#### SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Prospectus, including the documents incorporated by reference herein, contains both historical and forward-looking statements. All forward-looking statements are based on our beliefs as well as assumptions based on information available at the time the assumption was made and on management's experience and expectations of current conditions and expected further developments as well as other factors deemed appropriate in the circumstances. These forward-looking statements are predictions and generally can be identified by the use of statements that include phrases such as "may", "will", "believe," "expect," "anticipate," "potential", "enable", "continue" or other words or phrases of similar import. Similarly, statements that describe the Corporation's objectives, strategies and financial goals are forward-looking statements. These forward-looking

statements are subject to risks, uncertainties and other important factors that could cause actual results to differ materially from those of forward-looking statements contained in the documents incorporated by reference herein, this Prospectus contains, without limitation, forward-looking statements regarding the following: anticipated capacities of electricity generating facilities under construction; and certain terms of the Securities and any offering memorandum.

With respect to forward-looking statements contained in this Prospectus, we have made assumptions regarding, among other things, the completion of construction projects according to planned specifications; our current construction projects when complete will operate as expected; our ability to obtain financing on acceptable terms; and that terms of future offerings will be on the terms and conditions consistent with the current offering.

Certain factors that could materially affect these forward-looking statements are described below and are incorporated by reference to the "Risk Factors" in this Prospectus. Potential investors and other readers are urged to consider these factors carefully in evaluating the forward-looking statements and not to place undue reliance on these forward-looking statements. The forward-looking statements included in this document are made only as of the date hereof. The Corporation does not undertake to publicly update these forward-looking statements to reflect new information, future events or otherwise, unless required by law. In light of these risks, uncertainties and assumptions, the forward-looking events might or might not occur. The Corporation cannot assure you that the objectives set forth will be achieved.

Factors that may adversely impact the Corporation's forward-looking statements include risks relating to: fluctuations in market prices of fuels required to generate electricity and in the price of electricity; the regulatory and political environments in the jurisdictions in which the Corporation operates; requirements and changes in, or liabilities under, these requirements; changes in general economic conditions including interest rates; operational risks at generating facilities, including unplanned outages at such facilities; execution and capital cost risks relating to the Corporation's development and construction of transmission and distribution of electricity; effects of weather; disruptions in the source of fuels, water, wind or biomass required to operate generating facilities; disasters; equipment failure; energy trading risks; industry risk and competition; fluctuations in the value of foreign currencies and foreign exchange rates; financing; liquidity risk; structural subordination of securities; counterparty credit risk; insurance coverage; the Corporation's provisions of services involving the Corporation; reliance on key personnel; labour relations matters; development projects and acquisitions; and absence of a public market for the securities offered under this Prospectus. The foregoing risk factors, among others, are described in further detail under the heading "Risk Factors" in this Prospectus, incorporated by reference in this Prospectus, including the Annual MD&A and the Annual Information Form.

## TRANSALTA CORPORATION

TransAlta is a corporation amalgamated under the *Canada Business Corporations Act*. The registered office and principal place of business is 110 - 12th Avenue S.W., Calgary, Alberta, Canada, T2R 0G7. For further information on the intercorporate relationships among TransAlta, see the "Corporate Structure — Intercorporate Relationships" in the Annual Information Form.

TransAlta and its predecessors have been engaged in the production and sale of electric energy since 1909. The Corporation is among the largest generation and energy marketing companies with an aggregate net ownership interest of approximately 8,563 megawatts ("MW") of generating capacity, having approximately 10,365 MW of aggregate generating capacity<sup>(1)</sup>. In addition, the Corporation has facilities under construction with a net

427 MW of generating capacity in facilities designed to have aggregate generating capacity of 652 MW as well as a net ownership interest in facilities with generating capacity in advanced-stage development. The Corporation is focused on generating electricity in Canada, the United States and Australia from facilities fuelled by coal, gas, hydroelectric, wind, geothermal and biomass resources.

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- (1) TransAlta measures capacity as the net maximum capacity that a unit can sustain over a period of time, which is consistent with industry standards. All capacity amounts are as owned and operated by the Corporation unless otherwise indicated.

In Canada, the Corporation holds a net ownership interest of approximately 6,248 MW of electrical generating capacity in thermal, gas and biomass facilities, including 5,029 MW in Western Canada, 1,040 MW in Ontario, 99 MW in Québec and 80 MW in New Brunswick.

In the United States, the Corporation's principal facilities include a 1,376 MW thermal facility and a 248 MW gas fired facility, both of which supply electricity to the Pacific Northwest. The Corporation holds a 50% interest in CE Generation, LLC ("**CE Generation**"), through which it has a net ownership interest of approximately 385 MW of generating capacity in geothermal facilities in California and gas fired facilities in Texas, Arizona and Nevada. The Corporation also has 6 MW of electrical generating capacity through hydroelectric facilities located in Washington and Hawaii.

In Australia, the Corporation has 300 MW of net electrical generating capacity from gas-fired generation facilities.

The Corporation regularly reviews its operations in order to optimize its generating assets and evaluates appropriate growth opportunities and may in the future make changes and additions to its fleet of coal, gas, hydro, wind, geothermal and biomass fuelled facilities.

The Corporation is organized into two business segments: Generation and Commercial Operations and Development. The Generation segment is responsible for operating and maintaining electricity generation facilities. The Commercial Operations and Development group is responsible for managing the Corporation's natural gas, transmission capacity and market risks associated with the Corporation's generation assets and for non asset backed trading activities. The Corporation is a corporate group that provides finance, treasury, legal, regulatory, environmental, health and safety, sustainable development, corporate communications, information technology, human resources, internal audit, and other administrative support.

## USE OF PROCEEDS

Unless otherwise specified in a Prospectus Supplement, the net proceeds from the sale of the Securities will be used for general corporate purposes, the repayment of indebtedness and the financing of the Corporation's long-term investment plan. The amount of net proceeds to be used for any particular purpose is set forth in the applicable Prospectus Supplement. The Corporation expects that it may, from time to time, issue securities (including Securities) other than the

### CHANGES IN CONSOLIDATED CAPITALIZATION

Other than the effect of changes in foreign currency exchange rates on U.S. dollar denominated loans, there have been no material changes in consolidated capitalization during the period from September 30, 2010 through the date of this Prospectus.

The following table sets forth the consolidated capitalization of the Corporation as at December 31, 2009 and September 30, 2010, and the applicable amounts between those two dates. This table should be read in conjunction with the consolidated financial statements of the Corporation as at December 31, 2009 and the unaudited consolidated interim financial statements of the Corporation as at and for the three and nine month periods which have been incorporated by reference herein.

	As at December 31, 2009	As at September 30, 2010
	(in millions, except Common Shares)	
Current Portion of Long-Term Debt <sup>(1)</sup>	\$ 31	\$ 256
Less: Cash and Cash Equivalents	82	80
	<u>(51)</u>	<u>176</u>
Long-Term Debt		
Recourse	3,857	3,887
Non-Recourse <sup>(2)</sup>	554	541
Non-Controlling Interests <sup>(3)</sup>	478	439
Common Shareholders' Equity		
Common Shares	2,169	2,194
	(218,404,442 Common Shares)	(219,542,527 Common Shares)
Retained Earnings	634	600
Accumulated Other Comprehensive Income	126	278
Total Common Shareholders' Equity	<u>2,929</u>	<u>3,072</u>
Total Capitalization	<u>7,767</u>	<u>8,115</u>

**Notes:**

- (1) Includes a \$225 million maturity in June, 2011.
- (2) Includes the Corporation's share of debt in TransAlta Cogeneration L.P., CE Generation, Waituku Holding Company LLC and all the debt of Canadian Hydro Corporation.
- (3) TransAlta Generation Partnership, a wholly-owned subsidiary of the Corporation, holds a direct 50.00% interest in TransAlta Cogeneration, L.P. TransAlta Generation Partnership, a wholly-owned subsidiary of the Corporation and the general partner of TransAlta Cogeneration, L.P., hold a 0.01% interest in TransAlta Cogeneration, L.P. and the remainder of the interest in TransAlta Cogeneration, L.P. CE Generation holds a 75% interest in the 240 MW Saranac gas-fired plant in Plattsburg, New York, and the Corporation holds an indirect 50% interest in the plant.

