

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. **Information has been incorporated by reference in this prospectus from documents filed with securities commissions or similar authorities in Canada.** Copies of the documents incorporated herein by reference may be obtained on request without charge from the Corporate Secretary of CU Inc. at 1400 ATCO Centre, 909 - 11th Avenue S.W., Calgary, Alberta T2R 1N6 (telephone: (403) 292-7500), and are also available electronically at www.sedar.com. For the purpose of the Province of Quebec, this simplified prospectus contains information to be completed by consulting the permanent information record. A copy of the permanent information record may be obtained without charge from the Corporate Secretary of CU Inc. at the above-mentioned address and telephone number, and is also available electronically at www.sedar.com.

Short Form Prospectus

New Issue

April 13, 2007



An **ATCO** Company

\$115,000,000
(4,600,000 shares)

Cumulative Redeemable Preferred Shares Series 1

The holders of Cumulative Redeemable Preferred Shares Series 1 (the “Series 1 Preferred Shares”) of CU Inc. (the “Corporation”) will be entitled to receive fixed cumulative preferential cash dividends, if, as and when declared by the Board of Directors of the Corporation, at a rate of \$1.15 per share per annum, to accrue from the date of original issue, payable quarterly on the first day of March, June, September and December of each year. Assuming an issue date of April 18, 2007, the first dividend, if declared, will be payable June 1, 2007, in the amount of \$0.1386 per share.

On or after June 1, 2012, the Corporation may, at its option on not less than 30 nor more than 60 days prior notice, redeem for cash the Series 1 Preferred Shares, in whole at any time or in part from time to time, at \$26.00 per share if redeemed during the 12 months commencing June 1, 2012, at \$25.75 per share if redeemed during the 12 months commencing June 1, 2013, at \$25.50 per share if redeemed during the 12 months commencing June 1, 2014, at \$25.25 per share if redeemed during the 12 months commencing June 1, 2015, and at \$25.00 per share if redeemed on or after June 1, 2016, in each case together with all accrued and unpaid dividends to but excluding the date of redemption.

The Toronto Stock Exchange (the “TSX”) has conditionally approved the listing of the Series 1 Preferred Shares. Listing is subject to the Corporation fulfilling all of the requirements of the TSX on or before July 11, 2007, including distribution of these securities to a minimum number of public security holders. In the opinion of counsel, the Series 1 Preferred Shares would, if issued on the date hereof, qualify for investment under certain statutes as set forth under “Eligibility for Investment”. The head and registered office of the Corporation is at 1400 ATCO Centre, 909 – 11th Avenue S.W., Calgary, Alberta T2R 1N6.

Price: \$25.00 per share to yield 4.60% per annum

	Price to Public	Underwriters’ Fee (1)	Net Proceeds to Corporation (1)
Per Series 1 Preferred Share	\$25.00	\$0.75	\$24.25
Total	\$115,000,000	\$3,450,000	\$111,550,000

Note:

(1) The Underwriters’ Fee for the Series 1 Preferred Shares is \$0.25 for each such share sold to certain institutions by closing of the offering and \$0.75 per share for all other Series 1 Preferred Shares purchased by the Underwriters. The Underwriters’ Fee indicated in the table assumes that no Series 1 Preferred Shares are sold to such institutions.

BMO Nesbitt Burns Inc., RBC Dominion Securities Inc. and TD Securities Inc. (the “Underwriters”), as principals, conditionally offer the Series 1 Preferred Shares, subject to prior sale, if, as and when issued by the Corporation and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement referred to under “Plan of Distribution” and subject to the approval of certain legal matters on behalf of the Corporation by Bennett Jones LLP and on behalf of the Underwriters by Blake, Cassels & Graydon LLP. The Underwriters may over-allot or effect transactions that stabilize or maintain the market price of the Series 1 Preferred Shares. See “Plan of Distribution”.

Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is expected that the closing of this offering will take place on or about April 18, 2007, and in any event not later than May 18, 2007. A book-entry only certificate representing the Series 1 Preferred Shares distributed hereunder will be issued in registered form only to The Canadian Depository for Securities Limited (“CDS”) or its nominee and will be deposited with CDS on the closing of this offering. The Corporation understands that a purchaser of Series 1 Preferred Shares will receive only a customer confirmation from the registered dealer who is a CDS participant and from or through whom the Series 1 Preferred Shares are purchased.

