***No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.***

*This prospectus supplement, together with the short form base shelf prospectus dated February 22, 2013 (the "**Prospectus**") to which it relates, as amended or supplemented, and each document incorporated or deemed to be incorporated by reference in the Prospectus constitutes a public offering of these securities only in those jurisdictions where they may lawfully be offered for sale and therein only by persons permitted to sell such securities.*

*The offering of Series 1 Shares (as defined herein) under this prospectus supplement is directed only to residents of Canada and Series 1 Shares may only be offered outside of Canada by the Underwriters (as defined herein) with the consent of Pembina Pipeline Corporation. The Series 1 Shares have not been registered under the United States Securities Act of 1933, as amended (the "**U.S. Securities Act**"), or any state securities laws, and may not be offered or sold in the United States or to, or for the account or benefit or, U.S. persons (as defined in Regulation S under the U.S. Securities Act). This prospectus supplement does not constitute an offer to sell or a solicitation of an offer to buy any of the Series 1 Shares in the United States. See "Plan of Distribution".*

***Information has been incorporated by reference in this prospectus supplement 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 Pembina Pipeline Corporation, at #3800, 525 – 8th Avenue S.W., Calgary, Alberta, T2P 1G1, telephone (403) 231-7500, and are also available electronically at www.sedar.com.*

# PROSPECTUS SUPPLEMENT

## To a Short Form Base Shelf Prospectus Dated February 22, 2013

**New Issue** July 19, 2013

# PEMBINA PIPELINE CORPORATION

**$250,000,000**
**10,000,000 Cumulative Redeemable Rate Reset**
**Class A Preferred Shares, Series 1**

Pembina Pipeline Corporation (the "**Corporation**" or "**Pembina**") is hereby qualifying the distribution (the "**Offering**") of 10,000,000 cumulative redeemable rate reset Class A Preferred Shares, Series 1 ("**Series 1 Shares**") of the Corporation at a price of $25.00 per Series 1 Share. See "Details of the Offering" and "Plan of Distribution".

The holders of Series 1 Shares will be entitled to receive, as and when declared by the board of directors of the Corporation out of moneys of the Corporation properly applicable to the payment of dividends, fixed cumulative preferential cash dividends for the initial period (the "**Initial Fixed Rate Period**") from and including the date of issue of the Series 1 Shares to but excluding December 1, 2018, at an annual rate of $1.0625 per share, payable quarterly on the 1st day of March, June, September and December in each year (other than September 1, 2013). If any such date is not a business day, the dividend will be paid on the next succeeding business day. Assuming an issue date of July 26, 2013, the first dividend, if declared, will be payable December 1, 2013, in the amount of $0.3726 per share.

For each five-year period after the Initial Fixed Rate Period (each a "**Subsequent Fixed Rate Period**", as defined herein), the holders of Series 1 Shares shall be entitled to receive, as and when declared by the board of directors of the Corporation, fixed cumulative preferential cash dividends, payable quarterly on the 1st day of March, June, September and December in each year, in the amount per share determined by multiplying one-quarter of the Annual Fixed Dividend Rate (as defined herein) for such Subsequent Fixed Rate Period by $25.00. The Annual Fixed Dividend Rate for the ensuing Subsequent Fixed Rate Period will be determined by the Corporation on the Fixed Rate Calculation Date (as defined herein) and will be equal to the sum of the Government of Canada Yield (as defined herein) on the Fixed Rate Calculation Date plus a spread of 2.47%. This spread will apply to both the Series 1 Shares and the Series 2 Shares described below, and will remain unchanged over the life of the Series 1 Shares and the Series 2 Shares. See "Details of the Offering".

The Series 1 Shares shall not be redeemable prior to December 1, 2018. On December 1, 2018, and on December 1 in every fifth year thereafter, the Corporation may, at its option, upon not less than 30 days and not more than 60 days prior written notice, redeem for cash all or any part of the outstanding Series 1 Shares by the payment of $25.00 per Series 1 Share plus all accrued and unpaid dividends. See "Details of the Offering".

**Option to Convert into Series 2 Shares**

The holders of the Series 1 Shares will have the right to convert all or any of their shares into cumulative redeemable floating rate Class A Preferred Shares, Series 2 of the Corporation (the "**Series 2 Shares**"), subject to certain conditions, on December 1, 2018 and on December 1 in every fifth year thereafter. The holders of the Series 2 Shares will be entitled to receive, as and when declared by the board of directors of the Corporation, quarterly floating rate cumulative preferential cash dividends payable on the 1st day of March, June, September and December in each year (each such quarterly dividend period is referred to as a "**Quarterly Floating Rate Period**", as defined herein) in the amount per share determined by multiplying the Floating Quarterly Dividend Rate (as defined herein) for such Quarterly Floating Rate Period by $25.00 and multiplying that product by a fraction, the numerator of which is the actual number of days in such Quarterly Floating Rate Period and the denominator of which is 365 or 366, depending upon the actual number of days in the applicable year. The Floating Quarterly Dividend Rate will be the annual rate of interest equal to the sum of the T-Bill Rate (as defined herein) on the applicable Floating Rate Calculation Date (as defined herein) plus a spread of 2.47%. See "Details of the Offering".

The Series 1 Shares and Series 2 Shares are series of shares in the same class. The conversion right entitles holders to elect periodically which of the two series they wish to hold and does not entitle holders to receive a different class or type of securities. Other than the different dividend rights and redemption rights attached thereto, the Series 1 Shares and Series 2 Shares are identical in all material respects. See "Risk Factors".

**Price: $25.00 per Series 1 Share to initially yield 4.25% per annum**

| | Price to the Public | Underwriters' Fee(1) | Net Proceeds to the Corporation(2) |
|---|---|---|---|
| Per Series 1 Share | $25.00 | $0.75 | $24.25 |
| **Total** | $250,000,000 | $7,500,000 | $242,500,000 |

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

(2) Before deducting the estimated expenses of the Offering of approximately $500,000. The expenses of the Offering will be paid from the general funds of the Corporation.

**There is no market through which the Series 1 Shares may be sold and purchasers may not be able to resell Series 1 Shares purchased under this prospectus supplement. This may affect the pricing of the Series 1 Shares in the secondary market, the transparency and availability of trading prices, the liquidity of the Series 1 Shares and the extent of issuer regulation. See "Risk Factors".**

The Toronto Stock Exchange (the "**TSX**") has conditionally approved the listing of the Series 1 Shares and Series 2 Shares described in this prospectus supplement. Listing is subject to the Corporation fulfilling all the listing requirements of the TSX on or before October 17, 2013, including distribution of the Series 1 Shares and, at the time of any conversion into Series 2 Shares, to a minimum number of public securityholders.

It is currently anticipated that the closing date of the Offering (the "**Offering Closing Date**") will be on or about July 26, 2013, or such later date as the Corporation and the Underwriters may agree but in any event not later than August 30, 2013. See "Details of the Offering".

The terms of the Offering were determined by negotiations between the Corporation and RBC Dominion Securities Inc. and Scotia Capital Inc. on their own behalf and on behalf of BMO Nesbitt Burns Inc., CIBC World Markets Inc., National Bank Financial Inc. and TD Securities Inc. (collectively, the "**Underwriters**").

The Underwriters, as principals, conditionally offer the Series 1 Shares, subject to prior sale, if, as and when issued by the Corporation to, 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 relating to the Offering on behalf of the Corporation by Blake, Cassels & Graydon LLP and on behalf of the Underwriters by Bennett Jones LLP.

Subscriptions will be received subject to rejection or allotment in whole or in part and the Underwriters reserve the right to close the subscription books at any time without notice. Book entry only certificates representing the Series 1 Shares will be issued in registered form to CDS Clearing and Depository Services Inc. ("**CDS**") or its nominee and will be deposited with CDS on the Offering Closing Date. A purchaser of Series 1 Shares will receive only a customer confirmation from a registered dealer which is a CDS participant and from or through which the Series 1 Shares are purchased. See "Depository Services".

Subject to applicable laws, the Underwriters may, in connection with the Offering, over-allot or effect transactions which stabilize or maintain the market price of the Series 1 Shares at levels other than those which might otherwise prevail on the open market. **The Underwriters propose to offer the Series 1 Shares initially at the offering price specified above. After a reasonable effort has been made to sell all of the Series 1 Shares at the price specified, the Underwriters may reduce the selling price to investors from time to time in order to sell any of the Series 1 Shares remaining unsold. Any such reduction will not affect the proceeds received by the Corporation. See "Plan of Distribution".**

In the opinion of counsel, subject to the provisions of any particular plan, the Series 1 Shares, if issued on the date hereof, generally would be qualified investments under the *Income Tax Act* (Canada) and the regulations thereunder (together, the "**Tax Act**") for certain tax-exempt trusts. See "Eligibility for Investment".

**Investing in the Series 1 Shares involves certain risks. See "Risk Factors" in the accompanying prospectus and in this prospectus supplement.**

**Each of RBC Dominion Securities Inc., Scotia Capital Inc., BMO Nesbitt Burns Inc., CIBC World Markets Inc., National Bank Financial Inc. and TD Securities Inc. is, directly or indirectly, a subsidiary or an affiliate of a Canadian chartered bank that is a lender to Pembina or its subsidiaries. Accordingly, pursuant to applicable securities legislation, Pembina may be considered a "connected issuer" of each Underwriter. A portion of the net proceeds from this Offering may be used to reduce the indebtedness of Pembina to such lenders. See "Relationship Among the Corporation and the Underwriters" and "Use of Proceeds".**

The principal and registered offices of the Corporation are located at #3800, 525 - 8th Avenue S.W., Calgary, Alberta, T2P 1G1.

**TABLE OF CONTENTS**

| | Page |
|---|---|
| IMPORTANT NOTICE ABOUT INFORMATION IN THIS PROSPECTUS SUPPLEMENT AND THE ACCOMPANYING PROSPECTUS | 1 |
| NOTE REGARDING FORWARD-LOOKING STATEMENTS | 1 |
| DOCUMENTS INCORPORATED BY REFERENCE | 4 |
| RECENT DEVELOPMENTS | 5 |
| USE OF PROCEEDS | 5 |
| CONSOLIDATED CAPITALIZATION OF THE CORPORATION | 6 |
| EARNINGS COVERAGE | 8 |
| DETAILS OF THE OFFERING | 8 |
| DEPOSITORY SERVICES | 17 |
| PLAN OF DISTRIBUTION | 18 |
| RELATIONSHIP AMONG THE CORPORATION AND THE UNDERWRITERS | 19 |
| CREDIT RATINGS | 19 |
| RISK FACTORS | 20 |
| ELIGIBILITY FOR INVESTMENT | 22 |
| CERTAIN CANADIAN FEDERAL INCOME TAX CONSEQUENCES | 23 |
| INTERESTS OF EXPERTS | 25 |
| AUDITORS, TRANSFER AGENT AND REGISTRAR | 25 |
| STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION | 25 |
| CERTIFICATE OF THE UNDERWRITERS | 1 |

## 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, which describes certain terms of the securities the Corporation is offering and also adds to and updates certain information contained in the Prospectus and the documents incorporated by reference therein. The second part, the Prospectus, gives more general information, some of which may not apply to the Series 1 Shares offered hereunder. Defined terms or abbreviations used in this prospectus supplement that are not defined herein have the meanings ascribed thereto in the Prospectus.

You should rely only on the information contained in this prospectus supplement or incorporated by reference into the Prospectus. The Corporation has not, and the Underwriters have not, authorized anyone to provide you with different or additional information. The Corporation is not, and the Underwriters are not, making an offer to sell the Series 1 Shares in any jurisdiction where the offer or sale is not permitted. You should not assume that the information appearing in this prospectus supplement, the Prospectus or any documents incorporated by reference into the Prospectus, is accurate as of any date other than the date on the front of those documents as the Corporation's business, operating results, financial condition and prospects may have changed since that date.