### EARNINGS COVERAGE RATIOS

The following coverage ratios have been prepared in accordance with Canadian securities law requirements and are included in this Prospectus.

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disclosure requirements.

The following sets forth the Corporation's earnings coverage ratios calculated for the twelve month period ended December 31, 2009 and September 30, 2010. The earnings coverage ratios set forth below: (i) do not give effect to the issue of any Securities pursuant to this Prospectus and are not indicative of earnings coverage ratios for any future periods. The

earnings coverage ratios have been calculated based on information prepared in accordance with Canadian GAAP.

Earnings coverage on long-term debt <sup>(1)</sup>	<u>Twelve mo</u> <u>December 31, 200</u> 1.9 times
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**Note:**

- (1) Earnings coverage on long-term debt on a net earnings basis is equal to net earnings plus net interest expense and income taxes divided by net interest expense. In calculating the earnings coverage ratios set forth herein, long-term debt includes the current portion of long-term debt and does not include any amounts with respect to convertible debt. See the Prospectus.

TransAlta evaluates its performance using a variety of measures. Earnings coverage discussed above is not defined under Canadian GAAP and should not be considered in isolation or as an alternative to, or more meaningful than, net earnings as determined in accordance with Canadian GAAP as a measure of financial performance or liquidity. This measure is not necessarily comparable to a similarly titled measure of another company. Net earnings coverage ratios are based on net earnings for the twelve month period ended December 31, 2009 and the twelve month period ended September 30, 2010.

The Corporation's interest requirements, as adjusted as described above, amounted to \$180 million and \$216 million for the 12 month periods ended September 30, 2009 and September 30, 2010, respectively. The Corporation's earnings before interest and income tax for the 12 month periods then ended was \$340 million and \$340 million, which is 1.9 times and 1.9 times, respectively, TransAlta's interest requirements, as adjusted as described above, for such periods.

## DESCRIPTION OF SHARE CAPITAL

### General

As of the date of this Prospectus, the Corporation's authorized share capital consists of an unlimited number of Common Shares and First Preferred Shares, issuable in series. As at October 31, 2010, 220,335,458 Common Shares were outstanding and no First Preferred Shares were outstanding.

### Common Shares

The following description is subject to, and qualified by reference to, the terms and provisions of the Corporation's articles and by-laws.

Each Common Share of the Corporation entitles the holder thereof to one vote for each Common Share held at all meetings of shareholders at which only holders of another specified class or series of shares are entitled to vote, to receive dividends if, as and when declared by the Corporation, in satisfaction of preferential dividends applicable to any First Preferred Shares, and to participate rateably in any distribution of the assets of the Corporation upon dissolution or winding up, subject to prior rights and privileges attaching to the First Preferred Shares. The Common Shares are not entitled to pre-emptive rights. The Common Shares are not entitled to cumulative voting.

The transfer agent and registrar for the Common Shares in Canada is CIBC Mellon Trust Company at its principal transfer offices in Toronto, Ontario, Alberta, Winnipeg, Manitoba, Toronto, Ontario and Montreal, Quebec. The transfer agent and registrar for the Common Shares in the United States is CIBC Mellon Trust Company Services at its principal office in New York, New York.

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The Common Shares offered pursuant to this Prospectus may include Common Shares issuable upon conversion or exchange of any upon exercise of any Warrants or upon conversion of any Subscription Receipts.

### **First Preferred Shares**

The Corporation is authorized to issue an unlimited number of First Preferred Shares, issuable in series and, with respect to each series fix the number of shares comprising the series and determine the designation, rights, privileges, restrictions and conditions attaching to such s

The First Preferred Shares of all series rank senior to all other shares of the Corporation with respect to priority in payment of divid assets in the event of liquidation, dissolution or winding up of the Corporation, or a reduction of stated capital. Holders of First Preferred S quarterly dividends on the subscription price thereof as and when declared by the board of directors at the rate established by the board of d a series. No dividends may be declared or paid on any other shares of the Corporation unless all cumulative dividends accrued upon all o been paid or declared and set apart. In the event of the liquidation, dissolution or winding up of the Corporation, or a reduction of stated distributed to holders of other shares of the Corporation until the holders of First Preferred Shares shall have been paid the subscription price premium payable on a redemption, plus a sum equal to the arrears of dividends accumulated on the First Preferred Shares to the date of su or reduction of stated capital, as applicable. After payment of such amount, the holders of First Preferred Shares shall not be entitled to share of the Corporation.

The directors may include in the share conditions attaching to a particular series of First Preferred Shares certain voting rights effectiv payment of six quarterly dividend payments, whether or not consecutive. These voting rights continue for so long as any dividends remain right to one vote for each \$25 of subscription price on all matters in respect of which shareholders vote, and additionally, the right of all ser a combined class, to elect two directors of the Corporation if the board of directors then consists of less than 16 directors, or three directors or more directors. Otherwise, except as required by law, the holders of First Preferred Shares shall not be entitled to vote or to receive not shareholders of the Corporation.

Subject to the share conditions attaching to any particular series providing to the contrary, the Corporation may redeem First Preferred time to time in part, at the redemption price applicable to each series and the Corporation has the right to acquire any of the First Prefe purchase for cancellation in the open market or by invitation for tenders at a price not to exceed the redemption price applicable to the series

The Prospectus Supplement will set forth the following terms relating to the First Preferred Shares being offered:

- the maximum number of First Preferred Shares;
- the designation of the series;
- the offering price;
- the annual dividend rate and whether the dividend rate is fixed or variable, the date from which dividends will accrue, and th

- the price and the terms and conditions for redemption, if any, including redemption at TransAlta's option or at the option of the holder, and payment of any accumulated dividends;
- the terms and conditions, if any, for conversion or exchange for shares of any other class of TransAlta or any other series of securities or assets, including the price or the rate of conversion or exchange and the method, if any, of adjustment;
- whether such First Preferred Shares will be listed on any securities exchange;
- the voting rights, if any; and
- any other rights, privileges, restrictions, or conditions.

First Preferred Shares will be fully paid and non-assessable upon issuance. The First Preferred Shares of any series may be represented by global certificates. If First Preferred Shares are represented by a global certificate, each global certificate will:

- be registered in the name of a depository or a nominee of the depository identified in the applicable Prospectus Supplement; and
- be deposited with such depository or nominee or a custodian for the depository.

### **Related Party Articles Provisions**

The articles of the Corporation contain provisions restricting the ability of the Corporation to enter into a "**Specified Transaction**" with a Major Shareholder. A Specified Transaction requires the approval of a majority of the votes cast by holders of voting shares of the Corporation, as well as the approval of a majority of the votes cast by holders of such voting shares, excluding any Major Shareholder. A Major Shareholder generally means the beneficial owner of more than 20% of the outstanding shares of the Corporation. There is a broad definition of beneficial ownership, and in particular, a person is considered to beneficially own shares of the Corporation if those terms are defined in the articles. Transactions which are considered to be Specified Transactions include the following: a merger or acquisition of the Corporation; the furnishing of financial assistance by the Corporation to a Major Shareholder; certain sales of assets or provision of services to a Major Shareholder or vice versa; certain issuances of securities by the Corporation which increase the proportionate voting interest of a Major Shareholder; recapitalization of the Corporation which increases the proportionate voting interest of a Major Shareholder; and the creation of a class of shares of the Corporation which has a residual right to participate in earnings of the Corporation and assets of the Corporation upon dissolution or winding up of the Corporation.

### **Shareholder Rights Plan**

The Corporation implemented a shareholder rights plan (the "**Rights Plan**") pursuant to a Shareholder Bid Approval Plan Agreement (the "Agreement") dated of October 13, 1992 between the Corporation and CIBC Mellon Trust Company. The holders of Common Shares reconfirmed the Rights Plan Agreement, as amended and restated, as of April 29, 2010, at the annual and special meeting of shareholders of the Corporation held on April 29, 2010. For more information, reference should be made to the Rights Plan Agreement, as amended and restated. A copy of the Rights Plan Agreement may be obtained from the Corporate Secretary, TransAlta Corporation, 110 - 12th Avenue S.W., Calgary, Alberta T2P 0G7; telephone: (403) 267-7110; or by email at [investorrelations@transalta.com](mailto:investorrelations@transalta.com). A copy of the Rights Plan Agreement can also be accessed on SEDAR at [www.sedar.com](http://www.sedar.com) and on the SEC's EDGAR at [www.sec.gov](http://www.sec.gov).