The Underwriters are subsidiaries of Canadian chartered banks which have extended credit facilities to the Corporation and certain of its affiliates. Accordingly, under certain circumstances, the Corporation may be considered a “connected issuer” of the Underwriters under applicable securities legislation. See “Plan of Distribution”.

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DOCUMENTS INCORPORATED BY REFERENCE

The following documents of the Corporation are specifically incorporated by reference in this short form prospectus:

- (a) annual information form dated February 21, 2007;
- (b) comparative financial statements, together with the accompanying report of the auditor, for the fiscal year ended December 31, 2006;
- (c) management's discussion and analysis of financial condition and results of operations ("MD&A") for the fiscal year ended December 31, 2006;

provided that these documents are not incorporated by reference to the extent their contents are modified or superseded by a statement contained in this short form prospectus or in any other subsequently filed document that also is, or is deemed to be, incorporated by reference in this short form prospectus.

Any documents of the type described above and any material change reports (except confidential material change reports), interim financial statements and related interim MD&A, business acquisition reports, and information circulars filed by the Corporation after the date of this short form prospectus and before the termination of the distribution are deemed to be incorporated by reference in this short form prospectus.

BUSINESS OF THE CORPORATION

The Corporation is a holding company. Its principal operating subsidiaries are engaged in regulated natural gas and electric energy operations, primarily in Alberta.

USE OF PROCEEDS

The estimated net proceeds (after deducting the Underwriters' Fee) to be received by the Corporation from the sale of the Series 1 Preferred Shares are \$111,550,000, assuming that no Series 1 Preferred Shares are sold to institutions. The Corporation intends to use the proceeds to purchase preferred shares to be issued by its operating subsidiaries, ATCO Electric Ltd. and ATCO Gas and Pipelines Ltd. It is expected that these subsidiaries will use approximately \$92 million of the proceeds to redeem all of their Cumulative Redeemable Second Preferred Shares Series Q, R and S, all of which are held by Canadian Utilities Limited, and will use the balance to fund a portion of their 2007 capital expenditure programs.

DETAILS OF THE OFFERING

The Series 1 Preferred Shares will have attached thereto the series provisions summarized below.

Dividends

Holders of Series 1 Preferred Shares will be entitled to receive fixed cumulative preferential cash dividends of \$1.15 per share per annum, to accrue from the date of original issue, payable quarterly on the first day of March, June, September and December of each year, if, as and when declared by the Board of Directors. Assuming an issue date of April 18, 2007, the first dividend, if declared, will be payable June 1, 2007, in the amount of \$0.1386 per Series 1 Preferred Share.

Redemption

The Series 1 Preferred Shares will not be redeemable before June 1, 2012, but will be redeemable for cash on and after that date at the option of the Corporation, in whole at any time or in part from time to time, on not less than 30 days nor more than 60 days prior notice, at \$26.00 per share if redeemed during the 12 months commencing June 1, 2012, at \$25.75 per share if redeemed during the 12 months commencing June 1, 2013, at \$25.50 per share if redeemed during the 12 months commencing June 1, 2014, at \$25.25 per share if redeemed during the 12 months commencing June 1, 2015, and at \$25.00 per share if redeemed on or after June 1, 2016, in each case together with all accrued and unpaid dividends to but excluding the date of redemption.

The Corporation may redeem less than all of the then outstanding Series 1 Preferred Shares at any time on a pro rata basis or in such other manner as is specified in the series provisions and is acceptable to the TSX.

Purchase for Cancellation

Subject to the provisions described under "Restrictions on Dividends and Retirement of Shares", the Corporation may at any time or times purchase for cancellation all or any part of the Series 1 Preferred Shares on the open market, by private agreement or otherwise at the lowest price or prices at which in the opinion of the Board of Directors of the Corporation such shares are obtainable.