In this prospectus supplement, unless otherwise specified or the context otherwise requires, all dollar amounts are expressed in Canadian dollars. References to "dollars" or "$" are to lawful currency of Canada. References to "US Dollars" or "US$" are to lawful currency of the United States of America.

## NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in the Prospectus and this prospectus supplement, and in certain documents incorporated by reference into the Prospectus, constitute forward-looking statements or information (collectively, "**forward-looking statements**") within the meaning of the "safe harbour" provisions of applicable securities legislation. Forward-looking statements are typically identified by words such as "anticipate", "continue", "estimate", "expect", "may", "will", "project", "should", "could", "believe", "plan", "intend", "design", "target", "undertake", "view", "indicate", "maintain", "explore", "entail", "schedule", "objective", "strategy", "likely", "potential", "envision", "aim", "outlook", "propose", "goal", "would", and similar expressions suggesting future events or future performance.

By their nature, such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Pembina believes the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in, or incorporated by reference into, the Prospectus and included in this prospectus supplement should not be unduly relied upon. These statements speak only as of the date of this prospectus supplement, the date of the Prospectus or as of the date specified in the documents incorporated by reference into the Prospectus, as the case may be.

In particular, the Prospectus and this prospectus supplement, and the documents incorporated by reference into the Prospectus, contain forward-looking statements pertaining to the following:

- the expected timelines, construction, services, costs, capacity and regulatory and environmental approvals related to the Cornerstone Pipeline (as defined herein);
- the future levels of cash dividends that Pembina intends to pay to its shareholders;
- capital expenditure-estimates, plans, schedules, rights and activities and the planning, development, construction, operations and costs of pipelines, gas service facilities, fractionation facilities, terminalling, storage and hub facilities and other facilities or energy infrastructure;
- future expansion of Pembina's pipelines and other infrastructure;
- pipeline, processing and storage facility and system operations and throughput levels;
- oil and gas industry exploration and development activity levels;
- Pembina's strategy and the development of new business initiatives;
- growth opportunities;

- expectations regarding Pembina's ability to raise capital and to carry out acquisition, expansion and growth plans;
- treatment under government regulatory regimes including environmental regulations and related abandonment and reclamation obligations;
- Pembina's credit ratings;
- future general and administrative expenses at Pembina;
- increased throughput potential due to increased activity and new connections and other initiatives on Pembina's pipelines;
- future cash flows, potential revenue and cash flow enhancements across Pembina's businesses and the maintenance of operating margins;
- tolls and tariffs and transportation, storage and services commitments and contracts;
- cash dividends and the tax treatment thereof;
- operating risks (including the amount of future liabilities related to pipeline spills and other environmental incidents) and related insurance coverage and inspection and integrity programs;
- the expected capacity, incremental volumes and in-services dates of proposed expansions and new developments;
- the possibility of offshore export opportunities for propane;
- the possibility of renegotiating debt terms, repayment of existing debt, seeking new borrowing and/or issuing equity;
- expectations regarding participation in Pembina's DRIP;
- the expected impact of changes in share price on annual share-based incentive expense;
- inventory and pricing levels in the North American liquids market;
- Pembina's discretion to hedge natural gas and natural gas liquids ("**NGL**") volumes;
- competitive conditions; and
- the anticipated use of proceeds of the Offering.

Various factors or assumptions are typically applied by Pembina in drawing conclusions or making the forecasts, projections, predictions or estimations set out in forward-looking statements based on information currently available to Pembina. These factors and assumptions include, but are not limited to:

- the success of Pembina's operations;
- prevailing commodity prices and exchange rates and the ability of Pembina to maintain current credit ratings;
- the availability of capital to fund future capital requirements relating to existing assets and projects, including but not limited to future capital expenditures relating to expansion, upgrades and maintenance shutdowns;
- future operating costs;
- geotechnical and integrity costs associated with Pembina's pipeline systems;
- in respect of the proposed Saturn Facility, Saturn II Facility and the proposed Resthaven Facility and their estimated in-service dates; that Pembina will receive regulatory approval for the proposed Saturn Facility; that all environmental approvals can be obtained on the necessary terms in a timely manner, that counterparties will comply with contracts in a timely manner; that there are no unforeseen events preventing the performance of contracts or the completion of such facilities; that such facilities will be fully supported by long-term firm service agreements accounting for the entire designed throughput at such facilities at the time of such facilities' completion; that there are no unforeseen construction costs related to the facilities; and that there are no unforeseen material costs relating to the facilities which are not recoverable from customers;
- in respect of the expansion of NGL throughput capacity on the Northern NGL System and the crude throughput capacity on the Peace crude system and the estimated in-service dates with respect to the same; that Pembina will receive regulatory approval; that Pembina will secure adequate customer support; that counterparties will comply with contracts in a timely manner; that there are no unforeseen events preventing the performance of contracts by Pembina; that there are no unforeseen construction costs related to the expansion; and that there are no unforeseen material costs relating to the pipelines that are not recoverable from customers;

- in respect of the proposed expansion of Redwater; that counterparties will comply with such contracts in a timely manner; that there are no unforeseen events preventing the performance of contracts by Pembina; that there are no unforeseen construction costs; and that there are no unforeseen material costs relating to the proposed fractionators that are not recoverable from customers;
- in respect of other developments, expansions and capital expenditures planned, including the proposed expansion of a number of existing truck terminals and construction of new full-service terminals, the expectation of additional NGL and crude volumes being transported on the conventional pipelines, the proposed expansion plans to strengthen Pembina's transportation service options that it provides to producers developing the hydrocarbon formations located in central Alberta, the installation of two remaining pumps on the Nipisi pipeline and one remaining pump station on the Mitsue pipeline, the development of multiple fee-for-service storage facilities at Redwater and that counterparties will comply with contracts in a timely manner; that there are no unforeseen events preventing the performance of contracts by Pembina; that there are no unforeseen construction costs; and that there are no unforeseen material costs relating to the developments, expansions and capital expenditures which are not recoverable from customers;
- the future exploration for and production of oil, NGL and natural gas in the capture area around Pembina's conventional and midstream assets, including new production from the Cardium formation in western Alberta, the demand for gathering and processing of hydrocarbons, and the corresponding utilization of Pembina's assets;
- in respect of the stability of Pembina's dividend; prevailing commodity prices, margins, volumes and exchange rates; that Pembina's future results of operations will be consistent with past performance and management expectations in relation thereto; the continued availability of capital at attractive prices to fund future capital requirements relating to existing assets and projects, including but not limited to future capital expenditures relating to expansion, upgrades and maintenance shutdowns; the success of growth projects; future operating costs; that counterparties to material agreements will continue to perform in a timely manner; that there are no unforeseen events preventing the performance of contracts; and that there are no unforeseen material construction, integrity or other costs related to current growth projects or current operations; and
- prevailing regulatory, tax and environmental laws and regulations.

The actual results of Pembina could differ materially from those anticipated in these forward-looking statements as a result of the material risk factors set forth below:

- the intended use of the net proceeds of the Offering by Pembina may change if the board of directors of Pembina determines that it would be in the interests of Pembina to deploy the proceeds for some other purpose;
- the regulatory environment and decisions;
- the impact of competitive entities and pricing;
- labour and material shortages;
- reliance on key alliances and agreements;
- the strength and operations of the oil and natural gas production industry and related commodity prices;
- non-performance or default by counterparties to agreements which Pembina or one or more of its affiliates has entered into in respect of its business;
- actions by governmental or regulatory authorities including changes in tax laws and treatment, changes in royalty rates or increased environmental regulation;
- fluctuations in operating results;
- adverse general economic and market conditions in Canada, North America and elsewhere, including changes in interest rates, foreign currency exchange rates and commodity prices;
- changes to Pembina's credit ratings; and
- the other factors discussed under "Risk Factors" in this prospectus supplement and in the Prospectus and in the documents incorporated by reference into the Prospectus, including the AIF and the Annual MD&A (each as defined herein).

These factors should not be construed as exhaustive. Unless required by law, Pembina does not undertake any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Any forward-looking statements contained herein, in the Prospectus or in the documents incorporated by reference into the Prospectus are expressly qualified by this cautionary statement.

## DOCUMENTS INCORPORATED BY REFERENCE

This prospectus supplement is deemed to be incorporated by reference into the Prospectus solely for the purposes of the Offering of the Series 1 Shares. Other documents are also incorporated or deemed to be incorporated by reference into the Prospectus and reference should be made to the Prospectus for full particulars.

See "Documents Incorporated by Reference" in the Prospectus. As of the date hereof, the following documents filed with the securities commissions or similar authorities in each of the provinces of Canada are specifically incorporated by reference into and form an integral part of the Prospectus:

(a) annual information form of Pembina for the year ended December 31, 2012 dated March 1, 2013 (the "**AIF**");

(b) audited consolidated statement of financial position of the Corporation as at December 31, 2012 and December 31, 2011 and the consolidated statements of comprehensive income, changes in equity and cash flows of the Corporation for the years then ended, together with the notes thereto and the auditors' report thereon;

(c) Pembina's management's discussion and analysis of financial condition and results of operations for the year ended December 31, 2012 (the "**Annual MD&A**");

(d) unaudited condensed consolidated interim statement of financial position of the Corporation as at March 31, 2013 and December 31, 2012 and the unaudited condensed consolidated interim statements of comprehensive income, changes in equity and cash flows of the Corporation for the three months ended March 31, 2013 and 2012, together with the notes thereto;

(e) Pembina's management's discussion and analysis of financial condition and results of operations for the three months ended March 31, 2013 (the "**Q1 MD&A**");

(f) management information circular dated March 28, 2013 relating to the annual and special meeting of Shareholders held on May 10, 2013 (the "**Information Circular**");

(g) joint management information circular and proxy statement of Pembina and Provident Energy Ltd. ("**Provident**") dated February 17, 2012 (the "**Arrangement Circular**") with respect to the Provident Arrangement excluding the fairness opinions contained in Appendix E and Appendix F of the Arrangement Circular and all references to such fairness opinions contained in the Arrangement Circular; and

(h) business acquisition report of Pembina dated May 1, 2012 with respect to the completion of the Provident Arrangement.

**Any statement contained in the Prospectus, in this prospectus supplement or in any other document (or part thereof) incorporated or deemed to be incorporated by reference into the Prospectus shall be deemed to be modified or superseded for the purposes of this prospectus supplement to the extent that a statement contained herein or in any other subsequently filed document which also is, or is deemed to be, incorporated by reference in the Prospectus modifies or supersedes such statement. The 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 that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, 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 is necessary to make a statement not misleading in light of the circumstances in which it 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 supplement or the Prospectus.**

Copies of the documents incorporated by reference into the Prospectus may be obtained on request without charge from the Corporate Secretary of Pembina at 3800, 525 – 8th Avenue S.W., Calgary, Alberta, T2P 1G1 (telephone (403) 231-7500).

## RECENT DEVELOPMENTS

*Amended Articles*

After Pembina received the requisite shareholder approval, it amended its articles on May 13, 2013 to: (i) create a new class of preferred shares designated as "Class A Preferred Shares"; (ii) change the designation and terms of Pembina's existing internal preferred shares from "Preferred Shares, Series A" to "Class B Preferred Shares" (referred to herein as the "**Class B Preferred Shares**"); and (iii) increase the maximum number of directors of Pembina from 11 to 13. For a further description of the amendments to Pembina's articles, please see the Information Circular which is incorporated by reference into the Prospectus.