## DESCRIPTION OF WARRANTS

### General

The Corporation may issue Warrants independently or together with other securities, and Warrants sold with other securities may be securities. Warrants will be issued under one or more warrant agreements between the Corporation and a warrant agent that the Corporation Supplement.

Selected provisions of the Warrants and the warrant agreements are summarized below. This summary is not complete. The statements warrant agreement and Warrants to be issued thereunder are summaries of certain anticipated provisions thereof and are subject to, and are to, all provisions of the applicable warrant agreement.

The Prospectus Supplement will set forth the following terms relating to the Warrants being offered:

- the designation of the Warrants;
- the aggregate number of Warrants offered and the offering price;
- the designation, number and terms of the Common Shares, First Preferred Shares or other securities purchasable upon exercise will result in the adjustment of those numbers;
- the exercise price of the Warrants;
- the dates or periods during which the Warrants are exercisable;
- the designation and terms of any securities with which the Warrants are issued;
- if the Warrants are issued as a unit with another security, the date on and after which the Warrants and the other security will be
- the currency or currency unit in which the exercise price is denominated;
- any minimum or maximum amount of Warrants that may be exercised at any one time;
- whether such Warrants will be listed on any securities exchange;
- any terms, procedures and limitations relating to the transferability, exchange or exercise of the Warrants; and
- any other terms of the Warrants.

Warrant certificates will be exchangeable for new warrant certificates of different denominations at the office indicated in the Prospectus Supplement. If the Corporation issues new securities, holders of Warrants will not have any of the rights of holders of the securities subject to the Warrants.

**Modifications**

The Corporation may amend the warrant agreements and the Warrants, without the consent of the holders of the Warrants, to cure any and all defects or inconsistent provisions, or in any other manner that will not materially and adversely affect the interests of holders of the Warrants. The provisions shall be as indicated in the Prospectus Supplement.

**Enforceability**

The warrant agent will act solely as the Corporation's agent. The warrant agent will not have any duty or responsibility if the Corporation breaches the warrant agreements or the warrant certificates. A

Warrant holder may, without the consent of the warrant agent, enforce by appropriate legal action on its own behalf the holder's right to exercise

### **DESCRIPTION OF SUBSCRIPTION RECEIPTS**

The Corporation may issue Subscription Receipts, independently or together with other securities. Subscription Receipts will be issued pursuant to the subscription receipt agreements.

A Subscription Receipt is a security of the Corporation that will entitle the holder to receive one Common Share upon the completion of the offering by us of the assets or securities of another entity. After the offering of Subscription Receipts, the subscription proceeds for the Subscription Receipts will be held by a designated escrow agent, pending the completion of the transaction. Holders of Subscription Receipts will not have any rights of shareholders until the Subscription Receipts are only entitled to receive Common Shares upon the surrender of their Subscription Receipts to the escrow agent or the Corporation. Holders of the Subscription Receipts together with any payments in lieu of interest or other income earned on the subscription proceeds.

Selected provisions of the Subscription Receipts and the subscription receipt agreements are summarized below. This summary is not intended to be a substitute for the Prospectus relating to any subscription receipt agreement and Subscription Receipts to be issued thereunder are summaries of certain anticipated transactions, and are qualified in their entirety by reference to, all provisions of the applicable subscription receipt agreement.

The Prospectus Supplement will set forth the following terms relating to the Subscription Receipts being offered:

- the designation of the Subscription Receipts;
- the aggregate number of Subscription Receipts offered and the offering price;
- the terms, conditions and procedures for which the holders of Subscription Receipts will become entitled to receive Common Shares;
- the number of Common Shares that may be obtained upon the conversion of each Subscription Receipt and the period or event upon which such conversion must occur;
- the designation and terms of any other securities with which the Subscription Receipts will be offered, if any, and the number of such securities offered with each security;
- the gross proceeds from the sale of such Subscription Receipts, including (if applicable) the terms applicable to the sale of such Subscription Receipts, plus any interest earned thereon;
- the material income tax consequences of owning, holding and disposing of such Subscription Receipts;
- whether such Subscription Receipts will be listed on any securities exchange;
- any terms, procedures and limitations relating to the transferability, exchange or conversion of the Subscription Receipts; and

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- any other material terms and conditions of the Subscription Receipts.

## DESCRIPTION OF DEBT SECURITIES

In this section, the terms "Corporation" and "TransAlta" refer only to TransAlta Corporation without its subsidiaries through which it offers forth certain general terms and provisions of the debt securities. The Corporation will provide particular terms and provisions of a series of debt securities and how the general terms and provisions described below may apply to that series in a Prospectus Supplement. Prospective investors should refer to the Prospectus Supplement if it is different from the following information.

The debt securities will be issued under an indenture (the "**Indenture**") dated as of June 25, 2002 between TransAlta and The Bank of Montreal (The Bank of New York) as trustee (the "**Trustee**"). The Indenture is subject to and governed by the *U.S. Trust Indenture Act of 1939*, as amended, and an exhibit to the registration statement of which this Prospectus is a part and is available as described above under "*Certain Available Information*" of the Indenture. Whenever there are references to particular provisions of the Indenture, those provisions are qualified in their entirety by reference to the parentheses are to section numbers of the Indenture.

The Corporation may issue debt securities and incur additional indebtedness other than through the offering of debt securities pursuant to the Indenture.

### General

The Indenture does not limit the aggregate principal amount of debt securities which may be issued under the Indenture. It provides that debt securities, in bearer form, may be issued from time to time in one or more series and may be denominated and payable in U.S. dollars or any other currency. Federal income tax considerations applicable to any debt securities, and special tax considerations applicable to the debt securities denominated in any currency other than Canadian or U.S. dollars, will be described in the Prospectus Supplement relating to the offering of debt securities.

The Prospectus Supplement will set forth the following terms relating to the debt securities being offered:

- the specific designation and any limit on the aggregate principal amount of the debt securities;
- the extent and manner, if any, to which payment on or in respect of the debt securities will be senior or will be subordinated to the claims and obligations of TransAlta;
- the percentage or percentages of principal amount at which the debt securities will be issued;
- the date or dates on which the principal of (and premium, if any, on) the debt securities will be payable and the portion (if any) of the principal payable upon a declaration of acceleration of maturity;
- the rate or rates (whether fixed or variable) at which the debt securities will bear interest, if any (or the manner of calculation of interest) and when such interest will accrue;
- the dates on which any interest will be payable and the regular record dates for the payment of interest on debt securities in respect of which interest is payable;
- the place or places where the principal of (and premium, if any) and interest, if any, on the debt securities will be payable and where the debt securities may be presented for registration of transfer or exchange;
- the currency or currency unit in which the debt securities are denominated or in which payment of the principal of (and premium, if any) on the debt securities will be made.

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debt securities will be payable;

- whether debt securities will be issuable in the form of one or more global securities and if so the identity of the depository for the securities;
- any mandatory or optional sinking fund provisions;
- the period or periods, if any, within which, the price or prices at which, the currency or currency unit in which, and the terms and conditions, if any, upon which the debt securities may be redeemed or purchased by TransAlta;
- the terms and conditions, if any, upon which TransAlta or the purchaser may redeem debt securities prior to maturity and the currency or currency unit in which the debt securities are payable;
- any index used to determine the amount of payments of principal of (and premium, if any) or interest, if any, on the debt securities;
- the terms, if any, on which the debt securities may be converted or exchanged for other securities of TransAlta or other entities;
- whether and under what circumstances TransAlta will pay additional amounts on the debt securities in respect of certain tax consequences and, if so, whether TransAlta has the right to redeem the debt securities of any series rather than pay the additional amounts (a "make-whole" provision);
- any other terms of the debt securities including covenants and Events of Default which apply solely to a particular series of debt securities and do not apply generally to the debt securities, or any covenants or Events of Default generally applicable to debt securities which do not apply to the debt securities;
- whether such debt securities will be listed on any securities exchange;
- whether the debt securities of the series are to be issuable as registered securities, bearer securities (with or without coupons) or as securities not registered under the Securities Act of 1933;
- if other than denominations of US\$1,000 and any integral multiple thereof, the denominations in which any registered securities of the series are to be issuable and, if applicable, the denomination of any bearer securities (Section 3.1).