Creation or Issue of Additional Shares

So long as any Series 1 Preferred Shares are outstanding the Corporation shall not, without the prior approval of the holders of the Series 1 Preferred Shares given in the specified manner, create or issue any shares ranking prior to or on a parity with the Series 1 Preferred Shares with respect to repayment of capital or payment of dividends, provided that the Corporation may without such approval, if all dividends then payable on the Series 1 Preferred Shares shall have been paid, issue additional series of Series Preferred Shares.

Restrictions on Dividends and Retirement of Shares

So long as any of the Series 1 Preferred Shares are outstanding, the Corporation shall not:

- (a) declare or pay or set apart for payment any dividends (other than stock dividends in shares of the Corporation ranking junior to the Series 1 Preferred Shares) on the Class A non-voting shares or Class B common shares or any other shares of the Corporation ranking junior to the Series 1 Preferred Shares with respect to payment of dividends,
- (b) call for redemption, purchase, reduce or otherwise pay off any shares of the Corporation ranking junior to the Series 1 Preferred Shares with respect to repayment of capital or with respect to payment of dividends, or
- (c) call for redemption or purchase or reduce or otherwise pay off less than all the Series 1 Preferred Shares and all other Series Preferred Shares and all other preferred shares ranking prior to or on a parity with the Series 1 Preferred Shares then outstanding with respect to payment of dividends

unless all dividends up to and including the dividends payable on the last preceding respective dividend payment dates on the Series 1 Preferred Shares and on all other Series Preferred Shares and on all other preferred shares ranking prior to or on a parity with the Series 1 Preferred Shares with respect to payment of dividends then outstanding shall have been declared and paid or set apart for payment.

Rights on Liquidation

In the event of the liquidation, dissolution or winding up of the Corporation, or other distribution of assets of the Corporation among its shareholders for the purpose of winding-up its affairs, the holders of the Series 1 Preferred Shares shall be entitled to receive the amount paid up on such shares together with all accrued and unpaid cumulative preferential dividends thereon and, if such liquidation, dissolution, winding-up or distribution is voluntary, a premium of \$1.00 per share if such event commences prior to June 1, 2009, and, if such event commences thereafter, a premium equivalent to the premium payable on redemption if such shares were to be redeemed at the date of commencement of any such voluntary liquidation, dissolution, winding-up or distribution, before any amount shall be paid or any property or assets of the Corporation shall be distributed to the holders of any Class A non-voting shares or Class B common shares or other shares ranking junior to the Series 1 Preferred Shares. After payment to the holders of the Series 1 Preferred Shares of the amounts so payable to them, they shall not be entitled to share in any further distribution of the property or assets of the Corporation.

Voting Rights

The holders of the Series 1 Preferred Shares are not entitled to any voting rights nor to receive notice of or to attend shareholders' meetings unless dividends on the series preferred shares of the Corporation of any series are in arrears to the extent of eight quarterly dividends or four half-yearly dividends, as the case may be, whether or not consecutive. Until all arrears of dividends have been paid, holders of Series 1 Preferred Shares will be entitled to receive notice of and to attend all shareholders' meetings at which directors are to be elected (other than separate meetings of holders of another class of shares) and to one vote in respect of each Series 1 Preferred Share held.

Tax Election

The Corporation will elect in the manner and within the time provided under Part VI.1 of the Income Tax Act (Canada) (the "Tax Act"), to pay or cause payment of tax under Part VI.1 of the Tax Act at a rate such that corporate holders of Series 1 Preferred Shares will not be required to pay tax under Part IV.1 of the Tax Act on dividends received on the Series 1 Preferred Shares. See "Canadian Federal Income Tax Considerations".

Modification

The series provisions attaching to the Series 1 Preferred Shares may be amended with the written approval of all the holders of the Series 1 Preferred Shares outstanding or by at least two-thirds of the votes cast at a meeting of the holders of such shares duly called for that purpose and at which a quorum is present.