*Cornerstone Oil Sands Pipeline Project*

On June 27, 2013, Pembina announced that it had entered into an Engineering Support Agreement ("**ESA**") for diluent and blended bitumen transportation services associated with enhanced oil recovery developments in northeast Alberta owned by KKD Oil Sands Partnership ("**KOSP**"). KOSP is a partnership between Statoil Canada Ltd. ("**Statoil**"), as managing partner, and PTTEP Canada Ltd.

Concurrent with the work under the ESA, Pembina and Statoil will proceed with negotiations to conclude long-term agreements for the construction of and transportation services on a new greenfield pipeline system and associated infrastructure (the "**Cornerstone Pipeline**"). The Cornerstone Pipeline would transport diluent and blended bitumen between KOSP's upstream developments and the Edmonton area, including diluent connectivity at Pembina's Nexus Terminal ("**PNT**"). PNT interconnects Pembina's various terminalling infrastructure located in the Edmonton, Redwater and Fort Saskatchewan areas.

Under the ESA, Pembina and KOSP have jointly agreed to spend up to approximately $35 million to conduct preliminary engineering work and begin associated stakeholder consultation in support of KOSP's transportation needs. At the conclusion of the work contemplated under the ESA, Pembina expects to be in a position to file the necessary applications which would be required to proceed with constructing the Cornerstone Pipeline in the event that commercial agreements in respect of the construction of and transportation services on the pipeline are reached. Subject to reaching commercial agreements, as well as obtaining regulatory and environmental approvals thereafter, Pembina expects the Cornerstone Pipeline could be in-service in mid-2017.

Pembina's preliminary capital cost estimate to undertake construction of a 320 kilometre 12" and 24" blended bitumen pipeline system is approximately $850 million. This size of pipe is expected to allow Pembina to phase-in future expansions with incremental capital.

The Cornerstone Pipeline would be connected to KOSP's Cheecham Terminal and Pembina Midstream Limited Partnership ("**PMLP**"), a subsidiary of Pembina, is expected to be 50-percent shipper on the diluent pipeline alongside KOSP. PMLP will be working with regional customers to develop and contract for terminalling services, which will include diluent supply and blended bitumen transportation out of the area.

## USE OF PROCEEDS

The net proceeds to the Corporation from the Offering will be $242,500,000 after deducting the maximum Underwriters’ fee of $7,500,000 (assuming no Series 1 Shares are sold to certain institutions to result in a lower Underwriters' fee) and before deducting expenses of the Offering. The expenses of the Offering are approximately $500,000 and will be paid from the general funds of the Corporation.

The net proceeds of the Offering will be used by the Corporation to partially fund capital projects, to reduce short term indebtedness of the Corporation under its credit facilities, which short term indebtedness was incurred to fund the Corporation's capital program, including expenditures related to expansions of the Cutbank Complex, Resthaven and Saturn projects and the Redwater fractionator expansion, and for other general corporate purposes. For further details on these capital expenditures, see the Annual MD&A and the Q1 MD&A which are incorporated by reference into the Prospectus. The Corporation may invest funds that it does not immediately require in short term marketable debt securities.

The use of the net proceeds of the Offering by the Corporation is consistent with the Corporation's stated business objectives of providing reliable returns to investors through monthly dividends while enhancing long-term value for its shareholders.

There is no particular significant event or milestone that must occur for Pembina's business objectives to be accomplished. While Pembina believes that it has the skills and resources necessary to accomplish its stated business objectives, participation in the transportation and midstream service industry has a number of inherent risks. See "Risk Factors" in this prospectus supplement, the Prospectus, the Annual MD&A and the AIF.

While the Corporation intends to use the net proceeds as stated above, there may be circumstances that are not known at this time where a reallocation of the net proceeds may be advisable for business reasons that management believes are in the Corporation's best interests.

## CONSOLIDATED CAPITALIZATION OF THE CORPORATION

The following table sets forth the consolidated capitalization of the Corporation as at March 31, 2013, and the consolidated capitalization of the Corporation as at March 31, 2013 after giving effect to: (i) the Offering and the expected use of proceeds therefrom (assuming no Series 1 Shares are sold to certain institutions to result in a lower Underwriters' fee); and (ii) the offering of $200 million principal amount of senior unsecured Medium Term Notes, Series 3 and the associated repayment of indebtedness under the Revolving Credit Facility.

| **Designation** | **Authorized[2] ($millions)** | **As at March 31, 2013 ($millions)** | **As at March 31, 2013 after giving effect to the Offering and use of proceeds therefrom, and the offering of Medium Term Notes, Series 3 and the use of proceeds therefrom[10] ($millions)** |
|---|---|---|---|
| Common Shares[1] | Unlimited | $5,723.2 (306,992,777 Common Shares) | $5,723.2 (306,992,777 Common Shares) |
| Class A Preferred Shares | -[3] | - | $250.0 (10,000,000 Series 1 Shares) |
| Convertible Debentures[14] | | | |
| Series C Convertible Debentures[4] | $300.0 | $299.7 | $299.7 |
| Series E Convertible Debentures[5] | $172.5 | $172.0 | $172.0 |
| Series F Convertible Debentures[6] | $172.5 | $172.4 | $172.4 |
| Notes[14] | | | |
| Series A Senior Notes[7] | $175.0 | $175.0 | $175.0 |
| Series C Senior Notes[8] | $200.0 | $200.0 | $200.0 |
| Series D Senior Notes[9] | $267.0 | $267.0 | $267.0 |
| Medium Term Notes, Series 1[10] | $250.0 | $250.0 | $250.0 |
| Medium Term Notes, Series 2[10] | $450.0 | $450.0 | $450.0 |
| Medium Term Notes, Series 3[10] | - | - | $200.0 |
| Bank Debt[14] | | | |

| | | | |
|---|---|---|---|
| Revolving Credit Facility(11) | $1,500.0 | $200.0 | - |
| Operating Credit Facility(11) | $30.0 | - | - |
| Term Facility(12) | $75.0 | $75.0 | $75.0 |
| Subsidiary Debt(13) | - | $9.7 | $9.7 |

**Notes:**

(1) At March 31, 2013, 3,414,304 Options were outstanding and held by employees of Pembina, of which 1,107,025 were exercisable. The Options have exercise prices ranging from $14.18 to $30.06 and expire at various dates to January 1, 2020.

(2) Class B Preferred Shares of $149,862,000 (101,400,000 Class B Preferred Shares) are held by Alberta Oil Sands Pipeline Ltd., a wholly-owned subsidiary of Pembina and such shares are eliminated on consolidation.

(3) The terms of the Class A Preferred Shares provide that the number of Class A Preferred Shares which may be issued and outstanding at any time shall be limited to a number equal to no more than 20% of the number of issued and outstanding Common Shares at the time of issuance of any Class A Preferred Shares.

(4) The Series C Convertible Debentures bear interest at the rate of 5.75% per annum payable semi-annually and mature on November 30, 2020.

(5) The Series E Convertible Debentures were assumed by Pembina pursuant to the Provident Arrangement and bear interest at the rate of 5.75% per annum payable semi-annually and mature on December 31, 2017.

(6) The Series F Convertible Debentures were assumed by Pembina pursuant to the Provident Arrangement and bear interest at the rate of 5.75% per annum payable semi-annually and mature on December 31, 2018.

(7) The Series A Senior Notes bear interest at the rate of 5.99% per annum and mature on June 15, 2014.

(8) The Series C Senior Notes bear interest at the rate of 5.58% per annum and mature on September 30, 2021.

(9) The Series D Senior Notes bear interest at the rate of 5.91% per annum and mature on November 18, 2019.

(10) The Medium Term Notes, Series 1 were issued by Pembina on March 29, 2011 in the aggregate principal amount of $250,000,000 of senior unsecured medium term notes, have a fixed interest rate of 4.89% per annum, paid semi-annually, and will mature on March 29, 2021. The Medium Term Notes, Series 2 were issued by Pembina on October 22, 2012 in the aggregate principal amount of $450 million senior unsecured medium term notes, have fixed interest rate of 3.77% per annum, paid semi-annually, and will mature on October 24, 2022. The Medium Term Notes, Series 3 (the "**Series 3 MTNs**") were issued by Pembina on April 30, 2013 in the aggregate principal amount of $200 million senior unsecured medium term notes, have a fixed interest rate of 4.75% per annum, paid semi-annually, and will mature on April 30, 2043.

(11) Pembina's credit facilities as at March 31, 2013 consisted of an unsecured $1,500 million revolving credit facility due March 20, 2018 (the "**Revolving Credit Facility**") and an unsecured operating facility of $30 million due July 2014 (the "**Operating Credit Facility**", and together with the Revolving Credit Facility, the "**Credit Facilities**"). Borrowings on the Revolving Credit Facility and the Operating Credit Facility bear interest at prime lending rates plus nil to 1.25 percent or Bankers' Acceptances rates plus 1.00 percent to 2.25 percent. Margins on the Credit Facilities are based on the credit rating of Pembina's senior unsecured debt. There are no repayments due over the term of the Credit Facilities. As at March 31, 2013, Pembina had $200 million drawn on bank debt, $0.1 million in letters of credit and $46.4 million in cash, leaving $1,376.4 million of unutilized debt available under the Credit Facilities. In addition, as at March 31, 2013, Pembina had $18.1 million in letters of credit issued in a separate demand letter of credit facility. In April 2013, Pembina used the net proceeds of the offering of the Series 3 MTNs to repay a portion of the Credit Facility. As at March 31, 2013, after giving effect to the Offering and the use of proceeds therefrom and the offering of Series 3 MTNs and the use of proceeds therefrom, the Revolving Credit Facility would net a zero balance and Pembina would have approximately $286.4 million in cash.

(12) Pembina has a $75 million senior unsecured term credit facility from a Canadian chartered bank at a fixed rate of 6.16% and which matures on May 20, 2014 (the "**Term Facility**"). Pembina, on a consolidated basis, is required under the Term Facility to meet certain financial covenants which mirror the covenants with respect to the Revolving Credit Facility and the Operating Credit Facility, and is subject to customary positive and negative covenants relating to its operations and activities, including restrictions on the granting of security, incurring indebtedness and the sale of its assets.

(13) In connection with the Provident Arrangement, Pembina acquired a two-thirds ownership interest in Provident's subsidiary, Three Star Trucking Ltd. ("**Three Star**"). Three Star's debt is comprised of fixed rate, demand loans secured by specific assets of Three Star. As at March 31, 2013, the weighted average interest rate was 5.02%.

(14) All debt amounts in the table as at March 31, 2013 represent the outstanding principal balances of such debt obligations.

## EARNINGS COVERAGE

The following consolidated earnings coverage ratios of the Corporation are calculated for the twelve-month periods ended December 31, 2012, based on audited financial information, and March 31, 2013, based on unaudited financial information. The earnings coverage ratios set out below do not purport to be indicative of earnings coverage ratios for any future period. The following earnings coverage ratios give effect to the issuance of the Series 1 Shares pursuant to this prospectus supplement and the application of the net proceeds therefrom as described under "Use of Proceeds".

| | Twelve Months Ended December 31, 2012 | Twelve Months Ended March 31, 2013 |
|---|---|---|
| Earnings coverage on long-term debt and preferred shares | 3.25 | 3.51 |

**Notes:**

(1) Earnings coverage is equal to consolidated earnings before interest expense and income tax expense divided by interest expense (including capitalized interest) and preferred share dividend obligations. The Corporation's interest expense used in the calculation of the earnings coverage ratio for the relevant period has been adjusted to reflect the issuance by the Corporation of $200 million principal amount of Series 3 MTNs, and the use of proceeds therefrom, as if the Series 3 MTNs were issued at the start of the relevant period.