Unless otherwise indicated in the applicable Prospectus Supplement, the Indenture does not afford the holders the right to tender debt securities for redemption and does not provide for any increase in the rate or rates of interest at which the debt securities will bear interest, in the event TransAlta should be acquired in a business combination transaction or in the event of a change in control of TransAlta.

Debt securities may be issued under the Indenture bearing no interest or interest at a rate below the prevailing market rate at the time of issuance or at a discount below their stated principal amount (Section 3.1). The Canadian and United States federal income tax consequences and other tax consequences of any such discounted debt securities or other debt securities offered and sold at par which are treated as having been issued at a discount for income tax purposes will be described in the applicable Prospectus Supplement.

Unless otherwise indicated in the applicable Prospectus Supplement, TransAlta may, without the consent of the holders thereof reoffer and issue additional debt securities of such series.

### **Ranking and Other Indebtedness**

Unless otherwise indicated in an applicable Prospectus Supplement, the debt securities will be unsecured obligations and will rank equi-

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unsecured and

unsubordinated indebtedness. TransAlta conducts a significant amount of its operations through its subsidiaries. As at September 30, 2010, TransAlta had \$604 million aggregate principal amount of long-term debt (excluding intercompany indebtedness). The debt securities issued under the Indenture are not subordinated to all existing and future liabilities, including trade payables and other indebtedness of TransAlta's subsidiaries.

### **Form, Denominations and Exchange**

Debt securities of a series are issuable as registered securities in denominations of US\$1,000 and integral multiples of US\$1,000 or in other denominations set out in the terms of the debt securities of any particular series (Section 3.2). The Indenture also provides that debt securities of a series may be issued in other denominations.

Registered securities of any series will be exchangeable for other registered securities of the same series and of a like aggregate principal amount in the authorized denominations (Section 3.5).

The applicable Prospectus Supplement may indicate the places to register a transfer of debt securities. Except for certain restrictions, no charge will be made for any registration of transfer or exchange of the debt securities, but the Corporation may, in certain instances, require the payment of other governmental charges payable in connection with these transactions (Section 3.5).

The Corporation shall not be required to: (i) issue, register the transfer of or exchange debt securities of any series during a period of 15 days before any selection of debt securities of that series to be redeemed and ending at the close of business on the day of mailing of the notice of redemption; (ii) register the transfer of or exchange any registered security, or portion thereof, called for redemption, except the unredeemed portion of a series, in part; or (iii) issue, register the transfer of or exchange any debt securities which have been surrendered for repayment at the option of the Corporation, if the amount thereof not to be so repaid (Section 3.5).

Under limited circumstances, the Corporation may issue debt securities in bearer form, in which case the applicable Prospectus Supplement will describe the rules regarding form, denomination and exchange of those bearer securities.

### **Payment**

Unless otherwise indicated in the applicable Prospectus Supplement, payment of principal of and premium, if any, and interest, if any, on the debt securities will be made at the office or agency of the Trustee, at One Wall Street, New York, New York, 10286, or the Corporation can pay by (i) cheque, mailed or delivered to the address of the person entitled at the address appearing in the security register of the Trustee or (ii) wire transfer in the United States of the person entitled to receive payments (Sections 3.7, 10.1 and 10.2).

Unless otherwise indicated in the applicable Prospectus Supplement, payment of any interest will be made to the persons in whose name the debt securities are registered at the close of business on the day or days specified by the Corporation (Section 3.7).

### **Global Securities**

The registered debt securities of a series may be issued in whole or in part in global form (a "**Global Security**") and will be registered with a global depository (the "**Depository**"), or its nominee, each of which will be identified in the Prospectus Supplement (Section 3.1). Unless and until the debt securities in definitive registered form, a Global Security, may not

be transferred except as a whole by the Depositary for such Global Security to a nominee of the Depositary, by a nominee of the Depositary to the Depositary or by the Depositary or any such nominee to a successor of the Depositary or a nominee of the successor (Section 3.5).

The specific terms of the depository arrangement with respect to any portion of a particular series of debt securities to be represented in the Prospectus Supplement relating to such series. The Corporation anticipates that the following provisions will apply to all depository a

Upon the issuance of a Global Security, the Depositary therefor or its nominee will credit, on its book entry and registration system, debt securities represented by the Global Security to the accounts of such persons having accounts with such Depositary or its nominee ("designated by the underwriters, dealers or agents participating in the distribution of the debt securities or by TransAlta if such debt securities Corporation. Ownership of beneficial interests in a Global Security will be limited to participants or persons that may hold beneficial interests in a Global Security will be shown on, and the transfer of that ownership will be effected only through, records maintained by the nominee (with respect to interests of participants) or by participants or persons that hold through participants (with respect to interests of persons of some states in the United States may require that certain purchasers of securities take physical delivery of such securities in definitive form

So long as the Depositary for a Global Security or its nominee is the registered owner of the Global Security, such Depositary or its nominee is considered the sole owner or holder of the debt securities represented by the Global Security for all purposes under the Indenture. Except as otherwise provided, interests in a Global Security will not be entitled to have debt securities of the series represented by the Global Security registered in their name or to receive physical delivery of debt securities of such series in definitive form and will not be considered the owners or holders thereof under the Indenture.

Any payments of principal, premium, if any, and interest on Global Securities registered in the name of a Depositary or its nominee or its nominee, as the case may be, as the registered owner of the Global Security representing such debt securities. None of TransAlta, the Trustee or any agent represented by the Global Security will have any responsibility or liability for any aspect of the records relating to or payments made on account of the Global Security or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

The Corporation expects that the Depositary for a Global Security or its nominee, upon receipt of any payment of principal, premium or interest on accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of the Global Security as shown on the records or its nominee. The Corporation also expects that payments by participants to owners of beneficial interests in a Global Security held through participants, standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in "street name" for such participants.

If a Depositary for a Global Security representing a particular series of debt securities is at any time unwilling or unable or no longer qualified to act as a successor depository is not appointed by TransAlta within 90 days, the Corporation will issue debt securities of such series in definitive form and deliver representing such series of debt securities. Further, if an Event of Default under the Indenture occurs and is continuing, debt securities of a series represented by the Global Security, and delivered. In addition, the Corporation may at any time and in its sole discretion determine not to have debt securities of a series represented by the Global Security, event, will issue debt

securities of a series in definitive form in exchange for all of the Global Securities representing the series of debt securities (Section 3.5).

## Definitions

The Indenture contains, among others, definitions substantially to the following effect:

**"Attributable Amount"** means with respect to any sale and leaseback transaction (as defined herein), as at the time of determination, the interest set forth or implicit in the terms of such lease, compounded annually) of the total obligations of the lessee for rental payments included in such sale and leaseback transaction.

**"Consolidated Net Tangible Assets"** means all consolidated assets of the Corporation as shown on the most recent audited consolidated balance sheet, less the aggregate of the following amounts reflected upon such balance sheet:

- (a) all goodwill, deferred assets, trademarks, copyrights and other similar intangible assets;
- (b) to the extent not already deducted in computing such assets and without duplication, depreciation, depletion, amortization, reflects a decrease in the value of an asset or a periodic allocation of the cost of an asset;
- (c) minority interests;
- (d) current liabilities; and
- (e) assets created, developed, constructed or acquired with or in respect of which Non-Recourse Debt has been incurred, and related equipment, chattel paper, intangibles and other rights or collateral arising from or connected with those assets (including the single purpose entity which holds only such assets and other rights and collateral arising from or connected therewith) and for which Non-Recourse Debt is limited.

**"Consolidated Shareholders' Equity"** means, without duplication, the aggregate amount of shareholders' equity (including, without limitation, common share capital, contributed surplus and retained earnings) of the Corporation as shown on the most recent audited consolidated balance sheet, less the amount by which common share capital, preferred share capital and contributed surplus has been increased or decreased (as the case may be) on the relevant date of determination, in accordance with Generally Accepted Accounting Principles, together with the aggregate principal amount of Preferred Securities.