DEPOSITORY SERVICES

Except as otherwise provided below, the Series 1 Preferred Shares will be issued in "book-entry only" form and must be purchased, transferred, converted or redeemed through participants ("Participants") in the depository service of CDS or its nominee. Each of the Underwriters is a Participant. On the closing of this offering, the Corporation will cause a global certificate or certificates representing the Series 1 Preferred Shares to be delivered to, and registered in the name of, CDS or its nominee. Except as described below, no purchaser of Series 1 Preferred Shares will be entitled to a certificate or other instrument from the Corporation or CDS evidencing that purchaser's ownership thereof, and no purchaser will be shown on the records maintained by CDS except through a book-entry account of a Participant acting on behalf of such purchaser. The Corporation understands that each purchaser of Series 1 Preferred Shares will receive a customer confirmation of purchase from the registered dealer from or through which the Series 1 Preferred Shares are purchased in accordance with the practices and procedures of that registered dealer. The practices of registered dealers may vary, but generally customer confirmations are issued

promptly after execution of a customer order. CDS will be responsible for establishing and maintaining book-entry accounts for its Participants having interests in the Series 1 Preferred Shares. Reference in this short form prospectus to a holder of Series 1 Preferred Shares means, unless the context otherwise requires, the owner of the beneficial interest in the Series 1 Preferred Shares.

If the Corporation determines, or CDS notifies the Corporation in writing, that CDS is no longer willing or able to discharge properly its responsibilities as depository with respect to the Series 1 Preferred Shares and the Corporation is unable to locate a qualified successor, or if the Corporation at its option elects, or is required by law, to terminate the book-entry system, then Series 1 Preferred Shares will be issued in fully registered form to the owners of the beneficial interests in such Series 1 Preferred Shares or their nominees.

EARNINGS COVERAGES

The Corporation's dividend requirements on all of its preferred shares, after giving effect to the issue of the Series 1 Preferred Shares to be distributed pursuant to this short form prospectus and adjusted to a pre-tax equivalent using an effective income tax rate of 33.7%, amounted to \$29.1 million for the 12 months ended December 31, 2006. The Corporation's interest requirements for the 12 months then ended amounted to \$165.9 million. The Corporation's earnings before interest, income taxes and preferred share dividends for the 12 months ended December 31, 2006, were \$408.8 million, which is 2.10 times the Corporation's aggregate dividend and interest requirements for this period.

RATINGS

The Series 1 Preferred Shares of the Corporation are rated Pfd-2 (high) with a stable outlook by Dominion Bond Rating Service Limited ("DBRS") and P-2 (high) with a stable outlook by Standard & Poor's, a division of The McGraw-Hill Companies, Inc. ("S&P").

A Pfd-2 rating by DBRS is the second highest of six categories granted by DBRS for preferred shares and is granted to companies presenting satisfactory credit quality where protection of dividends and principal is still substantial, but earnings, the balance sheet and coverage ratios are not as strong as Pfd-1 rated companies. "High" and "low" grades may be used to indicate the relative standing of a credit within a particular rating category.

A P-2 rating by S&P is the second highest of eight categories S&P uses in its Canadian preferred share rating scale and is granted where the obligor's capacity to meet its financial commitments is considered adequate, but is more subject to adverse economic conditions than higher rating categories. "High", "mid" and "low" grades may be used to indicate the relative standing of a credit within a particular rating category.

A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the rating organization.

RISK FACTORS

A prospective purchaser of Series 1 Preferred Shares should carefully consider the following investment considerations before making a decision to purchase the Series 1 Preferred Shares, as well as the other information contained in this short form prospectus and the documents incorporated by reference herein, including, in particular, the information described under the heading "Business Risks" in the Corporation's management's discussion and analysis of financial condition and results of operations for the year ended December 31, 2006.

Prevailing yields on similar securities will affect the market value of the Series 1 Preferred Shares. Assuming all other factors remain unchanged, the market value of the Series 1 Preferred Shares will decline as prevailing yields for similar securities rise, and will increase as prevailing yields for similar securities decline. Real or anticipated

changes in credit ratings on the Series 1 Preferred Shares may affect the market value of the Series 1 Preferred Shares.

The Series 1 Preferred Shares are equity capital of the Corporation which rank equally with other Series Preferred Shares of the Corporation in the event of an insolvency or winding-up of the Corporation. If the Corporation becomes insolvent or is wound up, the Corporation's assets must be used to pay liabilities and other debt before payments may be made on Series 1 Preferred Shares and other preferred shares.

CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Bennett Jones LLP, counsel to the Corporation, and Blake, Cassels & Graydon LLP, counsel to the Underwriters, the following is a summary of the principal Canadian federal income tax considerations generally applicable, at the date hereof, to a prospective purchaser of Series 1 Preferred Shares who, for the purposes of the Tax Act, is resident in Canada, will hold the Series 1 Preferred Shares as capital property and deals at arm's length with the Corporation and is not affiliated with the Corporation. Series 1 Preferred Shares acquired by "financial institutions", as defined in the Tax Act for purposes of the "mark-to-market" rules, will generally not be held as capital property by such purchasers. Purchasers who do not hold their Series 1 Preferred Shares as capital property should consult their own tax advisors with respect to their own particular circumstances.

This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular purchaser. Prospective purchasers should consult their own tax advisors with respect to their particular circumstances.

This summary is based upon the current provisions of the Tax Act, the regulations thereunder, all specific proposals to amend the Tax Act and such regulations publicly announced by the Minister of Finance prior to the date hereof (the "Proposals"), existing case law and counsels' understanding of the current administrative and assessing practices of the Canada Revenue Agency ("CRA"). This summary does not otherwise take into account or anticipate any changes in law or in the administrative and assessing practices of the CRA, whether by legislative, governmental or judicial decision or action, nor does it take into account any provincial, territorial or foreign income tax legislation or considerations. No assurance can be given that the Proposals will be enacted in their current form or at all.

Dividends

Dividends (including deemed dividends) received on the Series 1 Preferred Shares by an individual will be included in the individual's income and will be subject to the gross-up and dividend tax credit rules normally applicable to taxable dividends received from taxable Canadian corporations. Individuals are entitled to an enhanced gross-up and dividend tax credit in respect of "eligible dividends" received from taxable Canadian corporations, such as the Corporation, if such dividends have been designated as eligible dividends by the paying corporation. Management of the Corporation has advised counsel that the Corporation anticipates that it will designate the dividends paid to holders of the Series 1 Preferred Shares as eligible dividends and will make that designation in writing at or before the time that the dividends are paid by posting a notice to that effect on the Corporation's website or otherwise.

Dividends (including deemed dividends) received on the Series 1 Preferred Shares by a corporation will be included in computing the corporation's income and will generally be deductible in computing the corporation's taxable income.

The Series 1 Preferred Shares are "taxable preferred shares" as defined in the Tax Act. The terms of the Series 1 Preferred Shares require the Corporation to make the necessary election under Part VI.1 of the Tax Act so that corporate holders will not be subject to tax under Part IV.1 of the Tax Act on dividends received (or deemed to be received) on the Series 1 Preferred Shares.

A "private corporation", as defined in the Tax Act, or any other corporation resident in Canada and controlled by or for the benefit of an individual or a related group of individuals, will generally be liable to pay a 33 1/3% refundable

tax under Part IV of the Tax Act on dividends received (or deemed to be received) on the Series 1 Preferred Shares to the extent such dividends are deductible in computing its taxable income.

Dispositions

A holder who disposes of or is deemed to dispose of Series 1 Preferred Shares (on the redemption of such shares or otherwise) will generally realize a capital gain (or sustain a capital loss) to the extent that the holder's proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of such shares to the holder. The amount of any deemed dividend arising on the redemption, acquisition or cancellation by the Corporation of Series 1 Preferred Shares will generally not be included in computing the holder's proceeds of disposition for purposes of computing the capital gain or loss arising on the disposition of such Series 1 Preferred Shares. If the holder is a corporation, any capital loss arising on a disposition of a Series 1 Preferred Share may in certain circumstances be reduced by the amount of any dividends, including deemed dividends, which have been received on the Series 1 Preferred Share. Analogous rules apply to a partnership or trust of which a corporation, partnership or trust is a member or beneficiary.

One-half of any such capital gain will be included in computing the holder's income as a taxable capital gain and one-half of any such capital loss may be deducted from the holder's taxable capital gains in accordance with the rules contained in the Tax Act. Capital gains realized by an individual may give rise to a liability for alternative minimum tax. Taxable capital gains of a "Canadian-controlled private corporation", as defined in the Tax Act, may be subject to an additional refundable tax at a rate of 6 2/3%.