(2) The earnings coverage ratios have been calculated excluding carrying charges for the $9.7 million in long-term debt maturing within one year reflected as current liabilities in the Corporation's Statement of Financial Position as at March 31, 2013 (December 31, 2012 - $9.3 million). If such long-term debt maturing within one year had been classified in its entirety as long-term debt for purposes of calculating the earnings coverage ratios, the entire amount of the annual carrying charges for such long-term debt maturing within one year would have been reflected in the calculation of the Corporation's earnings coverage ratios. For the twelve-month period ended March 31, 2013, earnings coverage would have been 3.49x (December 31, 2012 – 3.21x).

(3) The pro forma earnings coverage ratio calculated using Pembina's unaudited pro forma consolidated statements of financial position and comprehensive income for the year ended December 31, 2011 (giving effect to the Provident Arrangement) included in the Provident BAR, which is incorporated by reference into the Prospectus, was 3.09x for the twelve month period ended December 31, 2011 (after giving effect to the issuance of the Series 3 MTNs and the use of proceeds therefrom).

Pembina's dividend requirements on all of its Class A Preferred Shares, after giving effect to the issue of the Series 1 Shares to be distributed under this prospectus supplement, and adjusted to a before-tax equivalent using an effective income tax rate of 25%, amounted to $10.6 million for the twelve month period ended December 31, 2012 and $10.6 million for the twelve month period ended March 31, 2013. Pembina's adjusted interest expense requirements for the twelve month period ended December 31, 2012 amounted to $115.4 million and for the twelve month period ended March 31, 2013 amounted to $130.2 million. Such amounts are adjusted to reflect the issuance by the Corporation of the Series 3 MTNs, and the use of proceeds therefrom, and exclude carrying charges for long term debt maturing within one year. Pembina's profit or loss attributable to owners of the parent before interest expense and income tax for the twelve month period ended December 31, 2012 was $409.5 million and for the twelve month period ended March 31, 2012 was $494.1 million, which is 3.3 times and 3.5 times Pembina's aggregate dividend and adjusted interest expense requirements for such periods, respectively.

## DETAILS OF THE OFFERING

The following is a summary of the principal rights, privileges, restrictions and conditions attaching to the Class A Preferred Shares ("**Class A Preferred Shares**") of the Corporation as a class and to be attached to the Series 1 Shares and Series 2 Shares. Such provisions will be available on SEDAR at www.sedar.com.

### Definition of Terms

The following definitions are relevant to the Series 1 Shares and the Series 2 Shares.

"**Annual Fixed Dividend Rate**" means, for any Subsequent Fixed Rate Period, the annual rate of interest (expressed as a percentage rounded to the nearest one hundred-thousandth of one percent (with 0.000005% being rounded up)) equal to the sum of the Government of Canada Yield on the applicable Fixed Rate Calculation Date and 2.47%.

"**Dividend Payment Date**" means the 1st day of March, June, September and December in each year, other than September 1, 2013.

"**Fixed Rate Calculation Date**" means, for any Subsequent Fixed Rate Period, the 30th day prior to the first day of such Subsequent Fixed Rate Period.

"**Floating Quarterly Dividend Rate**" means, for any Quarterly Floating Rate Period, the annual rate of interest (expressed as a percentage rounded to the nearest one hundred-thousandth of one percent (with 0.000005% being rounded up)) equal to the sum of the T-Bill Rate on the applicable Floating Rate Calculation Date and 2.47%.

"**Floating Rate Calculation Date**" means, for any Quarterly Floating Rate Period, the 30th day prior to the first day of such Quarterly Floating Rate Period.

"**Government of Canada Yield**" on any date means the yield to maturity on such date (assuming semi-annual compounding) of a Canadian dollar denominated non-callable Government of Canada bond with a term to maturity of five years as quoted as of 10:00 a.m. (Toronto time) on such date and that appears on the Bloomberg Screen GCAN5YR <Index> Page on such date; provided that if such rate does not appear on the Bloomberg Screen GCAN5YR <Index> Page on such date, then the Government of Canada Yield shall mean the arithmetic average of the yields quoted to the Corporation by two registered Canadian investment dealers selected by the Corporation as being the annual yield to maturity on such date, compounded semi-annually, that a non-callable Government of Canada bond would carry if issued, in Canadian dollars, at 100% of its principal amount on such date with a term to maturity of five years.

"**Initial Fixed Rate Period**" means the period from and including the date of issue of the Series 1 Shares to but excluding December 1, 2018.

"**Quarterly Commencement Date**" means the 1st day of March, June, September and December in each year, commencing December 1, 2018.

"**Quarterly Floating Rate Period**" means the period from and including a Quarterly Commencement Date to but excluding the next succeeding Quarterly Commencement Date.

"**Series 1 Conversion Date**" means December 1, 2018, and December 1 in every fifth year thereafter.

"**Series 2 Conversion Date**" means December 1, 2023, and December 1 in every fifth year thereafter.

"**Subsequent Fixed Rate Period**" means, for the initial Subsequent Fixed Rate Period, the period from and including December 1, 2018 to but excluding December 1, 2023, and for each succeeding Subsequent Fixed Rate Period means the period from and including the day immediately following the last day of the immediately preceding Subsequent Fixed Rate Period to but excluding December 1 in the fifth year thereafter.

"**T-Bill Rate**" means, for any Quarterly Floating Rate Period, the average yield expressed as an annual rate on 90 day Government of Canada treasury bills, as reported by the Bank of Canada, for the most recent treasury bills auction preceding the applicable Floating Rate Calculation Date.

**Certain Provisions of the Class A Preferred Shares as a Class**

Subject to certain limitations, the board of directors of the Corporation may, from time to time, issue Class A Preferred Shares in one or more series and determine for any such series, prior to any issuance, its designation, number of shares and respective rights, privileges, restrictions and conditions. The Class A Preferred Shares, as a class, have, among others, provisions to the effect set forth below.

*Ranking and Priority*

Each series of Class A Preferred Shares shall have priority over the Common Shares, the Class B Preferred Shares and any other class of Pembina's shares ranking junior to the Class A Preferred Shares with respect to redemption, the payment of dividends, the return of capital and the distribution of assets in the event of the liquidation, dissolution or winding-up of Pembina. The Class A Preferred Shares of any series may also be given such preferences, not inconsistent with the provisions of Pembina's articles, over the Common Shares, the Class B Preferred Shares and over any other class of Pembina's shares ranking junior to the Class A Preferred Shares, as may be determined by the board of directors of Pembina.

*Parity Among Series*

Each series of Class A Preferred Shares shall rank on parity with every other series of Class A Preferred Shares, in each case with respect to redemption, the payment of dividends, the return of capital and the distribution of assets in the event of the liquidation, dissolution or winding up of Pembina.

*Dividends*

The holders of each series of Class A Preferred Shares shall be entitled to receive dividends (which may be cumulative or non-cumulative and variable or fixed) as and when declared by the board of directors of Pembina.

*Participation*

If any cumulative dividends or amounts payable on a return of capital in the event of the liquidation, dissolution or winding-up of Pembina in respect of a series of Class A Preferred Shares are not paid in full, the Class A Preferred Shares of all series shall participate rateably in: (a) the amounts that would be payable on such shares if all such dividends were declared at or prior to such time and paid in full; and (b) the amounts that would be payable in respect of the return of capital as if all such amounts were paid in full; provided that if there are insufficient assets to satisfy all such claims, the claims of the holders of the Class A Preferred Shares with respect to repayment of capital shall first be paid and satisfied and any assets remaining shall be applied towards the payment and satisfaction of claims in respect of dividends. After payment to the holders of any series of Class A Preferred Shares of the amount so payable, the holders of such series of Class A Preferred Shares shall not be entitled to share in any further distribution of the property or assets of Pembina in the event of the liquidation, dissolution or winding up of Pembina.

*Conversion*

No series of Class A Preferred Shares shall be convertible into any other class of Pembina's shares but they may be convertible into another series of Class A Preferred Shares.

*Redemption*

Each series of Class A Preferred Shares shall be redeemable by Pembina on such terms as determined by the board of directors of Pembina.

*Voting*

Holders of any series of Class A Preferred Shares will not be entitled (except as otherwise provided by law and except for meetings of the holders of Class A Preferred Shares or a series thereof) to receive notice of, attend at, or vote at any meeting of shareholders of the Corporation, unless the board of directors of the Corporation shall determine otherwise, in which case voting rights shall only be provided in circumstances where the Corporation shall have failed to pay a certain number of dividends on such series of Class A Preferred Shares, which determination and number of dividends and any other terms in respect of such voting rights, shall be determined by the board of directors of the Corporation and set out in the designations, rights, privileges, restrictions and conditions of such series of Class A Preferred Shares.

*Limitation of the Number of Class A Preferred Shares*

The number of Class A Preferred Shares which may be issued and outstanding at any time shall be limited to a number equal to not more than twenty percent of the number of issued and outstanding Common Shares at the time of issuance of any Class A Preferred Shares.

**Certain Provisions of the Series 1 Shares**

*Issue Price*

The Series 1 Shares will have an issue price of $25.00 per share.

*Dividends on Series 1 Shares*

During the Initial Fixed Rate Period, the holders of the Series 1 Shares shall be entitled to receive and the Corporation shall pay, as and when declared by the board of directors, out of the moneys of the Corporation properly applicable to the payment of dividends, fixed cumulative preferential cash dividends at an annual rate of $1.0625 per share, payable quarterly on each Dividend Payment Date in each year. The first dividend, if declared, shall be payable on December 1, 2013, and, notwithstanding the foregoing, shall be in the amount per share determined by multiplying $1.0625 by the number of days in the period from and including the date of issue of the Series 1 Shares to but excluding December 1, 2013, and dividing that product by 365.

During each Subsequent Fixed Rate Period, the holders of the Series 1 Shares shall be entitled to receive and the Corporation shall pay, as and when declared by the board of directors, out of the moneys of the Corporation properly applicable to the payment of dividends, fixed cumulative preferential cash dividends, payable quarterly on each Dividend Payment Date, in the amount per share determined by multiplying one-quarter of the Annual Fixed Dividend Rate for such Subsequent Fixed Rate Period by $25.00.

On each Fixed Rate Calculation Date, the Corporation shall determine the Annual Fixed Dividend Rate for the ensuing Subsequent Fixed Rate Period. Each such determination shall, in the absence of manifest error, be final and binding upon the Corporation and upon all holders of Series 1 Shares. The Corporation shall, on each Fixed Rate Calculation Date, give written notice of the Annual Fixed Dividend Rate for the ensuing Subsequent Fixed Rate Period to the registered holders of the then outstanding Series 1 Shares.

*Redemption of Series 1 Shares*

The Series 1 Shares shall not be redeemable prior to December 1, 2018. Subject to the provisions described under "Restrictions on Payments and Reductions of Capital", on December 1, 2018, and on December 1 in every fifth year thereafter, the Corporation may redeem all or any part of the Series 1 Shares by the payment of an amount in cash for each share to be redeemed equal to $25.00 plus all accrued and unpaid dividends thereon to but excluding the date fixed for redemption.

Notice of any redemption of Series 1 Shares will be given by the Corporation not more than 60 days and not less than 30 days prior to the date fixed for redemption. If less than all of the outstanding Series 1 Shares are at any time to be redeemed, the shares so to be redeemed shall be selected by lot in such manner as the board of directors of the Corporation or the transfer agent or registrar, if any, appointed by the Corporation in respect of such shares shall decide, or, if the board of directors of the Corporation so decides, such shares may be redeemed pro rata (disregarding fractions).