**"Financial Instrument Obligations"** means obligations arising under:

- (a) any interest swap agreement, forward rate agreement, floor, cap or collar agreement, futures or options, insurance or other similar instrument or combination thereof, entered into or guaranteed by the Corporation where the subject matter of the same is interest rates or fluctuations in interest rates thereunder is dependent or based upon the interest rates or fluctuations in interest rates in effect from time to time (but, for purposes of this definition, floating rate debt);
- (b) any currency swap agreement, cross currency agreement, forward agreement, floor, cap or collar agreement, futures or options, insurance or other similar instrument or arrangement, or any combination thereof entered into or guaranteed by the Corporation where the subject matter of the same is interest rates or fluctuations in interest rates.

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price, value or amount payable thereunder is dependent or based upon currency exchange rates or fluctuations in currency time; and

- (c) any agreement for the making or taking of any commodity (including natural gas, oil or electricity), any commodity swap agreement or commodity future or option or other similar agreements or arrangements, or any combination thereof, entered into or guaranteed, the subject matter of the same is any commodity or the price, value or amount payable thereunder is dependent or based upon the price of any commodity;

to the extent of the net amount due or accruing due by the Corporation thereunder (determined by marking-to-market the same in accordance with

**"Generally Accepted Accounting Principles"** means generally accepted accounting principles which are in effect from time to time in Canada;

**"Indebtedness"** means all items of indebtedness in respect of any amounts borrowed (including obligations with respect to bankers' acceptances and other obligations relating to letters of credit and other financial instruments) and all Purchase Money Obligations which, in accordance with Generally Accepted Accounting Principles, would be recorded in the financial statements as at the date as of which Indebtedness is to be determined, and in any event including, without limitation,

- (a) obligations secured by any Security Interest existing on property owned subject to such Security Interest, whether or not the obligations have been assumed; and
- (b) guarantees, indemnities, endorsements (other than endorsements for collection in the ordinary course of business) or other obligations of another person for indebtedness of that other person in respect of any amounts borrowed by them.

**"Material Subsidiary"** means, at any time, a Subsidiary:

- (a) the total assets of which represent more than 10% of the total assets of the Corporation determined on a consolidated basis or the consolidated balance sheet of the Corporation; or
- (b) the total revenues of which represent more than 10% of the total revenues of the Corporation determined on a consolidated basis or the income statement of the Corporation for the four most recent fiscal quarters of the Corporation.

**"Non-Recourse Debt"** means any Indebtedness incurred to finance the creation, development, construction or acquisition of assets and any refundings of any such Indebtedness, provided that the recourse of the lender thereof or any agent, trustee, receiver or other person acting on behalf of the lender in respect of the Indebtedness or any judgment in respect thereof is limited in all circumstances (other than in respect of false or misleading representations or omissions provided with respect to such financings) to the assets created, developed, constructed or acquired in respect of which such Indebtedness has been incurred, including inventory, equipment, chattel paper, intangibles and other rights or collateral arising from or connected with the assets so created, developed, constructed or acquired, or shares or other ownership interests of a single purpose entity which holds only such assets and other rights and collateral arising from or connected with the assets, and the lender has recourse.

**"Permitted Encumbrance"** means any of the following:

- (a) any Security Interest existing as of the date of the first issuance by the Corporation of debt securities issued pursuant to the Indenture or any contractual commitments entered into prior to such issuance;
- (b) any Security Interest created, incurred or assumed to secure any Purchase Money Obligation;
- (c) any Security Interest created, incurred or assumed to secure any Non-Recourse Debt;

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- (d) any Security Interest in favour of any Wholly-owned Subsidiary;
- (e) any Security Interest on property of a corporation or its Subsidiaries which Security Interest exists at the time such corporation consolidated with the Corporation or such property is otherwise directly or indirectly acquired by the Corporation, other than in contemplation of such merger, amalgamation, consolidation or acquisition;
- (f) any Security Interest securing any Indebtedness to any bank or banks or other lending institution or institutions incurred in the purpose of carrying on the same, repayable on demand or maturing within 12 months of the date when such Indebtedness is due, or any extension thereof;
- (g) any Security Interest on or against cash or marketable debt securities pledged to secure Financial Instrument Obligations;
- (h) certain Security Interests in respect of liens or other encumbrances, not related to the borrowing of money, incurred or arising in the ordinary course of business;
- (i) any extension, renewal, alteration or replacement (or successive extensions, renewals, alterations or replacements) in whole or in part referred to in the foregoing clauses (a) through (h) inclusive, provided the extension, renewal, alteration or replacement of such obligation or any part of the same property that secured the Security Interest extended, renewed, altered or replaced (plus improvements) does not increase the amount of the Indebtedness secured thereby is not increased; and
- (j) any other Security Interest if the aggregate amount of Indebtedness secured pursuant to this clause (j) (together with the Indebtedness secured pursuant to clause (i) and clause (k) (leaseback) does not exceed 20% of Consolidated Net Tangible Assets.

**"Preferred Securities"** means securities which on the date of issue thereof by a person:

- (a) have a term to maturity of more than 30 years;
- (b) rank subordinate to the unsecured and unsubordinated Indebtedness of such person outstanding on such date;
- (c) entitle such person to defer the payment of interest thereon for more than four years without thereby causing an event of default to occur; and
- (d) entitle such person to satisfy the obligation to make payments of deferred interest thereon from the proceeds of the issuance of securities.

**"Purchase Money Obligation"** means any monetary obligation created or assumed as part of the purchase price of real or tangible personal property or any extensions, renewals, alterations or replacements of any such obligation, provided that the principal amount of such obligation outstanding on such date of such extension, renewal, alteration or replacement is not increased and further provided that any security given in respect of such obligation shall not extend to any property in connection with which such obligation was created or assumed and fixed improvements, if any, erected or constructed thereon.

**"Security Interest"** means any mortgage, charge, pledge, lien, encumbrance, assignment by way of security, title retention agreement or any other device howsoever created or arising, whether absolute or contingent, fixed or floating, perfected or not, which secures payment or performance of a

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**"Subsidiary"** means, in relation to a person:

- (a) any corporation of which at least a majority of the outstanding shares having by the terms thereof ordinary voting power to elect a majority of such corporation (irrespective of whether at the time shares of any other class or classes of such corporation might have voting power of any contingency, unless the contingency has occurred and then only for as long as it continues) is at the time directly or indirectly controlled by the person or one or more of its Subsidiaries, or the person and one or more of its Subsidiaries;
- (b) any partnership of which the person or one or more of its Subsidiaries, or the person and one or more of its Subsidiaries: (i) own, directly or indirectly, more than 50% of the income, capital, beneficial or ownership interests (however designated) thereof; and (ii) is a general partner, limited partnership, or is a partner that has authority to bind the partnership, in all other cases; or
- (c) any other person of which at least a majority of the income, capital, beneficial or ownership interests (however designated) are beneficially owned or controlled by the first mentioned person or one or more of its Subsidiaries, or the first mentioned person and one or more of its Subsidiaries.

**"Wholly-owned Subsidiary"** means any Subsidiary that the Corporation directly or indirectly beneficially owns 100% of the outstanding shares having ordinary voting power to elect a majority of the board of directors of such Subsidiary or owns, directly or indirectly, 100% of the income, capital, or ownership interests (however designated) thereof.

## **Covenants**

The Indenture contains covenants substantially to the following effect:

### *Negative Pledge*

So long as any debt securities remain outstanding the Corporation and its Subsidiaries will not create, assume or otherwise have outstanding any Permitted Encumbrances, on or over its or their respective assets (present or future) in respect of any Indebtedness of any person unless the Corporation or the Trustee, the obligations of the Corporation in respect of all debt securities then outstanding shall be secured equally and r

### *Restriction on Sales and Leasebacks*

The Corporation will not, and will not permit any Subsidiary to, enter into any sale and leaseback transaction unless the Corporation can comply with this restrictive covenant. A "sale and leaseback transaction" generally is an arrangement between the Corporation or any Subsidiary and a bank or investor where the Corporation or any Subsidiary lease real or personal property which was or will be sold by the Corporation or any Subsidiary. The Corporation can comply with this restrictive covenant if it meets either of the following conditions:

- (a) the sale and leaseback transaction is entered into prior to, concurrently with or within 270 days after the acquisition, the construction or improvements on an existing property) or the commencement of commercial operations of the property; or
- (b) the Corporation or its Subsidiaries could otherwise grant a Security Interest on the property as a Permitted Encumbrance (Section 10.10).