Redemption

If the Corporation redeems Series 1 Preferred Shares, or otherwise acquires or cancels Series 1 Preferred Shares (other than by a purchase in the open market in the manner in which shares are normally purchased by any member of the public in the open market), the holder will be deemed to have received a dividend equal to the amount, if any, paid by the Corporation in excess of the paid-up capital of such shares at such time as computed for purposes of the Tax Act. Generally, the difference between the amount paid and the amount of the deemed dividend will be treated as proceeds of disposition for purposes of computing the capital gain or capital loss arising on the disposition of such shares. In the case of a corporate holder, it is possible that in certain circumstances all or part of any such deemed dividend may be treated as proceeds of disposition and not as a dividend.

PLAN OF DISTRIBUTION

Under an agreement dated April 3, 2007 (the "Underwriting Agreement") between the Corporation and the Underwriters, the Corporation has agreed to sell and the Underwriters have agreed to purchase as principals, on April 18, 2007, or on such later date as may be agreed upon, but in any event not later than May 18, 2007, all but not less than all of the Series 1 Preferred Shares at a price of \$25.00 per share, payable in cash to the Corporation against delivery of the Series 1 Preferred Shares, and the Corporation has agreed to pay the Underwriters a fee equal to \$0.25 per Series 1 Preferred Share for shares sold to certain institutions by closing of the offering and \$0.75 per share for all other Series 1 Preferred Shares purchased by the Underwriters. All fees payable to the Underwriters will be paid on account of services rendered in connection with the offering and will be paid out of the general funds of the Corporation.

The obligations of the Underwriters under the Underwriting Agreement are several and not joint, and may be terminated at their discretion upon the occurrence of certain stated events. The Underwriters are, however, obligated to take up and pay for all the Series 1 Preferred Shares if any Series 1 Preferred Shares are purchased under the Underwriting Agreement. The Underwriters have agreed not to offer, sell or deliver any Series 1 Preferred Shares in the United States or to U.S. persons.

The Underwriters may not, during the period of distribution under this short form prospectus, bid for or purchase Series 1 Preferred Shares. The foregoing restriction is subject to certain exceptions, on the condition that the bid or purchase not be engaged in for the purpose of creating actual or apparent trading activity in, or raising the price of,

the Series 1 Preferred Shares. These exceptions include a bid or purchase permitted under the by-laws and rules of the TSX relating to market stabilization and passive market-making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution. In connection with this offering, and subject to the foregoing and to applicable law, the Underwriters may over-allot or effect transactions that stabilize or maintain the market price of the Series 1 Preferred Shares at levels other than those that might otherwise prevail on the open market. Such transactions, if commenced, may be discontinued at any time.

Pursuant to the terms of the Underwriting Agreement, the Corporation and each of its subsidiaries shall not sell, or announce their intention to sell, nor authorize or issue, any preferred shares other than the Series 1 Preferred Shares during the period commencing on the date of this short form prospectus and ending 90 days after the closing date of this offering, without the prior written consent of BMO Nesbitt Burns Inc., on behalf of the Underwriters, such consent not to be unreasonably withheld.

The Underwriters are subsidiaries of Canadian chartered banks which have extended credit facilities to the Corporation and certain of its affiliates. Accordingly, under certain circumstances, the Corporation may be considered to be a “connected issuer” of the Underwriters under applicable Canadian securities legislation. The aggregate amount of such credit facilities available to the Corporation and its affiliates, including non-recourse debt for which the lender’s recourse in the event of default is limited to the business and assets of the project in question and to the affiliate’s equity therein, is approximately \$1.3 billion, of which approximately \$184.9 million was drawn as of December 31, 2006. The Corporation and its affiliates are in compliance with the terms of these credit facilities. The decision of each Underwriter to participate in this offering was made independently of its bank parent. None of the proceeds of this offering will be applied for the benefit of the Underwriters or any of their related issuers.