From and after the date specified in a notice of redemption, the Series 1 Shares called for redemption shall cease to be entitled to dividends and the holders shall not be entitled to exercise any of the rights of holders in respect thereof unless payment of the cash redemption price is not made upon presentation of certificates in accordance with the provisions of the Series 1 Shares, in which case the rights of the holders shall remain unaffected.

*Conversion of Series 1 Shares into Series 2 Shares*

The Series 1 Shares shall not be convertible prior to December 1, 2018. Holders of Series 1 Shares shall have the right to convert on each Series 1 Conversion Date, subject to certain restrictions, all or any of their Series 1 Shares into Series 2 Shares on the basis of one Series 2 Share for each Series 1 Share. Notice of a holder's intention to convert Series 1 Shares must be received by the transfer agent and registrar for the Series 1 Shares at its principal office in Toronto or Calgary not earlier than the 30th day prior to, but not later than 5:00 p.m. (Toronto time) on the 15th day preceding, a Series 1 Conversion Date. Once received by the transfer agent and registrar on behalf of the Corporation, the election of a holder to convert is irrevocable.

The Corporation shall, not more than 60 days and not less than 30 days prior to the applicable Series 1 Conversion Date, give notice to the then registered holders of the Series 1 Shares of the conversion right. On the 30th day prior to each Series 1 Conversion Date, the Corporation shall give notice to the then registered holders of the Series 1 Shares of the Annual Fixed Dividend Rate for the Series 1 Shares for the next succeeding Subsequent Fixed Rate Period and the Floating Quarterly Dividend Rate for the Series 2 Shares for the next succeeding Quarterly Floating Rate Period.

Holders of Series 1 Shares shall not be entitled to convert their shares into Series 2 Shares if the Corporation determines that there would remain outstanding on a Series 1 Conversion Date less than 1,000,000 Series 2 Shares, after having taken into account all Series 1 Shares tendered for conversion into Series 2 Shares and all Series 2 Shares tendered for conversion into Series 1 Shares. The Corporation shall give notice thereof to all affected registered holders of the Series 1 Shares at least seven days prior to the applicable Series 1 Conversion Date. Furthermore, if the Corporation determines that there would remain outstanding on a Series 1 Conversion Date less than 1,000,000 Series 1 Shares, after having taken into account all Series 1 Shares tendered for conversion into Series 2 Shares and all Series 2 Shares tendered for conversion into Series 1 Shares, then all of the remaining outstanding Series 1 Shares shall be converted automatically into Series 2 Shares on the basis of one Series 2 Share for each Series 1 Share on the applicable Series 1 Conversion Date and the Corporation shall give notice thereof to the then registered holders of such remaining Series 1 Shares at least seven days prior to the Series 1 Conversion Date.

The Corporation reserves the right not to deliver Series 2 Shares to any person that the Corporation or its transfer agent has reason to believe is a person whose address is in, or that the Corporation or its transfer agent has reason to believe is a resident of, any jurisdiction outside Canada if such delivery would require the Corporation to take any action to comply with the securities laws of such jurisdiction.

If the Corporation gives notice to the holders of the Series 1 Shares of the redemption of all of the Series 1 Shares, the right of a holder of Series 1 Shares to convert such Series 1 Shares shall terminate and the Corporation shall not be required to give notice to the registered holders of the Series 1 Shares of the Annual Fixed Dividend Rate for the Series 1 Shares for the next succeeding Subsequent Fixed Rate Period, the Floating Quarterly Dividend Rate for the Series 2 Shares for the next succeeding Quarterly Floating Rate Period or the conversion right of holders of Series 1 Shares.

The Series 1 Shares and Series 2 Shares are series of shares in the same class. The conversion right entitles holders to elect periodically which of the two Series they wish to hold and does not entitle holders to receive a different class or type of securities. Other than the different dividend rights and redemption rights attached thereto, the Series 1 Shares and Series 2 Shares are identical in all material respects.

*Purchase for Cancellation*

Subject to the provisions described under "Restrictions on Payments and Reductions of Capital", the Corporation may at any time or times purchase for cancellation all or any part of the Series 1 Shares at the lowest price or prices at which, in the opinion of the board of directors of the Corporation, such shares are obtainable.

*Rights on Liquidation*

In the event of the liquidation, dissolution or winding-up of the Corporation or any other distribution of assets of the Corporation among its shareholders for the purpose of winding up its affairs, the holders of the Series 1 Shares shall be entitled to receive $25.00 per Series 1 Share plus all accrued and unpaid dividends thereon before any amount shall be paid or any property or assets of the Corporation shall be distributed to the holders of the Common Shares or to the holders of any other shares ranking junior to the Series 1 Shares in any respect. After payment to the holders of the Series 1 Shares of the amount so payable to them, they shall not, as such, be entitled to share in any further distribution of the property or assets of the Corporation.

*Restrictions on Payments and Reductions of Capital*

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

(a) call for redemption, purchase, reduce or otherwise pay for less than all the Series 1 Shares and all other preferred shares then outstanding ranking prior to or on a parity with the Series 1 Shares with respect to payment of dividends,

(b) declare, pay or set apart for payment any dividends (other than stock dividends in shares of the Corporation ranking junior to the Series 1 Shares) on the Common Shares or any other shares of the Corporation ranking junior to the Series 1 Shares with respect to payment of dividends, or

(c) call for redemption, purchase, reduce or otherwise pay for any shares of the Corporation ranking junior to the Series 1 Shares with respect to repayment of capital or with respect to payment of dividends,

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

*Creation or Issue of Additional Shares*

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

*Voting Rights*

Except as otherwise provided by law and except for meetings of the holders of Class A Preferred Shares as a class and meetings of the holders of Series 1 Shares as a series, the holders of the Series 1 Shares are not entitled to voting rights or to receive notice of or to attend shareholders' meetings unless dividends on the Series 1 Shares are in arrears to the extent of eight quarterly dividends, whether or not consecutive. Until all such arrears of dividends have been paid, holders of Series 1 Shares will be entitled to receive notice of and to attend all shareholders' meetings at which directors are to be elected and which take place more than 60 days after the date on which the failure first occurred (other than separate meetings of holders of another class or series of shares) and to one vote in respect of each Series 1 Share held with respect to resolutions to elect directors.

*Tax Election*

The Series 1 Shares will be "taxable preferred shares" as defined in the Tax Act for purposes of the tax under Part IV.l of the Tax Act applicable to certain corporate holders of the Series 1 Shares. The terms of the Series 1 Shares require the Corporation to make the necessary election under Part VI.1 of the Tax Act so that such corporate holders will not be subject to the tax under Part IV.1 of the Tax Act on dividends received (or deemed to be received) on the Series 1 Shares. See "Certain Canadian Federal Income Tax Considerations — Dividends".

*Modification*

The provisions attaching to the Series 1 Shares may be amended with the written approval of all the holders of the Series 1 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.

*Business Day*

If any day on which any dividend on the Series 1 Shares is payable by the Corporation or on or by which any other action is required to be taken by the Corporation is not a business day, then such dividend shall be payable and such other action may be taken on or by the next succeeding day that is a business day. For the purposes hereof, "business day" shall mean a day on which banks are generally open for business in both Calgary, Alberta and Toronto, Ontario.

**Certain Provisions of the Series 2 Shares**

*Issue Price*

The Series 2 Shares will be issuable only upon conversion of Series 1 Shares and will have an ascribed issue price of $25.00 per share.

*Dividends on Series 2 Shares*

During each Quarterly Floating Rate Period, the holders of the Series 2 Shares shall be entitled to receive and the Corporation shall pay, as and when declared by the board of directors, out of the moneys of the Corporation properly applicable to the payment of dividends, cumulative preferential cash dividends, payable on each Dividend Payment Date, in the amount per share determined by multiplying the Floating Quarterly Dividend Rate for such Quarterly Floating Rate Period by $25.00 and multiplying that product by a fraction, the numerator of which is the actual number of days in such Quarterly Floating Rate Period and the denominator of which is 365 or 366, depending upon the actual number of days in the applicable year.

On each Floating Rate Calculation Date, the Corporation shall determine the Floating Quarterly Dividend Rate for the ensuing Quarterly Floating Rate Period. Each such determination shall, in the absence of manifest error, be final and binding upon the Corporation and upon all holders of Series 2 Shares. The Corporation shall, on each Floating Rate Calculation Date, give written notice of the Floating Quarterly Dividend Rate for the ensuing Quarterly Floating Rate Period to the registered holders of the then outstanding Series 2 Shares.

*Redemption of Series 2 Shares*

Subject to the provisions described under "Restrictions on Payments and Reductions of Capital", the Corporation may redeem all or any part of the Series 2 Shares by the payment of an amount in cash for each share to be redeemed equal to (i) $25.00 in the case of a redemption on any Series 2 Conversion Date on or after December 1, 2023, or (ii) $25.50 in the case of a redemption on any date after December 1, 2018 that is not a Series 2 Conversion Date, in each case plus all accrued and unpaid dividends thereon to but excluding the date fixed for redemption.

Notice of any redemption of Series 2 Shares will be given by the Corporation not more than 60 days and not less than 30 days prior to the date fixed for redemption. If less than all of the outstanding Series 2 Shares are at any time to be redeemed, the shares so to be redeemed shall be selected by lot in such manner as the board of directors of the Corporation or the transfer agent or registrar, if any, appointed by the Corporation in respect of such shares shall decide, or, if the board of directors of the Corporation so decides, such shares may be redeemed pro rata (disregarding fractions).

From and after the date specified in a notice of redemption, the Series 2 Shares called for redemption shall cease to be entitled to dividends and the holders shall not be entitled to exercise any of the rights of holders in respect thereof unless payment of the cash redemption price is not made upon presentation of certificates in accordance with the provisions of the Series 2 Shares, in which case the rights of the holders shall remain unaffected.

*Conversion of Series 2 Shares into Series 1 Shares*

The Series 2 Shares shall not be convertible prior to December 1, 2023. Holders of Series 2 Shares shall have the right to convert on each Series 2 Conversion Date, subject to certain restrictions, all or any of their Series 2 Shares into Series 1 Shares on the basis of one Series 1 Share for each Series 2 Share. Notice of a holder's intention to convert Series 2 Shares must be received by the transfer agent and registrar for the Series 2 Shares at its principal office in Toronto or Calgary not earlier than the 30th day prior to, but not later than 5:00 p.m. (Toronto time) on the 15th day preceding, a Series 2 Conversion Date. Once received by the transfer agent and registrar on behalf of the Corporation, the election of a holder to convert is irrevocable.

The Corporation shall, not more than 60 days and not less than 30 days prior to the applicable Series 2 Conversion Date, give notice to the then registered holders of the Series 2 Shares of the conversion right. On the 30th day prior to each Series 2 Conversion Date, the Corporation shall give notice to the then registered holders of the Series 2 Shares of the Annual Fixed Dividend Rate for the Series 1 Shares for the next succeeding Subsequent Fixed Rate Period and the Floating Quarterly Dividend Rate for the Series 2 Shares for the next succeeding Quarterly Floating Rate Period.

Holders of Series 2 Shares shall not be entitled to convert their shares into Series 1 Shares if the Corporation determines that there would remain outstanding on a Series 2 Conversion Date less than 1,000,000 Series 1 Shares, after having taken into account all Series 1 Shares tendered for conversion into Series 2 Shares and all Series 2 Shares tendered for conversion into Series 1 Shares. The Corporation shall give notice thereof to all affected registered holders of the Series 2 Shares at least seven days prior to the applicable Series 2 Conversion Date. Furthermore, if the Corporation determines that there would remain outstanding on a Series 2 Conversion Date less than 1,000,000 Series 2 Shares, after having taken into account all Series 1 Shares tendered for conversion into Series 2 Shares and all Series 2 Shares tendered for conversion into Series 1 Shares, then all of the remaining outstanding Series 2 Shares shall be converted automatically into Series 1 Shares on the basis of one Series 1 Share for each Series 2 Share on the applicable Series 2 Conversion Date and the Corporation shall give notice thereof to the then registered holders of such remaining Series 2 Shares at least seven days prior to the Series 2 Conversion Date.