### *Mergers, Consolidations, Amalgamations and Sale of Assets*

The Corporation will not enter into any transaction whereby all or substantially all of its undertaking, property and assets would be transferred to or controlled by another person (the "**Successor**"), whether by reorganization, consolidation, amalgamation, arrangement, merger, transfer, sale, or otherwise, unless:

- (a) the Successor expressly assumes all of the covenants and obligations of the Corporation under the Indenture and the terms and conditions and requirements of the Indenture;
- (b) the entity formed by or continuing from such consolidation or amalgamation or into which the Corporation is merged or with which the Corporation enters into an arrangement or the person which acquires or leases all or substantially all of the Corporation's properties and assets is organized under the laws of the United States, any state thereof or the District of Columbia or the laws of Canada or any province thereof; and
- (c) immediately before and after giving effect to such transaction, no event of default, and no event which, after notice or lapse of time, would constitute an event of default, shall have happened and be continuing (Section 8.1).

If, as a result of any such transaction, any of the properties or assets of the Corporation or its Subsidiaries become subject to a Security Interest, such Security Interest could be created pursuant to the Indenture provisions described under "Negative Pledge" above without equally and rateably securing the Corporation's Indebtedness simultaneously with or prior to such transaction, will cause any debt securities of the Corporation then outstanding to be secured equitably by such Security Interest. Indebtedness secured by such Security Interest (Section 8.4).

In addition to the above conditions, such transaction will, to the satisfaction of the Trustee, substantially preserve and not impair any of the rights of the security holders. Also, no condition or event will exist as to the Corporation (at the time of such transaction) or the Successor (immediately after giving full effect thereto or immediately after the Successor will become liable to pay the principal monies, premium, if any, interest and other amounts due hereunder, which constitutes or would constitute an Event of Default under the Indenture.

### **Payment of Additional Amounts**

Unless otherwise specified in an applicable Prospectus Supplement, TransAlta will, subject to the exceptions and limitations set forth in the Indenture, pay to any security holder who is a non-resident of Canada under the *Income Tax Act* (Canada) such additional amounts as may be necessary so that every such security holder is entitled to a full deduction or withholding by TransAlta or any of its paying agents for or on account of any present or future tax, assessment or other governmental charge (including interest and other liabilities related thereto) imposed by the government of Canada (or any political subdivision or taxing authority thereof) ("Taxes") upon or as a result of such payment, will not be less than the amount provided in such debt security or in such coupon to be then due to the security holder (the full amount withheld to the relevant authority in accordance with applicable law). However, TransAlta will not be required to make any payment of such additional amounts to any security holder who is a resident of Canada.

- (a) to any person in respect of whom such taxes are required to be withheld or deducted as a result of such person not dealing at arm's length with the Corporation (within the meaning of the *Income Tax Act* (Canada));
- (b) to any person by reason of such person being connected with Canada (otherwise than merely by holding or ownership of any debt security or by making any payments or exercising any rights thereunder), including without limitation a non-resident insurer who carries on an insurance business in a country other than Canada;

- (c) for or on account of any tax, assessment or other governmental charge which would not have been so imposed but for: (i) the security or coupon for payment on a date more than 30 days after the date on which such payment became due and payable or the security or coupon not being duly provided for, whichever occurs later; or (ii) the holder's failure to comply with any certification, identification, information or reporting requirements if compliance is required by law, regulation, administrative practice or an applicable treaty as a precondition to the rate of deduction or withholding of; any such taxes, assessment or charge;
- (d) for or on account of any estate, inheritance, gift, sales, transfer, personal property tax or any similar tax, assessment or other governmental charge;
- (e) for or on account of any tax, assessment or other governmental charge required to be withheld by any paying agent from any payment of such payment can be made to such person without such withholding by at least one other paying agent the identity of which is specified in the prospectus;
- (f) for or on account of any tax, assessment or other governmental charge which is payable otherwise than by withholding from any payment;
- (g) for any combination of items (a), (b), (c), (d), (e) and (f);

nor will additional amounts be paid with respect to any payment on a debt security to a holder who is a fiduciary or partnership or other entity if such payment to the extent such payment would be required by the laws of Canada (or any political subdivision thereof) to be included in the income of a beneficiary or settlor with respect to such fiduciary or a member of such partnership or a beneficial owner who would not have been included in the income of such additional amounts had such beneficiary, settlor, member or beneficial owner been the holder of such debt security (Section 10.5).

The Corporation will furnish to the holders of the debt securities, within 30 days after the date of the payment of any Canadian Taxes, copies of tax receipts or other documents evidencing such payment.

Wherever in the Indenture there is mentioned, in any context, the payment of principal (and premium, if any), interest or any other amount payable on a debt security, such mention shall be deemed to include mention of the payment of additional amounts to the extent that, in such context additional amounts are payable in respect thereof (Section 10.5).

## **Redemption**

If and to the extent specified in an applicable Prospectus Supplement, the debt securities of a series will be subject to redemption at the option of the Corporation at a redemption price equal to the principal amount thereof together with accrued and unpaid interest to the date fixed for redemption, upon the giving of notice. The debt securities of such series will be given once not more than 60 nor less than 30 days prior to the date fixed for redemption and will be subject to the provisions of Section 11.4.

## **Provision of Financial Information**

TransAlta will file with the Trustee, within 15 days after it files them with the SEC, copies of its annual report and of the information, or such portions of any of the foregoing as the SEC may by rules and regulations prescribe) which TransAlta is required to file with the SEC under the U.S. Exchange Act. Notwithstanding that TransAlta may not be required to remain subject to the reporting requirements of Section 13 or 15(c)

or otherwise report on an annual and quarterly basis on forms provided for such annual and quarterly reporting pursuant to rules and TransAlta will continue to provide the Trustee (a) within 140 days after the end of each fiscal year, the information required to be contained in Form 40-F as applicable (or any successor form); and (b) within 60 days after the end of each of the first three fiscal quarters of each fiscal year, the information contained in reports on Form 6-K (or any successor form), which, regardless of applicable requirements shall, at a minimum, consist of such quarterly reports under the laws of Canada or any province thereof to security holders of a corporation with securities listed on the Toronto Stock Exchange if TransAlta has any of its securities listed on such exchange. Such information will be prepared in accordance with Canadian disclosure requirements (Section 7.5).

#### **Events of Default**

Unless otherwise specified in the Prospectus Supplement relating to a particular series of debt securities, the following events are defined as "Event of Default" with respect to debt securities of any series: (a) the failure of the Corporation to pay when due the principal of or premium (if any) on any debt securities; (b) the failure of the Corporation, continuing for 30 days, to pay any interest due on any debt securities; (c) the breach or violation of any covenant or condition (b) above), which continues for a period of 60 days after notice from the Trustee or from holders of at least 25% in principal amount of all debt securities affected thereby (or such longer period as may be agreed to by the Trustee); (d) the failure of the Corporation or any Subsidiary to pay (after any applicable grace periods) any amount owing in respect of any Indebtedness other than Non-Recourse Debt, of the Corporation or any Subsidiary with such Indebtedness, and if such Indebtedness has not matured it shall have been accelerated, provided that the aggregate principal amount of such Indebtedness is the greater of US\$75 million and 3% of Consolidated Shareholders' Equity; (e) the taking or entry of certain judgments or decrees against the Corporation or any Subsidiary for the payment of money in excess of the greater of US\$75 million and 3% of Consolidated Shareholders' Equity, in the aggregate, by a court of competent jurisdiction, if the Corporation or such Material Subsidiary, as the case may be, fails to file an appeal or, if the Corporation or such Material Subsidiary, as the case may be, does file an appeal, the appeal is not and does not remain vacated, discharged or stayed as provided in the Indenture; (f) certain events of bankruptcy, insolvency or reorganization of the Corporation or any Material Subsidiary; or (g) any other Event of Default provided with respect to debt securities of that series.