The TSX has conditionally approved the listing of the Series 1 Preferred Shares. Listing is subject to the Corporation fulfilling all of the requirements of the TSX on or before July 11, 2007, including distribution of these securities to a minimum number of public security holders.

ELIGIBILITY FOR INVESTMENT

In the opinion of Bennett Jones LLP, counsel to the Corporation, and Blake, Cassels & Graydon LLP, counsel to the Underwriters, subject to compliance with the prudent investment standards and the general investment provisions of the following statutes (and, where applicable, the regulations thereunder) and, in certain cases, subject to the satisfaction of additional requirements relating to investment or lending policies, procedures or goals, and, in certain circumstances, the filing of such policies, procedures and goals, the Series 1 Preferred Shares offered hereunder, if issued on the date hereof, would not be precluded as investments under or by the following statutes:

<i>Insurance Companies Act (Canada)</i>	<i>The Pension Benefits Act (Manitoba)</i>
<i>Pension Benefits Standards Act, 1985 (Canada)</i>	<i>Loan and Trust Corporations Act (Ontario)</i>
<i>Trust and Loan Companies Act (Canada)</i>	<i>Pension Benefits Act (Ontario)</i>
<i>Financial Institutions Act (British Columbia)</i>	<i>an Act respecting insurance (Quebec)</i>
<i>Pension Benefits Standards Act (British Columbia)</i>	<i>an Act respecting trust companies and savings</i>
<i>Employment Pension Plans Act (Alberta)</i>	<i>companies (Quebec)</i>
<i>Insurance Act (Alberta)</i>	<i>Supplemental Pension Plans Act (Quebec)</i>
<i>Loan and Trust Corporations Act (Alberta)</i>	

In addition, in the opinion of such counsel, the Series 1 Preferred Shares offered hereby will, on the date of issue, generally be qualified investments under the Tax Act and the regulations thereunder for trusts governed by registered retirement savings plans, registered retirement income funds, registered education savings plans or deferred profit sharing plans.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Series 1 Preferred Shares is CIBC Mellon Trust Company at its principal offices in Toronto and Calgary.

LEGAL MATTERS

Certain legal matters relating to the offering will be passed upon by Bennett Jones LLP for the Corporation and by Blake, Cassels & Graydon LLP for the Underwriters. As at April 12, 2007, partners and associates of Bennett Jones LLP and of Blake, Cassels & Graydon LLP, as a group, beneficially owned, directly or indirectly, less than 1% of any class of securities of the Corporation.

STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal adviser.

CERTIFICATES

Dated: April 13, 2007

This short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of each of the provinces of Canada. For the purpose of the Province of Quebec, this simplified prospectus, together with documents incorporated herein by reference and as supplemented by the permanent information record, contains no misrepresentation that is likely to affect the value or the market price of the securities to be distributed.

(Signed) N.C. SOUTHERN
President & Chief Executive Officer

(Signed) K.M. WATSON
Senior Vice President & Chief Financial Officer

On behalf of the Board of Directors

(Signed) W.L. BRITTON
Director

(Signed) B.K. FRENCH
Director

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of each of the provinces of Canada. For the purpose of the Province of Quebec, to our knowledge, this simplified prospectus, together with documents incorporated herein by reference and as supplemented by the permanent information record, contains no misrepresentation that is likely to affect the value or the market price of the securities to be distributed.

BMO NESBITT BURNS INC.

RBC DOMINION SECURITIES INC.

By: (Signed) Aaron M. Engen

By: (Signed) Jill V. Gardiner

TD SECURITIES INC.

By: (Signed) Alec W. G. Clark

AUDITORS' CONSENT

We have read the short form prospectus of CU Inc. (the "Company") dated April 13, 2007, relating to the issuance of 4,600,000 Cumulative Redeemable Preferred Shares Series 1 of the Company. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use, through incorporation by reference in the above-mentioned prospectus, of our report to the shareholders of the Company on the balance sheets of the Company as at December 31, 2006 and 2005 and the statements of earnings and retained earnings and cash flows for each of the years in the two-year period ended December 31, 2006. Our report is dated February 21, 2007.

Calgary, Alberta
April 13, 2007

(Signed) PRICEWATERHOUSECOOPERS LLP
Chartered Accountants