The Corporation reserves the right not to deliver Series 1 Shares to any person that the Corporation or its transfer agent has reason to believe is a person whose address is in, or that the Corporation or its transfer agent has reason to believe is a resident of, any jurisdiction outside Canada if such delivery would require the Corporation to take any action to comply with the securities laws of such jurisdiction.

If the Corporation gives notice to the holders of the Series 2 Shares of the redemption of all of the Series 2 Shares, the right of a holder of Series 2 Shares to convert such Series 2 Shares shall terminate and the Corporation shall not be required to give notice to the registered holders of the Series 2 Shares of the Annual Fixed Dividend Rate for the Series 1 Shares for the next succeeding Subsequent Fixed Rate Period, the Floating Quarterly Dividend Rate for the Series 2 Shares for the next succeeding Quarterly Floating Rate Period or the conversion right of holders of Series 2 Shares.

The Series 1 Shares and Series 2 Shares are series of shares in the same class. The conversion right entitles holders to elect periodically which of the two series they wish to hold and does not entitle holders to receive a different class or type of securities. Other than the different dividend rights and redemption rights attached thereto, the Series 1 Shares and Series 2 Shares are identical in all material respects.

*Purchase for Cancellation*

Subject to the provisions described under "Restrictions on Payments and Reductions of Capital", the Corporation may at any time or times purchase for cancellation all or any part of the Series 2 Shares at the lowest price or prices at which, in the opinion of the board of directors of the Corporation, such shares are obtainable.

*Rights on Liquidation*

In the event of the liquidation, dissolution or winding-up of the Corporation or any other distribution of assets of the Corporation among its shareholders for the purpose of winding up its affairs, the holders of the Series 2 Shares shall be entitled to receive $25.00 per Series 2 Share plus all accrued and unpaid dividends thereon before any amount shall be paid or any property or assets of the Corporation shall be distributed to the holders of the Common Shares or to the holders of any other shares ranking junior to the Series 2 Shares in any respect. After payment to the holders of the Series 2 Shares of the amount so payable to them, they shall not, as such, be entitled to share in any further distribution of the property, or assets of the Corporation.

*Restrictions on Payments and Reductions of Capital*

So long as any Series 2 Shares are outstanding, the Corporation shall not:

(a) call for redemption, purchase, reduce or otherwise pay for less than all the Series 2 Shares and all other preferred shares then outstanding ranking prior to or on a parity with the Series 2 Shares with respect to payment of dividends,

(b) declare, pay or set apart for payment any dividends (other than stock dividends in shares of the Corporation ranking junior to the Series 2 Shares) on the Common Shares or any other shares of the Corporation ranking junior to the Series 2 Shares with respect to payment of dividends, or

(c) call for redemption, purchase, reduce or otherwise pay for any shares of the Corporation ranking junior to the Series 2 Shares with respect to repayment of capital or with respect to payment of dividends,

unless all dividends up to and including the dividends payable on the last preceding dividend payment dates on the Series 2 Shares and on all other preferred shares then outstanding ranking prior to or on a parity with the Series 2 Shares with respect to payment of dividends shall have been declared and paid or set apart for payment at the date of any such action.

*Creation or Issue of Additional Shares*

So long as any Series 2 Shares are outstanding, the Corporation shall not, without the prior approval of the holders of the Series 2 Shares, create or issue any shares ranking prior to or on a parity with the Series 2 Shares with respect to repayment of capital or payment of dividends, provided that the Corporation may without such approval issue additional series of Class A Preferred Shares if all dividends then payable on the Series 2 Shares shall have been paid or set apart for payment.

*Voting Rights*

Except as otherwise provided by law and except for meetings of the holders of Class A Preferred Shares as a class and meetings of the holders of Series 2 Shares as a series, the holders of the Series 2 Shares are not entitled to voting rights or to receive notice of or to attend shareholders’ meetings unless dividends on the Series 2 Shares are in arrears to the extent of eight quarterly dividends, whether or not consecutive. Until all such arrears of dividends have been paid, holders of Series 2 Shares will be entitled to receive notice of and to attend all shareholders’ meetings at which directors are to be elected and which take place more than 60 days after the date on which the failure first occurred (other than separate meetings of holders of another class or series of shares) and to one vote in respect of each Series 2 Share held with respect to resolutions to elect directors.

*Tax Election*

The Series 2 Shares will be "taxable preferred shares" as defined in the Tax Act for purposes of the tax under Part IV.1 of the Tax Act applicable to certain corporate holders of the Series 2 Shares. The terms of the Series 2 Shares require the Corporation to make the necessary election under Part VI.1 of the Tax Act so that such corporate holders will not be subject to the tax under Part IV.1 of the Tax Act on dividends received (or deemed to be received) on the Series 2 Shares. See "Certain Canadian Federal Income Tax Considerations — Dividends".

*Modification*

The series provisions attaching to the Series 2 Shares may be amended with the written approval of all the holders of the Series 2 Shares outstanding or by at least two-thirds of the votes cast at a meeting or adjourned meeting of the holders of such shares duly called for that purpose.

*Business Day*

If any day on which any dividend on the Series 2 Shares is payable by the Corporation or on or by which any other action is required to be taken by the Corporation is not a business day, then such dividend shall be payable and such other action may be taken on or by the next succeeding day that is a business day. For the purposes hereof, "business day" shall mean a day on which banks are generally open for business in both Calgary, Alberta and Toronto, Ontario.

## DEPOSITORY SERVICES

The Series 1 Shares and Series 2 Shares will be issued in "book entry only" form and must be purchased or transferred through a participant in the CDS depository service ("**CDS Participant**"). The Corporation will cause a global certificate or certificates representing any newly issued Series 1 Shares or Series 2 Shares to be delivered to, and registered in the name of, CDS or its nominee. All rights of holders of Series 1 Shares or Series 2 Shares must be exercised through, and all payments or other property to which such holder of Series 1 Shares or Series 2 Shares, as the case may be, is entitled, will be made or delivered by, CDS or the CDS Participant through which the holder of Series 1 Shares or Series 2 Shares holds such shares. Each person who acquires Series 1 Shares or Series 2 Shares will receive only a customer confirmation of purchase from the registered dealer from or through which the Series 1 Shares or Series 2 Shares are acquired 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 is responsible for establishing and maintaining book entry accounts for its CDS Participants having interests in the Series 1 Shares or Series 2 Shares.

The ability of a beneficial owner of Series 1 Shares or Series 2 Shares to pledge such shares or otherwise take action with respect to such owner's interest in such shares (other than through a CDS Participant) may be limited due to the lack of a physical certificate.

The Corporation has the option to terminate registration of the Series 1 Shares and Series 2 Shares through the book entry only system, in which event certificates for Series 1 Shares and Series 2 Shares in fully registered form will be issued to the beneficial owners of such shares or their nominees.

Neither the Corporation nor the Underwriters will assume any liability for: (a) any aspect of the records relating to the beneficial ownership of the Series 1 Shares or Series 2 Shares held by CDS or the payments relating thereto; (b) maintaining, supervising or reviewing any records relating to the Series 1 Shares or Series 2 Shares; or (c) any advice or representation made by or with respect to CDS and those contained in this prospectus supplement and relating to the rules governing CDS or any action to be taken by CDS or at the direction of its CDS Participants. The rules governing CDS provide that it acts as the agent and depository for the CDS Participants. As a result, CDS Participants must look solely to CDS and persons, other than CDS Participants, having an interest in the Series 1 Shares or Series 2 Shares must look solely to CDS Participants for payments made by or on behalf of the Corporation to CDS in respect of the Series 1 Shares or Series 2 Shares.

If (i) required by applicable law, (ii) the book entry only system ceases to exist, (iii) the Corporation determines that CDS is no longer willing or able to discharge properly its responsibilities as depository with respect to the Series 1 Shares or Series 2 Shares and the Corporation is unable to locate a qualified successor, or (iv) the Corporation, at its option, decides to terminate the book entry only system, then certificates representing the Series 1 Shares and Series 2 Shares, as applicable, will be made available and sent to registered holders.

## PLAN OF DISTRIBUTION

Pursuant to an underwriting agreement (the "**Underwriting Agreement**") dated July 17, 2013 among the Corporation and the Underwriters, the Corporation has agreed to sell an aggregate of 10,000,000 Series 1 Shares to the Underwriters, and the Underwriters have severally (and not jointly or jointly and severally) agreed to purchase from the Corporation, as principals, such Series 1 Shares at a price of $25.00 per Series 1 Share payable in cash against delivery on the Offering Closing Date. The Underwriting Agreement provides that, in consideration of the services of the Underwriters in connection with the Offering, the Corporation will pay the Underwriters a fee of $0.25 per Series 1 Share issued and sold by the Corporation to certain institutions, and $0.75 per Series 1 Share for all other Series 1 Shares issued and sold by the Corporation as part of the Offering, for an aggregate fee payable by the Corporation of $7,500,000 (assuming no sales are made to such certain institutions). The Underwriters' fee is payable on the Offering Closing Date.

The terms of the Offering were established through negotiations between the Corporation and RBC Dominion Securities Inc. and Scotia Capital Inc. on their own behalf and on behalf of the other Underwriters.

The obligations of the Underwriters under the Underwriting Agreement are several (and not joint or joint and several) and may be terminated at their discretion upon the occurrence of certain stated events. If an Underwriter fails to purchase the Series 1 Shares which it has agreed to purchase, the other Underwriters may, but are not obligated to, purchase such Series 1 Shares on a *pro rata* basis or as they may otherwise agree as between themselves. The Underwriters are, however, obligated to take up and pay for all Series 1 Shares if any Series 1 Shares are purchased under the Underwriting Agreement. The Underwriting Agreement also provides that the Corporation will indemnify the Underwriters and their respective affiliates and each of their respective directors, officers, employees and agents against certain liabilities and expenses.

The Underwriters propose to offer the Series 1 Shares initially at the public offering price specified on the cover page of this prospectus supplement. After the Underwriters have made a reasonable effort to sell all of the Series 1 Shares offered by this prospectus supplement at the price specified herein, the offering price may be decreased and may be further changed from time to time to an amount not greater than $25.00. In the event the offering price of the Series 1 Shares is reduced, the compensation received by the Underwriters will be decreased by the amount by which the aggregate price paid by the purchasers for the Series 1 Shares is less than the gross proceeds paid by the Underwriters to the Corporation for the Series 1 Shares. Any such reduction will not affect the proceeds received by the Corporation.

Subscriptions for Series 1 Shares 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.

The TSX has conditionally approved the listing of the Series 1 Shares and Series 2 Shares described in this prospectus supplement. Listing is subject to the Corporation fulfilling all the listing requirements of the TSX on or before October 17, 2013, including distribution of the Series 1 Shares and, at the time of any conversion into Series 2 Shares, to a minimum number of public securityholders.

The Corporation has agreed that, subject to certain exceptions, it shall not issue or agree to issue any preferred shares or other securities convertible into, or exchangeable for, preferred shares or any other shares with provisions or characteristics similar to the Series 1 Shares prior to 60 days after the Offering Closing Date without the prior consent of RBC Dominion Securities Inc. and Scotia Capital Inc. on behalf of the Underwriters, which consent shall not be unreasonably withheld or delayed.