If an Event of Default occurs and is continuing with respect to any series of debt securities, then and in every such case the Trustee or the Corporation, at its option, may, subject to any subordination provisions thereof, declare the principal amount of the outstanding debt securities of such affected series may, subject to any subordination provisions thereof, declare the principal amount of such debt securities of that series are original issue discount debt securities, such portion of the principal amount as may be specified in the terms of the Indenture, to be immediately due and payable. However, at any time after a declaration of acceleration with respect to such debt securities has been made, but before a judgment or decree for payment of the money due has been obtained, the holders of a majority in principal amount of such debt securities, by written notice to the Corporation and the Trustee under certain circumstances (which include payment or deposit with the Trustee of the principal amount of such debt securities and interest, unless the Prospectus Supplement applicable to an issue of debt securities otherwise provides), may rescind and annul such acceleration.

Reference is made to the Prospectus Supplement relating to each series of debt securities which are original issue discount securities which provide for the acceleration of the maturity of a portion of the principal amount of such original issue discount securities upon the occurrence of any Event of Default.



holders of a majority in principal amount of outstanding debt securities of any series may waive any past default under the Indenture with respect to the payment of the principal of (or premium, if any) and interest, if any, on any debt security of that series or in respect of a provision which is amended without the consent of the holder of each outstanding debt security of that series (Section 5.13). The Indenture or the debt securities may be amended without the consent of any holder of debt securities, to cure any ambiguity or inconsistency or to make any change that does not have an adverse effect on the debt securities (Section 9.1).

## Defeasance

The Indenture provides that, at its option, TransAlta will be discharged from any and all obligations in respect of the outstanding debt securities upon deposit with the Trustee, in trust, of money and/or government securities which will provide money in an amount sufficient in the opinion of independent chartered accountants to pay the principal of and premium, if any, and each instalment of interest, if any, on the outstanding debt securities ("**Defeasance**") (except with respect to the authentication, transfer, exchange or replacement of debt securities or the maintenance of the obligations set forth in the Indenture). Such trust may only be established if among other things (1) TransAlta has delivered to the Trustee an opinion stating that (a) TransAlta has received from, or there has been published by, the Internal Revenue Service a ruling, or (b) since the date of exercise of a change in the applicable United States federal income tax law, in either case to the effect that the holders of the outstanding debt securities will receive income, gain or loss for United States federal income tax purposes as a result of such Defeasance and will be subject to United States federal income tax in the same manner and at the same times as would have been the case if such Defeasance had not occurred; (2) TransAlta has delivered to the Trustee a ruling from the Canada Revenue Agency ("**CRA**") to the effect that the holders of such outstanding debt securities of such series will be subject to Canadian federal, provincial or territorial income or other tax purposes as a result of such Defeasance and will be subject to Canadian federal income tax on the same amounts, in the same manner and at the same times as would have been the case had such Defeasance not occurred (and TransAlta's Canadian counsel shall assume that holders of the outstanding debt securities of such series include holders who are not resident in Canada); (3) the occurrence of an Event of Default shall have occurred and be continuing on the date of exercise of the Defeasance option; (4) TransAlta is not an "insolvent person" within the meaning of the *Bankruptcy and Insolvency Act* (Canada); (5) TransAlta has delivered to the Trustee an opinion stating that the deposit shall not cause the Trustee or the trust so created to be subject to the *United States Investment Company Act* of 1940, as amended. If the conditions precedent are satisfied, TransAlta may exercise its Defeasance option notwithstanding its prior exercise of its Covenant Defeasance option. TransAlta meets the conditions described in the preceding sentence at the time TransAlta exercises the Defeasance option.

The Indenture provides that, at its option, unless and until TransAlta has exercised its Defeasance option described in the preceding paragraph, the Indenture shall be amended to delete the covenants with covenants, including the covenants described above under the heading "Covenants", and such omission shall not be deemed to be an Event of Default. The outstanding debt securities upon irrevocable deposit with the Trustee, in trust, of money and/or government securities which will provide money in an amount sufficient in the opinion of a nationally recognized firm of independent chartered accountants to pay the principal of and premium, if any, and each instalment of interest, if any, on the outstanding debt securities ("**Covenant Defeasance**"). If TransAlta exercises its Covenant Defeasance option, the obligations under the Indenture other than the Events of Default other than with respect to such covenants shall remain in full force and effect. Such trust may only be established if, among other things, the conditions precedent are satisfied.

things, (1) TransAlta has delivered to the Trustee an opinion of counsel in the United States to the effect that the holders of the outstanding debt securities will not recognize income, gain or loss for United States federal income tax purposes as a result of such Covenant Defeasance and will be subject to United States federal income tax on such amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred; (2) TransAlta has delivered to the Trustee an opinion of counsel in Canada or a ruling from the CRA to the effect that the holders of such outstanding debt securities will not recognize income, gain or loss for provincial or territorial income or other tax purposes as a result of such Covenant Defeasance and will be subject to Canadian federal or provincial income tax on such amounts, in the same manner and at the same times as would have been the case had such Covenant Defeasance not occurred (and TransAlta's Canadian counsel shall assume that holders of the outstanding debt securities include holders who are not resident in Canada); (3) no Event of Default shall have occurred and be continuing on the date of the filing of this Prospectus, and the passing of time or the giving of notice, or both, shall constitute an Event of Default shall have occurred and be continuing on the date of the filing of this Prospectus; (4) TransAlta is not an "insolvent person" within the meaning of the *Bankruptcy and Insolvency Act* (Canada); (5) TransAlta has delivered to the Trustee an opinion of counsel that the deposit shall not cause the Trustee or the trust so created to be subject to the *United States Investment Company Act* of 1940, as amended, and that the provisions of the Indenture and the precedent are satisfied (Article 14).

### **Consent to Jurisdiction and Service**

Under the Indenture, TransAlta irrevocably appoints CT Corporation System, 111 Eighth Avenue, 13<sup>th</sup> Floor, New York, New York 10036, as its agent for service of process in any suit or proceeding arising out of or relating to the debt securities or the Indenture and for actions brought under federal or state court located in the City of New York, and irrevocably submits to such jurisdiction (Section 1.13).

### **Governing Law**

The debt securities and the Indenture will be governed by and construed in accordance with the laws of the State of New York.

### **PRIOR SALES**

We issued the following Securities during the 12-month period prior to the date of this Prospectus:

1. on November 5, 2009, we issued 18,656,800 common shares for aggregate consideration of approximately \$412.5 million; and
2. on November 18, 2009, we completed an offering of US\$500 million senior notes maturing in 2015 and bearing an interest rate of 7.00%;
3. on March 12, 2010, we completed our offering of US\$300 million senior notes maturing in 2040 and bearing an interest rate of 7.00%.

For additional information on previously issued Securities, see our consolidated financial statements as at and for the year ended December 31, 2009, and our consolidated financial statements as at and for the three and nine month periods ended September 30, 2010, all of which have been incorporated by reference into this Prospectus.

We have not issued any First Preferred Shares, Warrants or Subscription Receipts during the 12-month period prior to the date of this Prospectus.

### MARKET FOR COMMON SHARES

Our Common Shares are listed and traded on the TSX under the symbol "TA" and on the NYSE under the symbol "TAC". The following information for our Common Shares during the periods indicated as reported by the TSX and the NYSE. For additional trading information, see "Market for Securities" in our Annual Information Form.

<u>Period</u>	TSX	
	<u>Common Share Price (\$) High</u>	<u>Common Share Price (\$) Low</u>
<b>2009</b>		
September	22.22	20.00
October	22.05	20.00
November	22.23	20.00
December	23.65	21.00
<b>2010</b>		
January	23.98	22.00
February	24.00	21.00
March	23.35	22.00
April	22.93	20.00
May	21.09	19.00
June	21.67	19.00
July	21.12	19.00
August	21.50	20.00
September	22.05	21.00
October	22.24	20.00
November (1-17)	21.19	20.00
<u>Period</u>	NYSE	
	<u>Common Share Price (US\$) High</u>	<u>Common Share Price (US\$) Low</u>
<b>2009</b>		
September	20.73	18.00
October	21.31	18.00
November	21.23	18.00
December	22.72	20.00
<b>2010</b>		
January	23.30	20.00
February	23.02	18.00
March	22.87	20.00
April	22.92	20.00
May	20.80	18.00
June	21.21	18.00

<http://www.sec.gov/Archives/edgar/data/114>

July	20.44	1
August	21.18	1
September	21.56	2
October	21.83	1
November (1-17)	21.10	1

### **CERTAIN INCOME TAX CONSIDERATIONS**

The applicable Prospectus Supplement may describe certain Canadian federal income tax consequences to an investor who is a owner and disposition of any Securities offered thereunder.