Pursuant to policy statements of certain securities regulators, the Underwriters may not, throughout the period of distribution, bid for or purchase Series 1 Shares. The policy statements allow certain exceptions to the foregoing prohibitions. The Underwriters may only avail themselves of such exceptions on the condition that the bid or purchase not be engaged in for the purpose of creating actual or apparent active trading in, or raising the price of, the Series 1 Shares. These exceptions include a bid or purchase permitted under the Universal Market Integrity Rules for Canadian Marketplaces of the Investment Industry Regulatory Organization of Canada, 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. Pursuant to the first mentioned exception, in connection with the Offering, the Underwriters may over-allot or effect transactions which stabilize or maintain the market price of the Series 1 Shares at levels other than those which otherwise might prevail on the open market. Such transactions, if commenced, may be discontinued at any time.

The Series 1 Shares have not been and will not be registered under the U.S. Securities Act, or the securities laws of any state of the United States and, accordingly may not be offered or sold within the United States.

## RELATIONSHIP AMONG THE CORPORATION AND THE UNDERWRITERS

Each of RBC Dominion Securities Inc., Scotia Capital Inc., BMO Nesbitt Burns Inc., CIBC World Markets Inc., National Bank Financial Inc. and TD Securities Inc. is, directly or indirectly, a wholly-owned or majority-owned subsidiary of a Canadian chartered bank that is a lender to Pembina and its subsidiaries (the "**lenders**") and to which the Corporation or its subsidiaries is currently indebted. Consequently, the Corporation may be considered to be a connected issuer of each Underwriter under applicable securities laws. The net proceeds of this Offering will partially be used by Pembina to reduce short term indebtedness under its credit facilities, which short term indebtedness was incurred to fund Pembina's capital program, including expenditures related to expansions of the Cutbank Complex, Resthaven and Saturn projects and the Redwater fractionator expansion. The debt outstanding under Pembina's credit facilities is unsecured. See "Use of Proceeds".

As at July 18, 2013, approximately $282.7 million was owed to the lenders in aggregate under Pembina's credit facilities. Pembina is in compliance with all material terms of the agreements governing such credit facilities and none of the lenders has waived any material breach by Pembina of such agreements since their execution. The financial position of Pembina has not changed substantially and adversely since the indebtedness under these facilities was incurred.

The decision to distribute the Series 1 Shares offered hereby and the determination of the terms of the distribution were made through negotiations between RBC Dominion Securities Inc. and Scotia Capital Inc. on their own behalf and on behalf of the other Underwriters. The lenders under Pembina's credit facilities did not have any involvement in such decision or determination, but have been advised of the issuance and the terms thereof. As a consequence of this Offering, each of RBC Dominion Securities Inc., Scotia Capital Inc., BMO Nesbitt Burns Inc., CIBC World Markets Inc., National Bank Financial Inc. and TD Securities Inc. will receive its share of the Underwriters' fee and each of the lenders will receive a portion of the proceeds from this Offering from the Corporation as a repayment of outstanding indebtedness under Pembina's credit facilities. The credit facilities will then be available to be drawn by Pembina, as required, to fund a portion of the Corporation's capital expenditure program, including capital expenditures relating to Pembina's growth projects, and for general corporate purposes. See "Use of Proceeds".

## CREDIT RATINGS

The Series 1 Shares have been rated Pfd-3 by DBRS Limited ("**DBRS**") and P-3 (High) by Standard & Poor's ("**S&P**") (DBRS and S&P are each a "**Rating Agency**" and together the "**Rating Agencies**"). Credit ratings are intended to provide investors with an independent measure of credit quality of an issue of securities. The Rating Agencies' ratings for preferred shares range from a high of Pfd-1 to a low of D for DBRS and from a high of P-1 to a low of D for S&P.

According to the DBRS rating system, securities rated Pfd-3 are of adequate credit quality. While protection of dividends and principal is still considered acceptable, the issuing entity is more susceptible to adverse changes in financial and economic conditions, and there may be other adverse conditions present which detract from debt protection. "High" or "low" grades are used to indicate the relative standing within a rating category. The absence of either a "high" or "low" designation indicates the rating is in the middle of the category.

According to the S&P rating system, securities rated P-3 are regarded as having significant speculative characteristics. While such securities will likely have some quality and protective characteristics, these may be outweighed by large uncertainties or major exposures to adverse conditions. The ratings from P-1 to P-5 may be modified by "high" and "low" grades which indicate relative standing within the major rating categories.

Credit ratings are intended to provide investors with an independent measure of credit quality of an issue of securities. Credit ratings are not recommendations to purchase, hold or sell securities and do not address the market price or suitability of a specific security for a particular investor. There is no assurance that any rating will remain in effect for any given period of time or that any rating will not be revised or withdrawn entirely by a rating agency in the future if, in its judgment, circumstances so warrant.

The Corporation will pay fees to each of S&P and DBRS for the credit ratings to be rendered on the Series 1 Shares. The Corporation has also paid fees to each of S&P and DBRS for credit ratings provided on other outstanding securities of the Corporation. Additional information relating to such other ratings is included under the heading "*Description of the Capital Structure of the Corporation - Credit Ratings*" in the AIF. Other than those payments made in respect of credit ratings, no additional payments have been made to either of S&P and DBRS for any other services provided to the Corporation during the past two years.

## RISK FACTORS

An investment in the Series 1 Shares is subject to various risks including those risks inherent to the industries in which Pembina operates. Before deciding whether to invest in any Series 1 Shares, prospective purchasers of Series 1 Shares should consider carefully the risk factors contained in and incorporated by reference in the Prospectus and in this prospectus supplement.

Discussions of certain risks affecting Pembina in connection with its business are provided in Pembina's annual disclosure documents filed with the various securities regulatory authorities which are incorporated by reference in the Prospectus.

### Market for Securities

There is currently no market through which the Series 1 Shares may be sold and purchasers of Series 1 Shares may not be able to resell the Series 1 Shares purchased under this prospectus supplement. The price offered to the public for the Series 1 Shares and the number of Series 1 Shares to be issued have been determined by negotiations among the Corporation and the Underwriters. The price paid for each Series 1 Share may bear no relationship to the price at which the Series 1 Shares will trade in the public market subsequent to this Offering. The Corporation cannot predict at what price the Series 1 Shares will trade and there can be no assurance that an active trading market will develop for the Series 1 Shares or, if developed, that such market will be sustained. The TSX has conditionally approved the listing of the Series 1 Shares and Series 2 Shares described in this prospectus supplement. Listing is subject to the Corporation fulfilling all the listing requirements of the TSX on or before October 17, 2013, including distribution of the Series 1 Shares and, at the time of any conversion into Series 2 Shares, to a minimum number of public securityholders.

### Market Price

The market price of the Series 1 Shares and Series 2 Shares may fluctuate due to a variety of factors relative to the Corporation’s business, including announcements of new developments, change in credit ratings, fluctuations in the Corporation’s operating results, sales of the Series 1 Shares and Series 2 Shares in the marketplace, failure to meet analysts’ expectations, any public announcements made in regard to this Offering, the impact of various tax laws or rates and general market conditions or the worldwide economy. In recent years, stock markets have experienced significant price fluctuations, which have been unrelated to the operating performance of the affected companies.

There can be no assurance that the market price of the Series 1 Shares and Series 2 Shares will not experience significant fluctuations in the future, including fluctuations that are unrelated to the Corporation's performance.

Prevailing yields on similar securities will affect the market value of the Series 1 Shares and Series 2 Shares. Assuming all other factors remain unchanged, the market value of the Series 1 Shares and Series 2 Shares would be expected to decline as prevailing yields for similar securities rise and would be expected to increase as prevailing yields for similar securities decline. Spreads over the Government of Canada Yield, T-Bill Rate and comparable benchmark rates of interest for similar securities will also affect the market value of the Series 1 Shares and Series 2 Shares in an analogous manner.

**Dividends**

The uncertainty of future dividend payments by the Corporation and the level thereof as the Corporation's dividend policy and the funds available for the payment of dividends from time to time will be dependent upon, among other things, operating cash flow generated by the Corporation and its subsidiaries, financial requirements for the Corporation's operations and the execution of its growth strategy and the satisfaction of solvency tests imposed by the *Business Corporations Act* (Alberta) for the declaration and payment of dividends.

The dividend rate for the Series 1 Shares and the Series 2 Shares will reset every five years and quarterly, respectively. In each case, the new dividend rate is unlikely to be the same as, and may be lower than, the dividend rate for the applicable preceding period. Investments in the Series 2 Shares, given their floating interest component, entail risks not associated with investments in the Series 1 Shares. The resetting of the applicable rate on a Series 2 Share may result in a lower yield compared to fixed rate Series 1 Shares. The applicable rate on a Series 2 Share will fluctuate in accordance with fluctuations in the T-Bill Rate on which the applicable rate is based, which in turn may fluctuate and be affected by a number of interrelated factors, including economic, financial and political events over which the Corporation has no control. See "Details of the Offering — Certain Provisions of the Series 2 Shares — Dividends on Series 2 Shares".

**Credit Ratings**

The credit ratings applied to the Series 1 Shares are an assessment, by the Rating Agencies, of the Corporation's ability to pay its obligations. The credit ratings are based on certain assumptions about the future performance and capital structure of the Corporation that may or may not reflect the actual performance or capital structure of the Corporation. Changes in credit ratings of the Series 1 Shares may affect the market price or value and the liquidity of the Series 1 Shares. There is no assurance that any credit rating assigned to the Series 1 Shares will remain in effect for any given period of time or that any rating will not be lowered or withdrawn entirely by the relevant rating agency. See "Credit Ratings".

**Insolvency or Winding-Up**

The Series 1 Shares and Series 2 Shares are equity capital of the Corporation which rank equally with other Class A Preferred Shares, if any, 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 the Series 1 Shares, Series 2 Shares and other Class A Preferred Shares, if any.

**Automatic Conversion**

An investment in the Series 1 Shares may become an investment in Series 2 Shares without the consent of the holder in the event of an automatic conversion of the Series 1 Shares into Series 2 Shares. Upon such automatic conversion, the dividend rate on the Series 2 Shares will be a floating rate that is adjusted quarterly by reference to the T-Bill Rate which may vary from time to time while the dividend rate on the Series 1 Shares will be, for each five-year period, a fixed rate that is determined by reference to the Government of Canada Yield on the 30th day prior to the first day of each such five-year period. In addition, holders may be prevented from converting their Series 1 Shares into Series 2 Shares in certain circumstances. See "Details of the Offering".

**No Fixed Maturity**

Neither the Series 1 Shares nor the Series 2 Shares have a fixed maturity date and are not redeemable at the option of the holders of Series 1 Shares or the Series 2 Shares, as applicable. The ability of a holder to liquidate its holdings of Series 1 Shares and the Series 2 Shares, as applicable, may be limited.

**No Voting Rights**

Holders of Series 1 Shares and Series 2 Shares will not generally have voting rights at meetings of shareholders of the Corporation except under limited circumstances. See "Details of the Offering".

**Redeemable**

The Corporation may choose to redeem the Series 1 Shares and/or Series 2 Shares from time to time, in accordance with its rights described under "Details of the Offering — Certain Provisions of the Series 1 Shares — Redemption of Series 1 Shares" and "Details of the Offering — Certain Provisions of the Series 2 Shares — Redemption of Series 2 Shares", including when prevailing interest rates are lower than yield borne by the Series 1 Shares and Series 2 Shares. If prevailing rates are lower at the time of redemption, a purchaser would not be able to reinvest the redemption proceeds in a comparable security at an effective yield as high as the yield on the Series 1 Shares or Series 2 Shares being redeemed. The Corporation's redemption right may also adversely impact a purchaser's ability to sell Series 1 and Series 2 Shares.