The applicable Prospectus Supplement will describe certain Canadian federal income tax consequences to an investor who is a owner and disposition of any Securities offered thereunder, including whether the payments of dividends on Common Shares or First Preferred Shares or payments of principal or interest on debt securities will be subject to Canadian non-resident withholding tax.

The applicable Prospectus Supplement will also describe certain United States federal income tax consequences of the acquisition of any Securities offered thereunder by an initial investor who is a United States person (within the meaning of the United States Internal Revenue Code) and applicable any such consequences relating to debt securities payable in a currency other than the U.S. dollars, issued at an original issue discount or containing early redemption provisions or other special items.

### **PLAN OF DISTRIBUTION**

The Corporation may sell the Securities to or through underwriters or dealers and also may sell the Securities directly to purchasers in reliance on exemptions or through agents.

The distribution of the Securities of any series may be effected from time to time in one or more transactions at a fixed price or price range. On a non-fixed price basis the Securities may be offered at market prices prevailing at the time of sale, at prices related to such prevailing market prices with purchasers, in which case the compensation payable to an underwriter, dealer or agent in connection with any such sale will be the difference between the price paid for the Securities by the purchasers exceeds the gross proceeds paid by the underwriter, dealer or agent to us and the price at which the Securities are sold may vary as between purchasers during the distribution period.

In connection with the sale of the Securities, underwriters may receive compensation from the Corporation or from purchasers of the Securities through agents in the form of concessions or commissions. Underwriters, dealers and agents that participate in the distribution of the Securities may receive commissions received by them from the Corporation and any profit on the resale of the Securities by them may be deemed to be underwriting commissions.

The Prospectus Supplement relating to each series of the Securities will also set forth the terms of the offering of the Securities, including the offering price, the proceeds to the Corporation, the underwriting concessions or commissions, and any other discounts or concessions to purchasers. Underwriters with respect to each series sold to or through underwriters will be named in the Prospectus Supplement relating to such series.

In connection with any offering of Securities, the underwriters may over-allot or effect transactions which stabilize, maintain or otherwise support the price of the Securities at a level above that which otherwise might prevail on the open market. Such transactions may be commenced, interrupted or discontinued at any time.

Under agreements which may be entered into by the Corporation, underwriters, dealers and agents who participate in the distribution of the Securities may be indemnified by the Corporation against certain liabilities, including liabilities under the securities legislation of each of the United States and the U.S. Securities Act.

Each series of the Securities (other than Common Shares) will be a new issue of securities with no established trading market. Unless otherwise stated in the Prospectus Supplement relating to a series of Securities, the Securities (other than Common Shares) will not be listed on any securities exchange. Certain holders of the Securities, but will not be obligated to do so and may discontinue any market making at any time without notice. No assurance can be given as to the existence of a trading market in the Securities of any series or as to the liquidity of the trading market, if any, for the Securities of any series.

### **RISK FACTORS**

Prospective purchasers of the Securities should consider carefully the risk factors and the other information contained and incorporated by reference in the applicable Prospectus Supplement before purchasing the Securities offered hereby. Information regarding the risks affecting the Corporation is contained in the documents incorporated by reference in this Prospectus, including the Annual MD&A under the heading "*Risk Factors*" and "*Risk Management*", the Prospectus Supplement under the heading "*Risk Factors*" and the management's discussion and analysis of financial conditions and results of operations as at and for the period ended September 30, 2010 under the heading "*2010 Outlook*". See "*Documents Incorporated by Reference*".

### **LEGAL MATTERS**

Unless otherwise specified in the Prospectus Supplement relating to the Securities, certain legal matters relating to Canadian law in connection with the offering will be passed upon for the Corporation by McCarthy Tétrault LLP, Calgary, Alberta, Canada, and certain legal matters relating to United States law in connection with the offering of Securities will be passed upon for the Corporation by Latham & Watkins LLP, New York, New York. In addition, certain legal matters relating to the Securities will be passed upon for any underwriters, dealers or agents by counsel to be designated at the time of the offering by such underwriters. All other legal matters of Canadian and United States law.

### **EXPERTS**

The audited comparative consolidated financial statements of the Corporation as at December 31, 2009 and 2008 and for each of the periods therein, the notes thereto, and the auditor's report on management's assessment of the effectiveness of internal control over financial reporting as at and for the period ended December 31, 2009, the notes thereto, and the auditor's report on management's assessment of the effectiveness of internal control over financial reporting as at and for the period ended December 31, 2009, have been incorporated by reference herein and in the registration statement in reliance upon the reports of Ernst & Young LLP, Chartered Accountants, herein, and upon the authority of said firm as experts in accounting and auditing.

### **INTEREST OF EXPERTS**

The partners and associates of McCarthy Tétrault LLP and Latham & Watkins LLP as a group beneficially own, directly or indirectly, less than 1% of the shares of the Corporation.

### **DOCUMENTS FILED AS PART OF THE REGISTRATION STATEMENT**

The following documents have been filed with the SEC either separately or as exhibits to the registration statement on Form F-10 of the Corporation: the Prospectus Supplement; the documents listed herein under "*Documents Incorporated by Reference*" and "*Certain Available Information*"; the consent of Ernst & Young LLP; the powers of attorney; the Rights Plan Agreement; and appointment of agent for service of process and undertaking on Form F-X.

<http://www.sec.gov/Archives/edgar/data/114>

### **ENFORCEMENT OF CIVIL LIABILITIES**

The Corporation is a corporation existing under the laws of Canada, and the majority of its assets and operations are located, and the majority of its operations are conducted, outside the United States. The Corporation has appointed its U.S. subsidiary TransAlta Centralia Generation LLC, Centralia, Washington, as its agent for service of process in the United States in connection with any investigations or administrative proceeding conducted by the SEC and any civil suit or action brought against the Corporation in a United States court arising from any offering made under this Prospectus. However, it may not be possible for investors to enforce judgments against the Corporation obtained in the United States in any such actions, including actions predicated upon the civil liability provisions of state securities laws. In addition, certain of the directors and officers of the Corporation are residents of Canada or other jurisdictions outside the United States and a substantial portion of the assets of those directors and officers are or may be located outside the United States. As a result, it may not be possible to bring a legal process within the United States upon those persons, or to enforce against them judgments obtained in United States courts, including judgments obtained under the provisions of United States federal and state securities laws.

**CONSENT OF ERNST & YOUNG LLP**

We consent to the reference to our firm under the caption "Interests of Experts" in the Annual Information Form dated February 24, 2010, the Registration Statement on Form F-10 and related base shelf prospectus of TransAlta Corporation (the "Corporation"), relating to the Preferred Shares, Warrants to purchase Common Shares, First Preferred Shares or other securities, Subscription Receipts, each of which will be received upon satisfaction of certain release conditions, and for no additional consideration, one Common Share, or Debt Securities, up to a total value of US\$1,000,000,000 filed with the United States Securities and Exchange Commission on November 18, 2010 (the "Prospectus") and to the independent auditor's report dated February 23, 2010 with respect to the consolidated financial statements of the Corporation for the year ended December 31, 2009 and the auditor's report on internal control over financial reporting as of December 31, 2009 included in the Corporation's Annual Report to Shareholders, filed with the Securities and Exchange Commission.

We also consent to the use, through incorporation by reference, in the above mentioned Prospectus of our report to the Board of Directors of the Corporation dated February 23, 2010, regarding the Reconciliation to United States Generally Accepted Accounting Principles as at December 31, 2009 and 2008 and for each of the years ended December 31, 2009. Our report is dated February 23, 2010.

Calgary, Canada  
November 18, 2010

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**US\$400,000,000  
4.500% Senior Notes due 2022  
TransAlta Corporation**

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**PROSPECTUS SUPPLEMENT**

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**BofA Merrill Lynch  
Citigroup  
HSBC**

**Mitsubishi UFJ Securities  
RBS**

**November 2, 2012**

<http://www.sec.gov/Archives/edgar/data/114>

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<http://www.sec.gov/Archives/edgar/data/114>