**Incurrence of Additional Indebtedness**

Pembina may incur additional indebtedness that may adversely affect its ability to meet its financial obligations under the Series 1 Shares.

Pembina may incur additional indebtedness in the future, which could have important consequences to holders of the Series 1 Shares, including the following:

- Pembina could have insufficient cash to meet its financial obligations, including obligations under the Series 1 Shares;
- the ability to obtain additional financing for working capital, capital expenditures or general corporate purposes may be impaired; and
- a significant degree of debt could make Pembina more vulnerable to changes in general corporate and industry conditions.

**Refinancing Risks**

Pembina may be exposed to additional risks such as interest rate and refinancing risk, capital market risk and industry risk. Details associated with these risks can be found in the AIF and the Annual MD&A which are incorporated by reference in the Prospectus.

## ELIGIBILITY FOR INVESTMENT

In the opinion of Blake, Cassels & Graydon LLP, counsel to Pembina, and Bennett Jones LLP, counsel to the Underwriters, based on current provisions of the Tax Act, subject to the provisions of any particular plan, the Series 1 Shares offered hereby, if issued on the date hereof, generally would be qualified investments for purposes of the Tax Act for trusts governed by registered retirement savings plans ("**RRSPs**"), registered retirement income funds ("**RRIFs**"), registered disability savings plans, registered education savings plans, deferred profit sharing plans and tax free savings accounts ("**TFSAs**"), each as defined in the Tax Act.

Notwithstanding that the Series 1 Shares may be qualified investments for a trust governed by an RRSP, RRIF or a TFSA, the annuitant under an RRSP or RRIF or the holder of a TFSA may be subject to a penalty tax if such Series 1 Shares are "prohibited investments" for the RRSP, RRIF or TFSA within the meaning of the Tax Act. The Series 1

Shares will be a "prohibited investment" if the annuitant under the RRSP or RRIF, or the holder of the TFSA, as the case may be, (i) does not deal at arm's length with Pembina for purposes of the Tax Act and (ii) has a "significant interest" (as defined in the Tax Act) in Pembina or (iii) has a "significant interest" (as defined in the Tax Act) in any corporation, partnership or trust with which Pembina does not deal at arm's length for purposes of the Tax Act. The Department of Finance (Canada) released draft legislation on December 21, 2012 (the "**December 2012 Proposals**") that proposes to eliminate the condition in (iii) above.

**Prospective investors who intend to hold Series 1 Shares in their RRSP, RRIF or TFSA should consult their own tax advisers regarding whether the Series 1 Shares will be a prohibited investment in their particular circumstances, including with respect to the December 2012 Proposals.**

## CERTAIN CANADIAN FEDERAL INCOME TAX CONSEQUENCES

In the opinion of Blake, Cassels & Graydon LLP, counsel to the Corporation, and Bennett Jones LLP, counsel to the Underwriters, the following summary, as of the date hereof, describes the principal Canadian federal income tax considerations generally applicable under the provisions of the Tax Act to a prospective purchaser of Series 1 Shares pursuant to this prospectus supplement who, at all relevant times, for the purposes of the Tax Act, is (or is deemed to be) resident in Canada, holds the Series 1 Shares and will hold the Series 2 Shares, as applicable, as capital property, and deals at arm's length with the Corporation and the Underwriters and is not affiliated with the Corporation or the Underwriters (a "**Holder**"). Generally, the Series 1 Shares or Series 2 Shares will be considered to be capital property to a Holder provided the Holder does not hold the shares in the course of carrying on a business of trading or dealing in securities and has not acquired them in one or more transactions considered to be an adventure in the nature of trade. Certain Holders who might not otherwise be considered to hold their Series 1 Shares or Series 2 Shares as capital property may, in certain circumstances, be entitled to have them and all other "Canadian securities" (as defined in the Tax Act) owned by them treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act. Holders who do not hold their Series 1 Shares or will not hold their Series 2 Shares, as applicable, as capital property should consult their own tax advisers with respect to their own particular circumstances. This summary assumes the Series 1 Shares and the Series 2 Shares will be listed on a designated stock exchange in Canada under the Tax Act (which currently includes the TSX) at all relevant times.

This summary is not applicable to a Holder: (i) that is a "financial institution", as defined in the Tax Act for the purpose of the "mark-to-market" rules; (ii) an interest in which would be a "tax shelter investment" as defined in the Tax Act; (iii) that is a "specified financial institution" as defined in the Tax Act; or (iv) which has made a "functional currency" election under the Tax Act to determine its Canadian tax results in a currency other than Canadian currency. Any such Holder should consult its own tax advisors with respect to an investment in the Series 1 Shares.

This summary is based upon the current provisions of the Tax Act, all specific proposals to amend the Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the "Proposals"), existing case law and counsel's understanding of the current published administrative and assessing practices of the Canada Revenue Agency. This summary assumes the Proposals will be enacted in the form proposed; however, no assurance can be given that the Proposals will be enacted in their current form, or at all. This summary is not exhaustive of all possible Canadian federal income tax considerations and, except for the Proposals, does not take into account or anticipate any changes in law, 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.

**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 Holder of Series 1 Shares or Series 2 Shares. No representations are made with respect to the income tax consequences to any particular Holder. Consequently, prospective Holders should consult their own tax advisers with respect to their particular circumstances for advice with respect to the tax consequences to them of acquiring, holding and disposing of the Series 1 Shares or the Series 2 Shares, including the application and effect of the income and other tax laws of any country, province, state or local tax authority.**

**Dividends**

Dividends (including deemed dividends) received (or deemed to be received) on the Series 1 Shares or the Series 2 Shares, as the case may be, by a Holder that is an individual (other than certain trusts) will be included in such Holder'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 Corporation. By notice in writing on the Corporation's website, the Corporation advised its shareholders that effective October 1, 2010, all dividends paid by the Corporation will be "eligible dividends" unless otherwise notified for Canadian tax purposes. Management of the Corporation has advised counsel that the Corporation anticipates that the dividends paid to the holders of the Series 1 Shares and the Series 2 Shares will be designated as eligible dividends unless otherwise notified and that the Corporation will update its website to this effect.

Dividends received by a Holder who is an individual (other than certain trusts) may give rise to a liability for alternative minimum tax under the Tax Act.

Dividends (including deemed dividends) received on the Series 1 Shares or the Series 2 Shares, as the case may be, by a Holder which is a corporation will be included in computing the Holder's income and will generally be deductible in computing the Holder's taxable income. A "private corporation", as defined in the Tax Act, or any other corporation controlled (whether by reason of a beneficial interest in one or more trusts or otherwise) by or for the benefit of an individual (other than a trust) or a related group of individuals (other than trusts), 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 Shares or the Series 2 Shares, as the case may be, to the extent such dividends are deductible in computing its taxable income.

The Series 1 Shares and the Series 2 Shares will be "taxable preferred shares" as defined in the Tax Act. The terms of the Series 1 Shares and the Series 2 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 Shares or the Series 2 Shares.

**Dispositions**

A Holder who disposes of or is deemed to dispose of Series 1 Shares or Series 2 Shares (on the redemption of such shares or otherwise but not including on a conversion of Series 1 Shares into Series 2 Shares or a conversion of Series 2 Shares into Series 1 Shares) will generally realize a capital gain (or 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 Shares or Series 2 Shares, as the case may be, will generally not be included in computing the Holder's proceeds of disposition for purposes of computing the capital gain (or capital loss) arising on the disposition of such Series 1 Shares or Series 2 Shares, as the case may be. See "— Redemption" below. If the Holder is a corporation, any capital loss arising on a disposition of a Series 1 Share or a Series 2 Share, as the case may be, may, in certain circumstances, be reduced by the amount of any dividends, which have been received (or deemed to be received) on the Series 1 Share or Series 2 Share or any share which was converted into such share. Analogous rules apply to a partnership or trust of which a corporation, partnership or trust is a member or beneficiary.

Generally, one-half of any capital gain will be included in computing the Holder's income in the year of disposition as a taxable capital gain and one-half of any capital loss (an "allowable capital loss") must be deducted from the Holder's taxable capital gains in the year of disposition. Allowable capital losses in excess of taxable capital gains for a taxation year generally may be carried back up to three taxation years or carried forward indefinitely and deducted against net taxable capital gains in those other taxation years. Capital gains realized by an individual may give rise to a liability for alternative minimum tax under the Tax Act. 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 Shares or Series 2 Shares, or otherwise acquires or cancels Series 1 Shares or Series 2 Shares (other than by a purchase by the Corporation of the shares 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 (as determined for purposes of the Tax Act) of such shares at such time. 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. See "— Dispositions" above. In the case of a Holder that is a corporation, 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.

**Conversion**

The conversion of Series 1 Shares into Series 2 Shares and the conversion of Series 2 Shares into Series 1 Shares will not constitute a disposition of property for purposes of the Tax Act and, accordingly, will not give rise to a capital gain or capital loss. The cost to a Holder of the Series 2 Shares or Series 1 Shares, as the case may be, received on the conversion will, subject to the cost averaging rules contained in the Tax Act for identical properties, be deemed to be equal to the Holder's adjusted cost base of the converted Series 1 Shares or Series 2 Shares, as the case may be, immediately before the conversion.

## INTERESTS OF EXPERTS

Certain legal matters relating to the Offering will be passed upon by Blake, Cassels & Graydon LLP, on behalf of Pembina, and by Bennett Jones LLP, on behalf of the Underwriters. As at the date of this prospectus supplement, the partners and associates of Blake, Cassels & Graydon LLP, and the partners and associates of Bennett Jones LLP, each as a group, own, directly or indirectly, less than 1% of each class of outstanding securities of the Corporation.

The auditors of the Corporation are KPMG LLP, Chartered Accountants, of Calgary, Alberta, Canada. KPMG LLP has confirmed that they are independent with respect to the Corporation within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta.

Prior to the completion of the Provident Arrangement, the auditors of Provident were PricewaterhouseCoopers LLP, Chartered Accountants, of Calgary, Alberta, Canada. PricewaterhouseCoopers LLP has confirmed that they were independent with respect to Provident within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta.

## AUDITORS, TRANSFER AGENT AND REGISTRAR

The Corporation's auditors are KPMG LLP, Chartered Accountants, Calgary, Alberta.

The transfer agent and registrar for the Series 1 Shares and Series 2 Shares is Computershare Trust Company of Canada at its principal offices in Calgary, Alberta, and Toronto, Ontario.

## 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, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revisions of the price 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 advisor.

## CERTIFICATE OF THE UNDERWRITERS

Date: July 19, 2013

To the best of our knowledge, information and belief, the short form prospectus, together with the documents incorporated in the prospectus by reference, as supplemented by the foregoing, constitutes full, true and plain disclosure of all material facts relating to the securities offered by the prospectus and this supplement as required by the securities legislation of each of the provinces of Canada.

| **RBC DOMINION SECURITIES INC.** | **SCOTIA CAPITAL INC.** |
| --- | --- |
| By: (signed) *"Douglas Pearce"* | By: (signed) *"Cameron Goldade"* |

| **BMO NESBITT BURNS INC.** | **CIBC WORLD MARKETS INC.** | **NATIONAL BANK FINANCIAL INC.** | **TD SECURITIES INC.** |
| --- | --- | --- | --- |
| By: (signed) "*Aaron M. Engen*" | By: (signed) "*Denis Rajotte*" | By: (signed) "*Iain Watson*" | By: (signed) "*Alec W.G. Clark*" |